

## **Get ready, get set: Assessing Readiness**

*The following is the second in a series of six articles prepared by NESsT ([www.nesst.org](http://www.nesst.org)) regarding self-financing for NGOs.*

If you are an NGO in Slovakia, and have an enterprise idea, in most cases this is not enough to be successful. If you feel that you are ready for a challenge because you strongly believe in yourself and your idea, then you should examine your organization, whether you are prepared enough to jump into the deep water. What factors should you examine carefully, and how you can do this? This article highlights the most important elements and factors of this self-assessment process and helps you identify potential difficulties before you start the activity.

The four most important things you have to examine, in order to know whether the organization is ready for the self-financing venture, are the following:

You have to understand and anticipate the implications of self-financing for your mission and core values. Is your idea in accordance with your mission? Are there organizational values that it may threaten? Could it cause an undesirable mission drift? If you are an NGO, whose mission is the rehabilitation of young addicts (e.g. cured alcoholics) into society and your core value is substance-free environment, you probably wouldn't start up a café, which sells alcohol and cigarettes, no matter how lucrative it may seem.

The second important area to assess is organizational support for self-financing among your stakeholders. Who can be supporters or adversaries of the idea and why? First of all, you must have a consensus between the staff members of your NGO that your organization starts the self-financing venture. If you do not have it, or at least, the majority of your staff does not support the idea, valuable time and energy can be wasted on internal battles, instead of focusing on progress. If you are a membership association, it's important to get your members' agreement for starting the self-financing venture. The Board is a key stakeholder for every organization, so it should be kept informed and involved at all times, especially as Board members can provide valuable input into the planning of the venture at a later stage. Equally important may be to find out what your donors and supporters think about the idea, as you wouldn't want to eliminate them. Those stakeholders that support you can be your allies in convincing the others!

The third area to assess is your organizational readiness for self-financing: do you have the skills, experience, capacity and time for starting a venture? Or is your staff already working 120 hours a week on your programmes? If you are an environmental NGO dealing with energy efficiency, it could be obvious to start a consulting-type service, since "that is what we are doing anyway, that is what we know how to do". Then the question is whether any of your staff members who have expertise in the field, has the capacity (time, energy, etc.) to work as a consultant in addition to the projects they already manage. Perhaps your organization will need extra staff to do the work, or you should change the division of labor internally, to make sure that you are able to provide the service? Organizational capacity also includes infrastructure, which oftentimes is key

to being able to provide a service or produce a product. If there is no drinking water on your premises, it is doubtful that you will be able to run a restaurant as a self-financing venture.

The fourth factor to assess is your financial readiness for self-financing. You have to look carefully whether your organization has sufficient financial health and stability, freely usable funding, and financial/accounting systems needed to undertake self-financing. Basically, what you have to examine at this point is whether you are “standing on several legs” financially (your organization has diverse sources of funding), and you are not struggling with liquidity problems or that you are able to invest some of your own resources in the startup of the venture. Tracking financial transactions and movements (orders, invoices, payments) becomes very important for a venture, therefore you should make sure that you will have at least some basic systems in place, which will allow you to see how many orders are in the queue or how many clients have not paid you yet. Assessing your overall financial situation may be as simple as a quick quiz, such as you see below (in a box):

<p><b>QUICK QUIZ</b>  <b>How would you evaluate the overall financial status of your organization?</b>          (Check the box above the answer that best reflects your response).</p>				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>VERY GOOD</b>          "We do not have financial problems and feel financially secure."</p>	<p><b>GOOD ENOUGH</b>          "Basically, we have enough funding to support our main activities, but lack</p>	<p><b>UNSTABLE</b>          "Many of our activities are experiencing financial difficulties</p>	<p><b>POOR</b>          "We can hardly maintain our basic activities/projects because of insufficient</p>	<p><b>VERY POOR</b>          "We are on the verge of financial collapse."</p>
<p>If you responded "unstable," "poor," or "very poor," it is unlikely that your organization possesses the financial health necessary to start up a self-financing venture and you may want to consider whether it is truly the right time to be considering launching or expanding a social enterprise.</p>				

NESsT provides tools for examining all the above areas and so that you get a clear picture whether your organization is really ready for starting the self-financing venture. If you decide to dive in the deep waters, you could become familiar with these soon. The next chapter will focus on how to set goals for your self-financing activity.