

How Entrepreneurial Savvy Is Your Association?

Having reviewed a large number of association strategic and business/tactical plans, I can safely say that most contain new initiatives that require some form of entrepreneurship competencies to achieve expected revenue outcomes. There is often a poor link between some strategies and business plans. A poor link creates a gap, and the larger the gap the less chance strategy will be successfully implemented. I have noted that strategic initiatives to implement new products and services often stall or do not reach their potential. In many cases, I suspect this may be due to limited resources, excessive workload and/or lack of staff entrepreneurial capacity.

It is not unusual to find a Chief Staff Officer with entrepreneurial spirit wanting to move forward with new initiatives but unable to do so as the risk of failure is considered to be too high. The risk is often too high because the board is unprepared to abandon some existing marginal products and services, or it is unrealistic about the real investment required. Often the board wants new initiatives developed from existing resources.

On the other hand, I have seen some entrepreneurial board members become frustrated because things don't happen as quickly as they think they should, or the outcomes are never achieved because staff doesn't possess the required entrepreneurial competencies.

Should boards and staff have an entrepreneurial attitude?

Strategic plans that call for new initiatives requiring entrepreneurial competencies seem to move not-for-profits out of a rut, and overall performance improves, as does the level of membership satisfaction. This would suggest that one or more directors on the board should have an entrepreneurial attitude and one or more staff or engaged contractors should also have this attitude, and be able to perform as entrepreneurs.

I recall working with a task force charged with the responsibility of providing recommendations on how to grow its membership and put in place some new revenue generating products and services. The group was very entrepreneurial. It was dynamic, and discussions were exciting. Whether by accident or strategically placed, one member of the group was not entrepreneurial and would not be described as a "change agent". This person often helped to bring the group back down to earth and provided some balance to the discussion. The task force's final recommendations, while accepted, did not look as though they were going to be acted upon in a timely manner. This group of entrepreneurs eventually joined the board and became the new leaders. They removed some staff and other road blocks in order to get their recommendations implemented. Entrepreneurs are passionate and driven. Understanding their characteristics and competencies is important if you wish to engage them in growth strategies.

Entrepreneurial competencies call for people who are able to start a new business venture and have knowledge, skills and an attitude that will seek out the opportunities for the new business venture and take calculated risks. Are entrepreneurs born this way or are they made? I think the jury is still out on this question. However, some people are naturally more entrepreneurial than others. It is possible to acquire knowledge and skills to support entrepreneurial activity. However, those who are extremely entrepreneurial seem to share a constellation of personality traits. If you want to have entrepreneurial competencies on your board and staff, some of the characteristics that should be looked for as part of the recruitment process follows:

Entrepreneur Characteristics

- Tend to see a bigger picture
- Are not afraid to do new things and bring resources together to make things happen
- Are able to make deals, work relationships, and build organizations
- Have a strong drive and high energy level and work hours beyond the norm
- Believe in themselves and their ability to achieve goals
- Are able to set clear goals and objectives that are challenging, yet realistic and feasible, and will result in rewards
- Are persistent
- Are flexible
- Want to control their own destiny
- Are able to solve problems to make things move forward
- Are not scared of risks and failure, and tend to take calculated risks
- Look for input on performance to make corrections and build on lessons learned
- Are able to assume the responsibility for success or failure
- Use experts or others to help support organization and operating details
- Measure progress and compete with themselves
- Love their dreams and move forward with great enthusiasm and commitment

These individuals embrace innovation and renovation of activities as potential for doing something new, but doing it to generate new revenue. They see the whole picture, not only designing, developing and implementing but also longer term sustainability.

Should your association have a specific entrepreneurship strategy or just assume it is inherent in all other strategies?

If there is limited entrepreneurial activity going on and it is imperative that non-dues revenue be increased, an entrepreneurship strategy is a must. The strategy will identify the human capital required and will establish policy and processes to support entrepreneurial activity. If the entrepreneurial attitude and competencies exist in board and staff, then an entrepreneurship strategy will not be necessary because entrepreneurship is most likely embedded in all of the organizations activities.

There are a lot of “wannabe” entrepreneurial not-for profits without the volunteer or staff innovators. As a result, the entrepreneur’s new initiatives may never be discussed or started. If these types of people and skills are not in the organization, then the options are to obtain this type of support or do nothing.

How many entrepreneurs are on your board or staff?

Associations looking to implement entrepreneurship strategies need to ensure their processes are solid. They will need to engage in assessments in terms of strategic intent, resources and the market, and conduct critical analysis, determine feasibility, secure the investment required, have measurable strategic and business plans for the initiative, and evaluate on a regular basis.

The not-for-profit sector has traditionally generated revenue from individual membership dues, or donations, sponsorships, voluntarism, and government support. In not-for-profits where membership dues apply, revenue beyond dues is often referred to as non-dues revenue. In not-for-profits without dues, revenue beyond the traditional sources is being referred to as earned income. Social entrepreneurship is growing rapidly as organizations are looking for more sustainability. Traditional sources are not always reliable – the drive to do more to achieve the mission is causing a major shift in revenue generation efforts.

In membership dues-funded associations there has been a shift from dues funding most services to partial user pay services. Another trend is been seen where user pay fees or product and service pricing is more aggressive and covers all direct and indirect costs.

Expanding existing products and services, or introducing new ones, is generating new revenue. Some associations are well established in developing traditional non-dues revenue and are now looking at initiatives beyond events, education and affinity programs. The new initiatives are looking for mission related opportunities to save members money and supply knowledge rather than just information.

The generation of non dues revenue is primarily from members. Some associations have moved their dues from 75 percent of overall revenue to 50 percent. Successful growth strategies are the result of policy decisions and new initiatives. Some policy decisions and initiatives to generate significant non dues revenue are:

- Implementing a user pay policy that includes all direct and indirect costs. It is possible to have exceptions to the policy based on a political or strategic reason.
- Increasing non member fees to 30 or 40 percent of the product or service cost.
- Having a policy with criteria for new product and service approval, or product and service adjustment or abandonment.
- Using technology to reduce cycle times and enhance awareness and access.
- Determining which services members need to support their decision making processes and get their jobs done to move forward with the most feasible new initiatives.

New initiatives could range from developing new or repackaging products and services to increasing market share both in the existing market and expanding into new markets. Whatever mix of initiatives is chosen, entrepreneurial support is required to make things happen.

Some initiatives are a significant business opportunity and organizations may choose to set up a separate organization to manage the business. These situations are rare, but when they do occur they often require a high degree of entrepreneurial support. Most initiatives are kept within the organization and do not stray too far from the mission.

New initiatives require the organization and its entrepreneurs to be aware of not-for-profit requirements established by the Revenue Canada Agency. Due diligence is required, especially if there is limited expertise with the initiative, or it is unrelated to the mission, or it may result in competition with its own members or other not-for-profits.

Getting something started does not usually result in immediate payback. Most non-dues initiatives that are expected to provide a significant return will take time and investment. This can be a significant change for not-for-profits that are cost focused.

A new initiative will also need support from the right people. Dreamers or innovators flush out the concept. Then there are the entrepreneurs who build the concept. Last and equally important are the professionals who will manage ongoing operations.

Questions about associations and entrepreneurial activity were raised with students in the CAE Program. Responses suggest that associations, by their nature, are entrepreneurial, and boards provide staff with opportunities to test abilities, take risks, work creatively and think critically. It was suggested by one student that not accepting the status quo will create an environment where innovation and entrepreneurial spirit will flourish.

Should association managers have competency in entrepreneurship?

Yes, however, they need not be solid entrepreneurs, but must understand its role and attract staff and volunteers with an entrepreneurial spirit.

Students in the CAE Program tackle new product and service assignments that allow them to explore their entrepreneurial knowledge and skills. In reviewing these assignments, I am of the opinion that a large number of association managers are extremely entrepreneurial.

Are you an entrepreneur? To find out, search the Internet. Try several of the entrepreneur tests and see just how entrepreneurial you are.

This column features innovation and practical solutions applied to trends, issues, challenges and opportunities for the association community. Column editor Jim Pealow, MBA, CMA, CAE is a consultant www.amces.com and the CAE Education Program Lead Instructor/Coach for CSAE. He can be reached at jjim@amces.com.

