

NEW IDEA? NINE SURE STEPS FOR GETTING BOARD BUY-IN

A nonprofit executive I met recently asked how he could get his Board of Directors to buy into the idea of starting a business. He characterized the board as old school and by the book. After we agreed that a risk-averse board is not inherently bad—and acknowledged that a board's duty of care requires members to exercise prudence in decision-making—I suggested nine ways he could prime the pump. Maybe they can help you, too.

1. **Be sure that you're ready to move**

forward. As a young adult, I was sincerely convinced that my dad was the most negative person I had ever encountered. He shot down nearly every idea I had for bettering the world (and myself in turn). It was either unrealistic, too expensive, too time consumptive, or just a bad idea to begin with. What I didn't recognize until much later was the degree of wisdom he was demonstrating. In his words, "When you're enthused about an idea, it's easy to see only the positives and totally overlook the negatives. I'm helping you see the downside."

Having a profitable business may certainly be a great way to underwrite some of the costs of running a successful not-for-profit but don't be misled: getting to profitability takes a lot of hard work and perhaps even a few failures. Profitability also involves a huge commitment of resources of every type, and what involves you *personally*, will take away from the resources you can give elsewhere. Be sure of your own readiness for the venture before moving forward. Be careful not to allow enthusiasm to obscure what you see.

2. **Be sure that you're ready to move**

forward. Don't go overboard here. Remember, you're *seeking* board concurrence; you don't have it yet. Save your time and energy for when you get the go-ahead. Do a simple pre-feasibility

analysis of high-level strengths, weaknesses, opportunities, and threats (SWOT analysis) to see if there is any critical element that would prevent successful operation. A good example is if your organization has a high debt to asset ratio. Piling on more debt would not be a good idea; therefore, further consideration of a business (at this time) would be ill advised. If, however, your pre analysis is positive, you can probe further with a more thorough feasibility study, which among other benefits can point your organization toward a specific matched business opportunity. Share both findings with your board when appropriate, but affirm again that your sole purpose is to keep them abreast of future potential opportunities. You are making no specific recommendations at the time.

3. **Give your board time to process the idea of a business before putting a specific proposal in front of them.**

In my early CEO days, one of my board members often made the point that I didn't give them enough time to digest an idea before calling for action. Then, I disagreed—how much time does it take!? Now, with a bit more seasoning, I see that he was probably right. Consider for a moment how much time you have spent thinking about whether a business would work for your organization, the type of business you would like to start, potential costs and benefits, and a host of other things. Now, think about presenting all this information to your board in a meeting or

two, and asking for endorsement. You will likely not get it. Remember, boards are caretakers of a public trust and as such, they tend to be risk averse. New ideas take time. Big ideas take even longer.

4. **Share supportive information in digestible bytes.**

This is a critical step. Just as it is important to give your board *time* to fully consider an idea, it may be equally helpful to break the concept into smaller bits of information that can be shared over time. An example. In one of my first forays into starting a business as a nonprofit CEO, and knowing that one of my board members had already called me a *money-monger*, I knew that getting approval would not be quick. Over time, therefore, and as opportunity, I included articles on nonprofit business ownership with monthly board communications—some times not even mentioning. Occasionally, however, I would highlight a particular success story but not ask for board comments. My intent was simple: inoculate the board against the “strangeness” of owning a business that could produce net income to support programs.

After nearly a year and a half, I asked my board if I could have a sense of whether it would support a business venture if I could show that the business would be mission-consistent and revenue-positive? I had nothing particular in mind at that point. Not surprisingly, its response was a unanimous YES. They had been educated over time and were not threatened by how the question was framed.

5. **Educate. Educate. Educate.** I am making the assumption that your board is as yet not really aware of the net benefits of a business to your organization. Maybe they are not even convinced that a business is appropriate or legal for a nonprofit. Properly educating—over time—should deal with these concerns quite well. Here are some approaches that should work. Don’t provide a treatise when a primer may be all that’s necessary. Keep it short and simple and

don’t overwhelm with detail. (One of the mistakes we all tend to make as CEOs is assuming board members are as interested in our work as we are. They aren’t!)

- a. Discuss **related** versus **unrelated** business income.
- b. Talk about the practical concerns that area businesses might interpret a new business as unfair business competition.
- c. Share stories of other 501c(3)s that are operating successful businesses.
- d. Discuss alternative forms of operating a business, e.g. LLC.
- e. Invite the CEO’s of nonprofits that operate businesses to meet with your board to candidly discuss their experiences.

Although you’re eager to inform your board about all the benefits of operating a business, convincing them that those benefits can be yours too, will probably take time. Remember: plod, don’t sprint. At any point your board believes that you are trying to force-feed a conclusion, your efforts are in real danger of being nuked.

6. **Make starting a business the topic of a board discussion.**

Don’t push for a decision; just discuss it. For me, the approach was all about more revenue predictability. I didn’t like being tied to donor contributions that were beyond my direct control. What are *your* reasons for wanting a business? Share your thoughts. Perhaps even more importantly, give yourself the opportunity to hear from the *board’s* collective wisdom. It just might be what you need to hear.

7. **Identify trickle-down benefits to owning a business.**

There are many differences between the for-profit and not-for-profit worlds. I have a real sense that if each sector would study the other a bit more, both would be improved. For now, since we’re targeting benefits from a for-profit business, here are a few that rise to the surface.

- a. *Greater focus on metrics and measurement of performance against budgeted expectations.* Business has one goal: to make money. To achieve that objective, business owners and managers must keep a vigilant eye on their P&L, which is a proxy measure on effectiveness. The soft products of most not-for-profit organizations, however, make similar measures of effectiveness quite difficult. In fact, measuring anything qualitatively is harder than measuring quantitatively. Unfortunately, many of us tend simply to accept that we can't have good metrics in the Third Sector. Not so. They just take more effort.
- b. *Bottom-line emphasis.* I am not referring so much to net profitability as I am to a laser focus on what is important. For the nonprofit, it is always delivering a service in just the right way and in the right amount to optimally benefit a targeted population in need. Although our motives are good, it is easy to get lost in a means/end displacement chasing how well do something is being done versus the impact that is being made.
- c. *More direct cause and effect.* In the profit world, if we want to know why customer count fell last month, we carefully study a multitude of potentially causal reasons. Aha, we raised our fee! IF we must aggressively seek out cause and effect in the profit world *just to survive*, wouldn't it be great to think that some of that disciplined mindset might very well spill over into our nonprofit management as well?
- d. *Quicker feedback loop.* I can think of nothing that's more destructive to good nonprofit metrics than the lengthy delay between introduction of a cause, and its effect. That reason alone is a powerful disincentive to even establishing metrics in the first place. My point is this, however: if you *know* and *use* metrics in your profit making world, chances are good you'll use them also in your not-for-profit world.
- 8. Communicate from an open mind.** Maybe this one falls into the category of street smarts, but if you approach your board with your mind already set on a new business, expect to fail. They will see you coming long before you ever mutter your first words. Remember, you and your board are in a partnership—for the good of the organization. As intelligent as you might be on your endeavor, there's wisdom in the multitude of counselors.
- 9. Keep at it.** You are not in a sprint; you're in a marathon. Take a long haul approach to this matter and you just might pull it off. Or you might not. Either way, you and your organization will likely be better off.

Rus has more than 30 years as the chief executive of various public and nonprofit organizations and served as Chief Executive Officer for two nonprofit organizations over the past several years. It was during this time that he consulted with more than a hundred executives on numerous issues ranging from business start-up to complex growth strategies. His substantial creativity and relentless pursuit of the exceptional helped him develop a unique expertise in the fledgling field of nonprofit business.

Rus has guest lectured at Illinois Central College, Illinois Wesleyan University, Illinois State University, and Northern Illinois University. While working on a doctorate degree at the University of Florida (UF), Rus was an adjunct professor of management, sales, advertising, and personnel at Florida Community College - Jacksonville. In 2002 he was a candidate for the Illinois State Senate and has an MPA from Northern Illinois University (NIU). Rus can be reached at RKinzinger@TalonCompany.com.