

Social Enterprise Reporter

Innovative Solutions for Social Entrepreneurs

Balancing Act The Right Size Scoop of Ice Cream

by Cheryl Dahle

If you ask Jim Schorr how to balance a social mission with bottom-line financial returns, he'll tell you that it all comes down to the size of a proper scoop of ice cream.

Schorr is the Executive Director of Juma Ventures, a social enterprise with a \$3.4 million budget that employs and provides support programs for 150 at-risk teens in the San Francisco area. The variance in the size of cones dipped in Juma's Ben & Jerry's ice cream shops is the difference between making money and losing money for the organization.

So here's the challenge: Employing at-risk youth inherently builds a high turnover rate and the need for additional supervision and training into the business model. New employees with less experience tend to dip more generous cones than the standard scoop. This contributes

INNOVATIVE SOLUTIONS

to a cost of goods rate about 5% higher than a typical Ben & Jerry's franchise. Juma could run a healthier business if it compromised on the number of at-risk youth it employs — but that would defeat the entire purpose of the business.

The scoop-of-ice-cream dilemma is just one example of the tensions inherent in running a social enterprise. But Juma and other social enterprises in REDF's portfolio have some of the longest track records in the field for wrestling with these tough choices. Their experience has shown that while daily trade-offs are necessary, the tension can also be a great source of innovation.

"Sometimes it's a stark choice between serving the finances or the mission," says REDF President Kristen Burns. "But sometimes, you can find a creative solution to make the best of both worlds. The trick is

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The REDF portfolio continues to demonstrate new approaches to the unique challenges faced by social entrepreneurs. REDF (www.redf.org) is one of the longest-running experiments in the field.

Today REDF supports 15 S.F. Bay Area businesses — all run by nonprofits—that employ over 2,400 homeless and low-income individuals. Founded in 1997 by venture capitalist George Roberts, REDF recently dropped its original moniker (The Roberts Enterprise Development Fund) to reflect its incorporation as an independent nonprofit.

This article is the first in a series of three reports, drawing on new lessons from REDF's portfolio of nonprofit enterprises.

Letter to Readers



Welcome to the inaugural issue of the *Social Enterprise Reporter!*

We decided to launch this newsletter to provide you with innovative ideas, tools and contacts to improve the profitability and social impact of your earned-income ventures.

Subscribing to the *Reporter* will help you:

- increase the profitability of new or existing fee-for-service programs and products
- find new opportunities for additional earned-income within your current programs
- replicate solutions and avoid obstacles that have been

faced by other social entrepreneurs

- be an entrepreneurial leader and champion for your organization's social enterprises

The *Reporter's* editorial mission is to search out and report significant business news and practices for social entrepreneurs. In these pages you'll meet other nonprofit entrepreneurs who are going beyond a "money or mission" approach to doing both and furthering their mission through social enterprise.

A look at the SER masthead and roster of contributors will show you that the *Reporter* is an independent publication that offers important ideas and best practices from leaders in the social enterprise field — including practitioners, consultants and academics.

Here are some of the features and news you'll find in the current and upcoming issues:

- Cheryl Dahle begins her series on lessons learned by the portfolio of innovative entrepreneurial organizations funded by REDF (formerly The Roberts Enterprise Development Fund)
- Jerr Boschee writes on entrepreneurial marketing
- Warren Tranquada outlines the stages in the development of a social enterprise at the Grantmakers for Effective Organizations
- Monthly profiles of pioneering Social Enterprise Alliance members, developed in partnership with the SEA

As publisher, I am committed to sustaining an ongoing conversation with readers and providing a place to share your experiences with social enterprise. I look forward to your participation and subscription!

Best wishes,

Tom White
Editor and Publisher

PUBLISHER'S GUARANTEE

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Principles for Market-Driven Entrepreneurs

by Jerr Boschee

Marketing is *not* a business function. It *is* the business.

Marketing begins when the senior management team makes two important strategic decisions: What products or services to offer and what target markets to pursue.

Unfortunately, when most social entrepreneurs begin thinking about marketing, they immediately focus on tactics: Creating a brochure, writing a press release, offering a discount.

Strategic and tactical marketing are certainly related, but *strategic* marketing is the parent and tactical marketing the child.

The key strategic marketing questions are these:

- What business are we in?
- Who are our customers?
- What do they want/need/value?
- Can we provide it?
- *Should* we provide it?
- How should we position ourselves?
- Can we win?

The key *tactical* marketing weapons are these:

- Packaging (product or service design)
- Pricing
- Distribution channels
- Marketing communications (advertising, publicity, sales promotion, personal selling)

As you begin or expand your entrepreneurial marketing efforts, it would be helpful to remember some basic principles:

This is the first in a series of monthly columns about entrepreneurial marketing by Jerr Boschee.

1) Marketing is *not* sales

Too many nonprofits, commercial enterprises and public sector agencies start with their existing products and services, then try to find customers. They are using a technique known as *market push*, trying to force themselves into the marketplace. It may work for a while, but not for long. Savvy social entrepreneurs start with their customers, find out what they want, then build it. They are benefiting from *market pull*, and they learn quickly that there is no more cold-hearted

animal in the world than the market. Social enterprises either provide value to their customers or they die.

2) Less is more

The most common mistake made by social entrepreneurs and others is attempting to be all things to all people rather than focusing on a specific market niche. Practice the art of sacrifice: You become stronger if you reduce your scope. And be a player or don't play at all: If you are not number one or number two in a particular market segment, get out.

3) The mind is the battleground

Perceptions matter — reality does not. You need to be first in a potential customer's *mind*, not in the marketplace. Marketing is fundamentally a battle of ideas, and your goal should be to pre-empt your competitors by making sure you "own" a single word or phrase in the minds of your customers. Think for a moment about the following products: Copier, chocolate bar, ketchup. The odds are they immediately reminded you of the following companies: Xerox, Hershey's, Heinz. If they did, it means those companies "own" you ... they have successfully attached their company name to a generic product and made the generic word or phrase unavailable to their competitors.

4) Don't try to be better – be *different*

Most small businesses trailing in the marketing wars try to emulate the leader. That's almost always a mistake. If you are second or third in the market, position yourself against number one. The classic example is Avis.

Recognizing the slim possibility of overtaking Hertz as the number one car rental company, (continued on page 5)



Jerr Boschee has spent the past 25 years as an advisor to social entrepreneurs in the United States and abroad. To date he has delivered seminars or taught master classes in 41 states and 12 foreign countries and has long been recognized as one of the founders of the social enterprise movement worldwide. He is currently Executive Director of

The Institute for Social Entrepreneurs, which he created in 1999, and Chairman and CEO of Peace Corps Encore!, a nonprofit that re-deploys former Peace Corps volunteers and staff members on short-term assignments in their areas of professional expertise. Please direct your comments to jerr@orbis.net.

Boku Kodama

Kick-Starting Inner-City Vocational Education

by Joe Cody

In 2000, Boku Kodama, Executive Director of Urban VOICE, a technology job-training program for low-income inner-city residents, launched Urban WORKS (West Oakland Reinvestment Kick Start). This new social enterprise provides technical support for social justice and community service organizations, as well as jobs for graduates of the Urban VOICE technology programs.

In the four years since it was launched, Urban WORKS has averaged \$40,000 in annual gross revenues, while



Boku Kodama,
Executive Director,
Urban VOICE

Urban VOICE has an annual operating budget of \$445,000. Kodama coordinates all of Urban WORKS' activities and is the organization's only full-time staff member. He also employs 12 Urban VOICE graduates as on-call technicians and administrative personnel.

Beyond Apprenticeships

"It's actually worked better than we first envisioned," Kodama states. "Originally, we expected to offer apprenticeship opportunities

to Urban VOICE graduates. We negotiated a major contract with the Oakland School District, which liked our students so much that half were offered full-time work."

Kodama maintains that Urban WORKS identifies jobs that need to be filled, and as a social enterprise, has the capability to do that at a lower cost than a for-profit business. "We also offer real job opportunities to people who normally would be on welfare or unemployment, or doing illegal work."

To make computers more available locally — in an area with high unemployment and where less than 20% of the population has access to computers — Urban WORKS has established eight computer centers in nearby nonprofit and faith-based organizations in West Oakland, California, and plans to triple that number. The organization also provides technology services to public housing sites and a youth summer training program.

Urban WORKS laid out two ambitious programs for the City of Oakland ... to support small, minority sub-contractors and employ Urban VOICE graduates

Assisting Minority Subcontractors

For nearly a decade, small Bay Area contractors have struggled to qualify as subcontractors for major public works construction projects, including many with limited understanding of technology and little ability to handle administrative details.

After meeting with top city officials in Oakland searching for new minority subcontractors, Urban WORKS laid out two ambitious programs for the City of Oakland and State Department of Transportation to support small, minority subcontractors and employ Urban VOICE graduates.

- The first program would provide temporary workers, subsidized by the city, who would offer low-cost administrative services to help subcontractors stay within compliance.
- The second program would provide a 'back office' for new subcontractors staffed by Urban VOICE technology and office administration graduates.

The City of Oakland, the Port of Oakland and the State Department of Transportation (CalTrans) recently endorsed the Urban WORKS proposals, and the Department of Transportation will make funding decisions this fall.

Urban VOICE and Social Enterprise

In order to succeed, Kodama says, a social enterprise must be built around the same economic indicators as a for-profit business. As a former entrepreneur who has started over a dozen corporations over the past 25 years, he believes that the difference between success and failure is defined by three broad

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Joe Cody is an Oakland-based freelance writer.

If Not Now, When?

by Philip Arca

Book Review:

Generating and Sustaining Nonprofit Earned Income:

A Guide to Successful Enterprise Strategies, *Yale School of Management-The Goldman Sachs Foundation Partnership on Nonprofit Ventures*

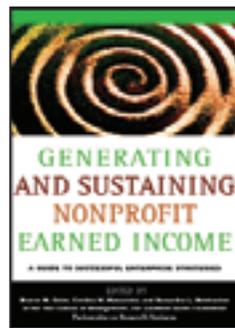
Edited by Sharon M. Oster, Cynthia W. Massarsky, Samantha L. Beinhacker

Jossey-Bass April 2004 \$45

As I can remember the impact of Reagan privatization strategies and Reaganomics on the mental health system of California and the nonprofit sector in the 1980's, arguably I am old enough to recognize political and social cycles and the need for certain movements (like enterprise strategies for nonprofits) to take hold.

With respect to the idea of pursuing earned income after the dot-com

and boldness. And most important, the essay clearly states that boards should stop expecting their leaders to be messiahs, and leaders should not resent the diligent participation of the board. It also highlights the importance of respecting history by referencing the American



Museum of Natural History's effort to keep the name of the Hayden Planetarium, even as it was torn down and rebuilt. As Ellen Futter, Museum President, said, "You must acknowledge nostalgia."

Christopher Lovelock's essay does a great job of distilling market analysis and planning down to these key questions: Where are we?

Where do we want to go? How are we going to get there? What resources are needed? What do we need to do? Are we moving toward our destination? Simple questions with answers that could be powerful.

So how to use this text? It is useful as an overview of earned revenue issues and as a reference shelf text to pull out as needed. Is it worth carrying in your luggage on a trip? Yes, it was a good read, worth lugging around on a trip, and worth the reference book real estate on your shelf. ■

economic fallout, my personal insight is: if not now, when? *Generating and Sustaining Nonprofit Earned Income: A Guide to Successful Enterprise Strategies* is an excellent text for the times — with a caveat: This is not unexplored territory; there is a history. Nonprofits have pursued earned revenue for years. Colleges, hospitals, the selling of cookies, and of course my personal favorite, thrift stores, have been around for many, many years. And a rosy colored vision is one thing, sustaining it is another.

In general, this text gets it right — with sound practical advice, and only a hint of vernacular.

The identified audience is practitioners, and as a practitioner myself, I believe that it hits the mark. Bill Bradley's astute Foreword recognizes that fundraising has never been easy or efficient. And given that, he says earned revenue is one option for organizational reawakening — though it is not without risk and effort.

The book is divided into three well thought out, relevant, informative and practical sections: Business Planning; Finding and Attracting Capital; and Implementation.

I read the essays by the primary editor, Sharon Oster, on Pricing Goods and Services with great interest. I was engrossed in the discussion regarding elasticity and arbitrage, even though these are topics that I have read about often in policy or economics classes.

Another outstanding essay, by Jeffrey Sonnenfield and Maxwell Anderson, on Leadership, does an excellent job of summarizing the key leadership attributes of authenticity, personal dynamism, recognition of others, goal setting,

Philip Arca, MPA, is Executive Director of the Society of St. Vincent de Paul of Alameda County (California), a \$5 million, 90-employee organization; and Board President of the East Bay Resource Center, a small management services organization and grants library serving grassroots organizations.

Boschee

(continued from page 3)

Avis began to trumpet something different: "We're number two!" It was candid, striking and memorable — and it worked.

5) Your entire organization should be driven by marketing

Who is the single most important marketing person in your social enterprise? It's probably the person who answers your phone, the first (and sometimes only) voice a customer will ever hear. A customer's definition of who you are will be formed in the first few minutes of interaction with your company, and first impressions will frequently be lasting. ■

The Income Diversification Journey

by Warren Tranquada

Grantmakers for Effective Organizations (GEO) is a nonprofit membership community, dedicated to maximizing philanthropy's impact by advancing the effectiveness of grantmakers and their grantees. Founded in 1997, GEO incorporated as a 501(c)(3) nonprofit organization in 2002.

Pre-Planning for an Earned-Revenue Strategy

GEO has 600 members, including individuals, organizations, infrastructure organizations and regional associations, which are assessed dues

This regular SER column features organizations engaged in an ongoing process of diversifying their revenue streams through the development of earned-income activities.

contingent upon their assets. These dues, along with foundation grants, are GEO's primary financial support vehicles. Since grant support is likely to decrease as the

organization moves beyond its start-up stage, GEO has begun to consider developing earned-income projects in order to improve sustainability.

The organization decided to follow a deliberate, inclusive process. In the pre-planning period, they established guidelines, prioritization rules and constraints to help the organization choose the best products and prepare for launch (see box above). A careful planning process was

Pre-Planning – What to do before planning your business

Adapted from *Social Entrepreneurship — A Reference Guide*

1. Establish why the organization is pursuing the venture: To generate a profit? Or is revenue a byproduct of a social program?
2. Evaluate organizational readiness. Assess cultural and organizational barriers to business success. For GEO, these issues were identified through interviews, and the implications discussed at an “idea generation” meeting.
3. Reevaluate your strategic plan. Before making major changes, establish how social entrepreneurship fits into your organization's priorities. GEO developed a “Theory of Change” that forms the backdrop for major social entrepreneurship decisions.
4. Form a team to champion the process. Err on the side of inclusion, and ensure that the Board and organization are committed to the process. GEO assigned a past Board member as primary liaison to the planning staff.
5. Establish a process and policies. Include a plan to evaluate and prioritize criteria for launch, and develop a strategy for marketing and financial assessment.

designed:

- to help GEO clarify the role that earned-income projects could play in its overall organizational strategy
- to reflect on the nature of the organization and its relationships with members
- to explore the assets and liabilities that GEO should take into account.

The pre-planning process consisted of four parts:

- interviews of selected Board members, staff, members and other stakeholders
- survey of all Board members and GEO members
- assessment of the current and potential financial results of existing earned-income streams

(membership, conferences and publications)

- review of other organizations' experiences trying “interesting” approaches.

“It was very important to us that we establish a context for this project,” says GEO Program Specialist Hannah O’Leary, who manages the income diversification project.

“Different members of the staff and Board had different visions as to the purpose and definition of earned income for GEO. Our pre-planning was really about level setting.”

Early on, GEO became concerned that members and the Board were being over-surveyed. Recognizing that member input could provide new ideas and highlight potential

Warren Tranquada is the Managing Director of Pepin, Tranquada & Associates, a consulting firm that helps nonprofits develop and implement income diversification strategies.

> www.pepintranquada.com

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MEMBER PROFILE

Economic Impact With a Conscience

Wisconsin Women's Business Initiative Corporation

Wendy K. Baumann has been president of the Milwaukee-based Wisconsin Women's Business Initiative Corporation for 10 years — leading a pioneering economic development corporation that provides micro-loans, training and consulting throughout Wisconsin. Baumann is a founding member of the Social Enterprise Alliance (SEA), a founder and chair of the Association of Women's Business Centers, and active in a host of other civic and business organizations.

Q: What makes the Wisconsin Women's Business Initiative Corporation unique?

A: We facilitate hope. Our mission is to provide quality business education, access to capital and financial assistance to anyone in Wisconsin who wants to start or grow a business. We serve individuals, focusing particularly on women, people of color, and low-income individuals. We also consult with nonprofits on social enterprise and funding development.

Since 1987, WWBIC has served over 20,000 individuals, and directly financed over 500 business start-ups.

Q: WWBIC is known for being "first" in a number of arenas. Why?

A: We knew enough about the funding sources that met our mission, we went after them with gusto, and got them! For over 10 years, we have maintained all our Federal funding sources, and provided unique loans and services to our clients.

WWBIC was one of the first CDFIs (Community Development Financial Institutions) in Wisconsin, and the first statewide-certified CDFI in the U.S., one of the first SBA Women's Business Centers, and one of the first SBA Microlenders.

Q: How does your social business venture, Coffee With a



Wendy K. Baumann, President of the Milwaukee-based Wisconsin Women's Business Initiative Corporation

Conscience (CWC) further your mission?

A: Our two Coffee With a Conscience shops in Milwaukee are environmentally-sound businesses, providing only certified fair-trade, organic coffee, and access to markets and real-life business training for our clients.

CWC is profitable for WWBIC and generates revenue for our clients. It is a retail incubator, where local businesses, like Fran's Shortbread, Freese's Chocolates and Golden Gourmet Pasties, sell their products. And it's a training laboratory, providing real-life, experiential learning for our clients.

Q: How does WWBIC do Lending With a Conscience?

A: We don't just rent money — we impact lives! We include quality business education and training for the life of every loan.

With a \$2 million operational budget and \$1.5 million annual lending volume, we provide small loans (up to \$50,000). We package another \$5 million in bank and government loans.

Our loan portfolio is risky — 25% have bankruptcies, and most have colorful credit histories. Yet we have over 95% payback rate, when most funding sources require only 85%. We ask whether the business idea is viable, and how each person's experiences qualify them to carry out the idea.

Q: What would you suggest to nonprofits considering social business ventures?

A: Plan, plan, plan. You want high mission and high money results. First look at growing your current earned-income ventures. Then turn to nonprofit development centers and SBA Women's Business Centers for help in business planning. We 'get' business and help our clients do it every day. ■

>www.wwbic.com

Social Enterprise Alliance (SEA)
6th Annual Gathering
April 17-20, 2005
Milwaukee WI

(see page 9 for details)

Canadian Centre for Social Entrepreneurship Hosts Inaugural Conference

by Michelle Provorny Cash

Bringing together presenters from across Canada and the U.S., and 130 participants from government, not-for-profit, corporate, venture capital and philanthropy, the Edmonton, Alberta-based Canadian Centre for Social Entrepreneurship (CCSE) hosted a groundbreaking conference on Creating Community Capital on May 6. Social enterprise in Canada is in its infancy, and the conference was the first of its kind for the CCSE, which plans to host additional discussion forums on social entrepreneurship.

Gary McPherson, CCSE Director, called the conference an unqualified success. "We put financial terminology that wasn't directly related to philanthropy in front of the not-for-profit sector and government, and we found a bridge for a tri-sectoral dialogue. The session on venture capital and potential new models was enough to titillate businesses' interest. This gave people a beacon of hope for a new way. In Canada, this is unique."

Canada and its neighbor to the south have begun exploring the social entrepreneurial arena from different vantage points. McPherson believes that these differences are attributable, in part, to the U.S. culture of free enter-

prise, and Canada's social service oriented focus. Although Canada may be moving more toward the U.S. style, McPherson asserts that the Canadian approach to social entrepreneurship will likely remain less focused on profitability, and will continue to rely on some form of subsidy from government or foundations.

Presenters highlighted the differences between enterprise in Canada and the U.S., and the need to share knowledge across the border. Many Canadians spoke about challenges their communities and government are facing; while their U.S. counterparts discussed current programs, potential resources, and areas for additional exploration. The one-day meeting introduced a wide range of concepts in the area of social entrepreneurship, including social enterprise, angel investment, large-scale community collaboration, and discussions of current challenges.

The conference was co-sponsored by the University of Alberta School of Business. ■

The Canadian Centre for Social Entrepreneurship is a research centre affiliated with the University of Alberta School of Business, whose mission is to educate communities across Canada and encourage social innovation through entrepreneurial activity.

>www.bus.ualberta.ca/ccse

Michelle Provorny Cash is the Managing Editor of [Social Enterprise Reporter](#) and is a founder of Socap Networks, a social innovation incubator affiliated with the CCSE.

Social Entrepreneur David Green Awarded MacArthur Fellowship

David Green, Technology Transfer Innovator and Executive Director of Project Impact in Berkeley, California, was named a John D. and Catherine T. MacArthur Foundation Fellow for 2004. The Foundation selected 23 MacArthur Fellows, each of whom will receive \$500,000 in 'no strings attached' support over the next five years.

A pioneer in the manufacture and distribution of advanced health care products for patients in the developing world who could not otherwise afford them, Green found-

ed Project Impact in 2002. The non-profit works to develop, manufacture and distribute affordable medical technologies to communities in India, Nepal, Africa and Central America. He organizes engineers, technical experts, distribution partners and financiers to create production facilities that make high-quality products at very low cost. In India, Green established Aurolab to manufacture intraocular lenses (IOLs) — plastic implants used to restore sight to patients suffering from cataracts and other eye diseases. On a self-sus-

taining basis, Aurolab produces hundreds of thousands of lenses annually at a fraction of the costs in developed countries, and distributes them in more than 85 countries. The company is now one of the largest manufacturers of IOLs in the world.

By applying traditional business strategies in non-traditional markets, Green addresses important public health challenges and improves the lives of populations around the world. ■

>www.project-impact.net/

Kellogg Foundation and CFED Partner to Expand Entrepreneurship

The W.K. Kellogg Foundation and the Corporation for Enterprise Development (CFED) have announced the selection of 12 collaboratives that have advanced to the semi-final round of the Entrepreneurship Development Systems for Rural America Project. The collaboratives will provide

effective practices in building rural entrepreneurship development systems that integrate policy, education, training, technical assistance, financing, networks, culture and social entrepreneurship strategies.

One of the first products that emerged from this project is a report — *Mapping Rural*

Entrepreneurship. The report maps current entrepreneurial activity across rural America, offers an overview of existing policies and programs that support rural entrepreneurs, and provides case studies about the 'state' of entrepreneurship development systems in Nebraska and Kentucky. The report findings conclude that a new framework is needed to animate people and institutions at all levels around entrepreneurship development.

Semi-finalists serve rural counties and Indian reservations in Appalachia, Mississippi Delta region, Four Corners region, Northern California, the Great Plains and beyond. The Kellogg Foundation is optimistic that this project will serve as a major catalyst for promoting entrepreneurship and home-grown economic development across rural America. ■

> www.eshipsystems.org

BAYCAT Opens in SF

The Bayview Hunters Point Center for Arts and Technology (BAYCAT) has finalized its construction drawings for a 5,000 sq. ft. professional multimedia lab and collaborative facility in San Francisco. The spaces will be used for a gallery, group functions and meetings, and presentations. Featuring a gallery and state-of-the-art technology, the site will be used for BAYCAT's inaugural programs in adult job training and youth arts. BAYCAT was inspired by the Manchester Bidwell Corporation in Pittsburgh, Pennsylvania, and its founder, William E. Strickland, Jr. ■

> www.baycat.org

events

Coop America's Green Business Conference and Green Festival

Nov. 3-7, 2004, San Francisco, Ramada Plaza

- Strategies for marketing, financing, negotiating partnerships
- Improve the social justice and environmental aspects of your business
- Network and build strong partnerships and alliances

Speakers include: Amy Goodman of Democracy Now!; Melissa Bradley, Founder, New Capitalist; Paul Ray, author of *The Cultural Creatives*; Laurie Demeritt, President of The Hartman Group; Van Jones, Director, Ella Baker Center for Human Rights; Jim Slama of Chicago's Greenest City Mandate; and more. To register: www.coopamerica.biz or call 800/58-GREEN.

POSITIVELY M.A.D. Conference

Berrett-Koehler Conference on Making A Difference

Saturday, November 6, 2004, San Francisco

A highly interactive conference with renowned business, community and thought leaders who are some of the most provocative thinkers of our time — including Charles Derber (People Before Profit), Jerry Mander (The Case Against the Global Economy), and Peter Block (Stewardship: Choosing Service over Self-Interest).

M.A.D. will provide the maximum opportunity to connect with speakers and each other. The POSITIVELY M.A.D. conference is for those who care about and want to improve their workplaces, their organizations, their communities, and their own lives.

Register at: www.bkconnection.com

Social Enterprise Alliance (SEA)

6th Annual Gathering

April 17-20, 2005, Milwaukee WI

With a long history of support for social enterprise, a large group of Milwaukee social entrepreneurs are joining with the Wisconsin Women's Business Initiative Corporation (see interview on page 7) to host the 6th Annual Gathering of the SEA.

Julann Jatczak, WWBIC Vice President and SEA Board member, and Wendy Baumann, a founding member of SEA, will address the national gathering.

Social Enterprise Alliance (www.se-alliance.org/) is a membership organization, mobilizing nonprofit organizations and funders to advance earned-income strategies. ■

Balancing Act

(continued from page 11)

recognizing when you can do that.”

Juma Ventures: Find the Third Option

Juma’s program focuses on transitional employment — ideally, teens work for the company for two years before moving on to other education or employment opportunities. Over 70 teens work at San Francisco’s SBC Baseball Park, where Juma has exclusive contracts to serve ice cream and coffee. Eighty more teens work at two other locations. For the business managers who run the scoop shops, that creates a training nightmare.

Last year, faced with overwhelming turnover rates and increasing cost of goods from oversize ice cream scoops, the organization took a hard look at adult staff-to-teen ratios in each store. Should Juma increase supervision or reduce the total number of employees to offset its financial losses? The management team decided to shift the question to exploring

“... youth were better trained, more bonded and excited about working ...”

— Laura Congdon,
Juma Training Consultant

ways Juma could improve training to address these costs.

Juma hired Laura Congdon, a former scoop shop manager and Juma General Manager, to create a new program built around peer training. The theory was that if teens themselves trained newer recruits, that would be both a great development exercise for them, and a cost savings for the com-



Juma Ventures Ben & Jerry’s PartnerShop: lower staff turnover = lower cost of goods.

PHOTO BY JENNY THOMAS PHOTOGRAPHY

pany over hiring professional trainers.

Congdon set aside Ben & Jerry’s training binders in favor of role-playing exercises and instructional videos the team shot with Juma teens as actors. When Congdon rolled out the program for pre-season training, the content and delivery came from the program’s veteran teens like Larry McClendon, 19, who’s worked with Juma for over four years and is now adult staff manager at SBC ballpark. Raised in a tough neighborhood in Oakland, California, he started scooping ice cream at the ballpark when he was 14 to help his mother, stricken with a heart condition, pay the bills.

McClendon, a tall, broad-chested, teddy bear of a guy, ambles through the ballpark stands, drawing waves and greetings. His presentation is all the more powerful because he understands first-hand the harsh conditions that Juma teens come from: “I’ve been where they’ve been and they can see where I am today,” McClendon says. “It’s a strong statement about where this opportunity can lead.”

The impact of the training so far has been better than Schorr had

dared hope for: turnover at the ballpark dropped from 60% to just 10%. The scoop shops are consistently hitting their cost-of-goods rates. While the true test of the new training program will be its long-term performance, it shows the potential to deliver both social and financial benefits.

“We wound up with youth who were better trained, more bonded to each other, and excited about working here. And in the meantime, we improved our business performance,” Laura

Congdon says. “It doesn’t get much better than that.”

Managing the Double-Bottom Line

Rubicon Programs, another REDF social enterprise that employs formerly homeless and disabled adults, has also walked that tightrope of balancing social mission and financial return. Rubicon, with a \$13.5 million budget, runs a gourmet bakery and a landscaping business that employ nearly 400 people. It also runs multiple service programs for 3,000 people, helping the homeless transition into more stable lives.

In 2001, Rubicon Bakery was in crisis. The end of the dot-com bubble reduced demand for the company’s high-end cakes and pastries. Sales remained flat for two years, after a 25-40 % annual growth that started with the bakery’s founding in 1993. A local for-profit competitor had raised \$25 million in expansion capital and was going after Rubicon’s market share. With Rubicon’s labor costs higher than a typical bakery (because it pays higher wages and benefits), the picture looked bleak.

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Balancing Act

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“In a for-profit world, it might not have made sense to keep the bakery open,” says Rick Aubry, Rubicon’s Executive Director. “But we had a great product, a wonderful workforce, and a great place to work. In managing the double-bottom line, we needed to consider more than just the economics.”

Aubry and his team decided against closing the bakery, but couldn’t afford to subsidize the business until sales picked up. They asked what could make the bakery more competitive and save as many jobs as possible. Rubicon wound up halving the size of the bakery staff to 20, and hiring a consultant to make the bakery more efficient. Instead of having bakers follow a cake through the process of mixing, baking and decorat-

ing, Rubicon began assigning people to tasks and stations, eliminating wasteful downtime. The bakery was able to meet its demand with half of the staff, and take on a new line of business — baking and packing other companies’ product. In the meantime, Rubicon’s competitor went bankrupt, and as bakery sales increased, the staff was ramped up to former levels.

From Aubry’s perspective, the leaner, more efficient bakery that emerged from the restructuring is a more sustainable, stronger business. While getting there meant losing jobs temporarily, the bakery is in a better position to serve its social mission for the long term.

“Creating jobs was always our highest value, but it was tempered by financial reality,” Aubry says. “Having made the sacrifice, we’re paradoxically going to be able to add even more

jobs in the long term.”

Juma Ventures’ Jim Schorr agrees that financial realities sometimes trump an organization’s social mission. But he cautions against making maximum profit the primary goal of social enterprise. “If you look at it from a human services perspective, these are the world’s most efficient social service programs. They deliver terrific employment programs, with income and training for participants in a mainstream work environment — and, they cover almost 100% of their costs. In that light, the trade-offs don’t seem negative at all.” ■

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Boku Kodama

(continued from page 4)

benchmarks:

- Knowing what the customer wants and serving a specific niche
- Creating internal organizational systems to service the customer
- Maintaining a culture of continuous improvement, education and vision.

Urban VOICE is currently developing a curriculum, based on its successful microenterprise training program, for nonprofit leaders planning to start a social enterprise. The course will be offered this fall in Oakland.

“In this New Economy, nonprofits must change their paradigms and understand that traditional funding sources are either changing or dying,” says Kodama. “We must provide good enough services that someone or some group will want to pay for them.”

The social enterprise model has proven successful for Urban VOICE, which launched Urban WORKS in an effort to achieve financial sustainability in an increasingly challenging funding environment, and to benefit their clients.

“Urban WORKS, to me, is popular education in action,” says Kodama. ■

> www.urbanvoice.org

> www.urbanvoice.org/urbanWorks.html

Income Diversification Journey

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challenges, the organization also understood that member participation is an asset that must be protected. Therefore, they began the project with existing data from an earlier membership survey. GEO also conducted lengthy interviews of a broad range of people, including members, Board members and staff; and project staff asked all Board members to respond briefly to four questions about the role of earned revenue at GEO. ■

In our next issue of SER, we will describe the “idea generation” meeting, where the GEO Board and staff discussed the pre-planning results, determined general principles, and prioritized revenue-generating ideas.

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