

Social Enterprise Reporter

Innovative Business Solutions for Nonprofit Entrepreneurs

Social Enterprise Consulting as an Earned Income Strategy

by Larry Fehr

A delegation of British social entrepreneurs and government leaders attentively watch and nod as they see stories unfold about people formerly living on the margins of society in Seattle—including ex-offenders and drug abusers—who have turned their lives around.

Everyone in the room is animated when the short video ends.

The questions that follow reveal the delegation's hunger for information. The polite inquiries are not related to social causes alone, but rather the "means" to achieve the "ends." The nuts and bolts of the business practices are their focus:

- How do you budget for job training of former offenders in an enterprise budget?
- What do you do if an enterprise isn't generating enough revenue, but is providing a social return?
- How do you deal with the culture clash between long-term nonprofit employees and those hired to work in the enterprises?

This scene has been frequently repeated at **Pioneer Human Services** in recent years with visiting organizations from throughout the U.S. and around the world. Pioneer's consulting division was created in 1999 to positively respond to this market demand for social enterprise expertise. The consulting services they provide is more than just talk about social enterprise, Pioneer actually does it.

INNOVATIVE SOLUTIONS

In fact, most nonprofits experienced in launching and running a social enterprise—whether ultimately successful, or not—have valuable insights for others. Such organizations can and should consider establishing formal consulting divisions to help advance the field, while creating new earned-income opportunities for their organizations.

The value of experience

As a human services nonprofit organization with a 42 year history of operating social enterprises, (currently 12 in number), 99% of Pioneer's nearly \$60 million operating budget is based on earned income. Among the business sectors in which Pioneer operates and provides jobs to its clients are manufacturing, construction, food services, and distribution.

Pioneer has lived through many of the challenges that other nonprofits are now facing as they look to diversify their funding with new or expanded social enterprises. The experience of this "pioneering" social enterprise, disseminated in a manner that makes it relevant to each group's needs, has proven over and over again to be valuable to others in establishing their own enterprises.

A recent survey by the **Social Enterprise Alliance** reported that 62

index

SER 110 October 2005

- 2 Editor's Letter
- 3 Boschee on Marketing: The Strategic Marketing Matrix for Social Entrepreneurs®
- 4 Social Enterprise Toolkit: Staying On The Path Of Financial Sustainability: Part Two
- 6 Social Enterprise Alliance Spotlight: Birth to Three
- 10 News: Events

(continued on page 8)

Letter to Readers

Dear Reader,

This issue of SER focuses on social entrepreneurs like yourself who are advancing the field, while creating new earned-income strategies for their organizations.

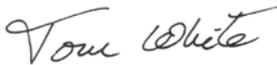
In a classic example of advancing the field while generating earned-income, Larry Fehr, Senior Vice President at **Pioneer Human Services** in Seattle, Washington, contributes the lead feature article about Pioneer's Social Enterprise Consulting programs. Larry has headed Pioneer's Consulting Services since 1999 and has extensive experience in starting social enterprises and bringing them to scale. Pioneer is one of the largest nonprofit social enterprises in North America, with a 42 year history of operating social enterprises. 99% of Pioneer's nearly \$60 million operating budget is based on earned income!

In this month's Social Enterprise Alliance Membership Spotlight, Managing Director Mika Singer looks at the exciting and humbling journey of **Birth To Three** (BT3) into the national marketplace for parenting education. This Eugene, Oregon-based nonprofit provides internationally recognized parenting education curricula which are now being used at more than 540 sites in 43 states in 7 countries. By taking their expertise and sharing it with other organizations that work with families BT3 is now well on its way to realize a new future of self-sufficiency.

As Jerr Boschee writes in his monthly column, one of the first rules of entrepreneurship is contraction. Concentrate on doing the best job possible in a few, carefully chosen areas. In Part Two of their series, Jan Cohen and George Archambeau show how **Project HIRED** has kept creating earned income by following this rule and a few more that will help your ventures in times of change.

These and other stories in SER will help you to change your organizational culture and cultivate the people and skills you need to succeed. By sharing stories like those you'll find in this issue, I hope to connect you to other experts and greater opportunities. As Jan and George state, there's no substitute for planning and lining up resources ahead of time, so read on!

Best wishes,



Tom White

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The Strategic Marketing Matrix for Social Entrepreneurs®

How to make tough product and service decisions

by Jerr Boschee

Maintaining an appropriate balance between social impact and financial viability is the *sine qua non* of social entrepreneurship. Dr. David Rendall calls social entrepreneurs “tightrope walkers” because they are constantly hovering in mid-air between their social purpose and marketplace realities.

The definition of “appropriate” varies from organization to organization, but the existence of a double bottom line that emphasizes both social and financial returns forces social entrepreneurs to continually make difficult decisions about which products and services to offer and which market segments to pursue.

The process is never more important than when a social enterprise is developing its strategic marketing plan—and it can be agonizing because it demands that Board members and senior managers practice triage.

Management guru Peter Drucker has long advocated killing products and services if they are not number one or number two in the market. Rather than trying to be all things to all people, he says, you should concentrate on doing the best job possible in a few, carefully chosen areas. If you do not, he warns, you will be unable to give customers the attention they deserve because you will no longer have the necessary time or resources.

Drucker’s advice runs against the grain of the traditional nonprofit mentality, but most nonprofit managers eventually do admit they are trying to serve too many masters. And, as they morph into social entrepreneurs, they real-

ize that the first rule of entrepreneurship is contraction.

Of course, triage requires a social enterprise to be honest with itself—exceedingly difficult for any organization, nonprofit or otherwise. But the results have been worth it, and the ultimate winners have been clients and customers. Social entrepreneurs have discovered that reducing the number of products, services and target markets has actually enabled them to serve more people and to serve them better, because they’ve had the time and resources to expand their most effective and needed lines of business and to carefully introduce new products and services.

Making strategic marketing decisions, however, is more difficult for a social entrepreneur than it is for either a traditional nonprofit or a commercial business, both of which are primarily concerned with a single bottom line. A traditional nonprofit will continue offering products and services that have a significant social impact even if they lose money; commercial enterprises will not. Social entrepreneurs, on the other hand, are equally concerned with both bottom lines, and that means they must simultaneously analyze the social impact and financial viability of each product and service—and only then make decisions about which ones to expand, nurture, harvest or kill.

“The Strategic Marketing Matrix for Social Entrepreneurs”® consists of two levels. Level One is a quick-and-dirty way for Board members and senior man-

Jerr Boschee's column about entrepreneurial marketing is a regular monthly feature of the Social Enterprise Reporter



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 13 countries and has long been recognized as one of the founders of the social enterprise movement worldwide. Mr. Boschee is Executive Director of The Institute for Social Entrepreneurs, which he created in 1999, and Chairman and CEO of Peace Corps Encore!, a nonprofit that sends former Peace Corps volunteers and staff members back into service on short-term assignments that match their professional expertise with specific social needs.

Please direct your comments to ✉ jerr@orbis.net

THE STRATEGIC MARKETING MATRIX FOR SOCIAL ENTREPRENEURS®: LEVEL ONE		
	<i>Positive financial returns</i>	<i>Negative financial returns</i>
<i>Significant social impact</i>	EXPAND	NURTURE
<i>Minimal social impact</i>	HARVEST	KILL

[continued on page 9]

Tips for the Long Haul

How Project HIRED keeps creating earned income ventures in times of change

by Jan Cohen and George Archambeau

Part Two: *This retrospective view of Project HIRED and its history of earned income ventures continues this month with tips and other important factors that have made a difference in being able to plan, start up, and adapt Project HIRED's businesses through many internal and environmental changes.*

Project HIRED's mission is to assist individuals with disabilities to gain competitive employment and advance their careers through partnerships with industry. Combined, our three social business ventures provide competitive employment to over 100 workers with disabilities (with salaries and benefits in excess of \$2.6 million) and generate a net contribution of \$410,000 or 12%.

Tip 1: Access to expertise

It's important to allocate the effort to cultivate people you know who have the skills you need. When you share your story you enable prospective employees and volunteers to develop a commitment to your organization, so that they will be willing to connect you to other experts and opportunities.



Janet S. Cohen has been a consultant and trainer working with nonprofit organizations for more than 18 years. Her focus is customized work sessions and consulting services for nonprofit organizations on diversification of revenue, earned income, marketing planning, and strategic planning processes. In addition to her own training/consulting business, Ms. Cohen is the Director of New Business Ventures at HOPE Services. She was an affiliate consultant with CompassPoint Nonprofit Services in the Bay Area for 6 years, a senior consultant with the National Center for Social Entrepreneurs for 5 years, and Chief Executive Officer of Project HIRED for 10 years. Under her leadership, Project HIRED grew from a staff of 2 and budget of \$50,000 to a staff of 15 and revenues of \$ 2.3 million. She has degrees from the University of Massachusetts, the University of Maryland, and a Certificate in Marketing: New Products and Services from the University of California at Santa Cruz. ✉ jcohenca@aol.com



George Archambeau has over 25 years of experience in the field of health and human services. Since 1999, in his role as CEO, Mr. Archambeau has expanded Project HIRED's call center business from the Bay Area to satellite locations throughout much of the state of CA. He holds a B.A. Degree in Psychology from the University of California, Los Angeles; an MSW from the University of Southern California, an MBA from Georgia State University, and is a Licensed Clinical Social Worker.

- Project HIRED maintains an updated recruitment plan with key skills and connections sought so that we focus on, and take advantage of, all opportunities to get the specific expertise we need. Board and Business Advisory Committee (BAC) members and other volunteers are working professionals in fields related to our businesses who refer and connect us to many opportunities and in-kind services. Without this expertise and support, Hired TEMPS, our temporary staffing business, would definitely not have successfully weathered the many industry changes over its 19-year history.

- An example: During the high-tech boom of a few years ago, the way to get temporary staffing business was to be the primary onsite staffing vendor to larger companies or to be closely aligned with the primary vendor, which was the strategy that Project HIRED pursued. Over the past two years, the bigger companies have opted for a vendor neutral approach that has shifted the opportunity for business growth to contracting with smaller and mid-sized companies. This required an altogether different approach to business development that was outside of our experience. Because of the expertise and commitment of our Business Advisory Committee, we knew about the changing trends early and were able to respond effectively. In addition, the BAC brought in sales representatives from Manpower Staffing to coach Project HIRED staff on these new approaches.

- An example: In an industry in which you have less than 15 minutes to submit a qualified candidate for an open requisition, data management and quick access becomes a critical competitive tool. With the help of Board and BAC volunteers, Project HIRED was able to access valuable technical design and development resources to create a database capable of rapidly sorting through hundreds of potential candidates to identify those who are the best fit for the available opening.

Tip 2: It takes people power

Your organization needs people willing to go the extra mile to enable it to be successful.

- Transitions in Leadership: If an organization takes the time to ensure that the commitment to social entrepreneurship is deep and broad based, it can survive

Tips for the long haul

(continued from page 4)

change in even the most critical leadership positions. Often the success of a business venture rests with the strong vision and leadership of a single individual. When that person leaves, the risk is great that the business will fail. During the 19 years that Project HIRED has been operating its social business ventures, there have been 3 Chief Executive Officers, 1 Interim CEO, 8 Board Chairs, and many changes in Board Members and operational staff. Through it all, HIRED Temps and our call center services have continued to grow and thrive.

Some keys to success:

- Our passion for the entrepreneurial vision and culture is shared by the Board, staff, and community.
- We follow an inclusive process of creating and updating the strategic plan.
- Success is not tied to any one individual.
- It has been a priority to preserve institutional memory including processes, procedures, history, and contact information
- Strong leadership is provided from Board, CEO, and staff during formative stages and times of change.

Tip 3: It takes financial resources

Organizations need access to capital, whether it be reserves, start up grants, interest free or reduced interest loans. Financial capital is essential for taking advantage of opportunities, either for new ventures, changes to or growth in current businesses, and to get through the ups and downs of business cycles.

Several business truisms hold for social business ventures as well:

- It takes money to make money.
- One of the quickest ways to go out of business is to run out of cash...especially when the business is growing fast.
- Know what resources you need and when you need them before you need them.

There is no substitute for planning and lining up resources ahead of time, including the resources to “do it” to market expectations, as well as the understanding that doing it on the “cheap” rarely works. Project HIRED has been spared this lesson through the commitment of the Board members to allocate the funds even when staff was trying to “get by”. Board action has overruled the CEO on occasion and said, “You cannot afford not to spend this money.” The non-profit scarcity mindset does not work when running a business in a highly competitive environment.

Tip 4: Expect crises, failure and unforeseen challenges--expect change!

Even when things are going very well, always look 1-2 years ahead to see how things will, or might change, and plan accordingly.

- Some businesses or services are a 2-3 year opportunity.
- One example: corporate and community training related to the Americans with Disabilities Act. The day the law was signed, Project HIRED sent out flyers with our training schedule/materials/speakers, etc!! This was a lucrative and well attended venture for 2 years before the market became flooded with alternative resources. We anticipated that this might occur and once it did, Project HIRED discontinued the service.
- Changes in the marketplace

can dramatically affect your business, so be sure you have an exit plan. It's important to see these changes coming and to “know when to fold ‘em”.

- An example of this was our sign language interpreter brokerage business. Project HIRED created this business at a time when companies could not find interpreters and as a result were hesitant to hire individuals who were Deaf or hard-of-hearing. After several years of generating significant income and profits from this effort, sophisticated alliances of interpreters became more common and there was less of a need for a “one call resource broker”. When companies became less willing to pay a “broker surcharge” and interpreters were less interested in taking a bit less for the referral, Project HIRED ended this business.

- Expect to fail sometimes...failure is OK
- Always do thorough research and planning so that you fail as little as possible and so that you mitigate your risk.
- The most painful example was expansion of HIRED Temps to the neighboring county, which seemed, from market research, to have similar companies, needs, and population from which we could recruit. Although we did our research and planning, we missed the fact that in San Mateo county, relationship patterns and how business was conducted were very different than in Santa Clara county. After two years of hard work, during which our San Mateo county office never got a sufficient volume of placements, we closed it and moved on.

- Don't expect everything to go as planned!
- Problems and catastrophes are expected and perceived as no one's fault. Instead of placing “blame”,

(continued on page 7)

MEMBER PROFILE

Words to Love By—One Non-profit's Journey

By Mika Singer, M.A.

Located in Eugene, Oregon, **Birth To Three** is a private non-profit organization that has been providing parenting education and support to families with young children for over a quarter of a century. We bring parents together in groups to:

- share parenting experiences,
- increase their knowledge of early childhood development,
- learn about community resources,
- and create support networks with each other.

Journey Into the National Arena

Over the past several years, we have come to recognize that our mission would best be served if we take our expertise and share it with other organizations that work with families. This journey into the national arena has been both exciting and humbling. Through our *Parenting Now!* division, we now market our nationally recognized parenting curricula and trainings. Our curricula are currently used in over 540 sites in 43 states and 7 countries, including Romania where it is helping to reduce the potential for child abandonment into institutions.

As a mission-driven non-profit we have historically relied heavily on government grants, foundations, and donors to fund our services to families. Recent downward trends in government spending, especially for prevention, has pushed our organization to think differently. Over the past several years, we have come to recognize that our mission would best be

served if we take our expertise and share it with other organizations that work with families. As a result, we began to market our *Make Parenting A Pleasure* curricula to other like-minded organizations around the country with the hopes of generating earned income for our local services while improving the lives of children in communities across the country.

The Beginning of a Gradual but Deliberate Cultural Shift

This journey into the national arena has been both exciting and humbling. We discovered that while we knew a great deal about how to outreach to parents and provide meaningful services, we knew very little about marketing. We did find that by networking with our peers at professional conferences, we were able to interest a number of organizations in the quality of our curricula. We soon found that orders for *Make Parenting A Pleasure* curriculum and requests for trainings in how to use the curriculum began to grow. However, we also recognized that we were inexperienced, inventing marketing strategies as we went.

Through a strategic planning process, our organization decided to make the marketing of our curricula a focus. To that end, and with the help of two large gifts, we brought in a consultant, Peter Crosby. With his help, we determined to internalize the very best from the business world without compromising our mission. This was the beginning of a gradual but deliberate cultural shift within the organization. We

created a business plan, identified potential markets, developed strategies to reach those markets, and established systems to support the plan. We developed a pro forma to set sales goals and track our progress. We recruited and hired a business development director, Rick Brown, to bring in-house the business acumen we needed. We formed an entrepreneurial team, including board and community members, to help keep the focus and move us forward.

Creating a New National Identity

One of our early obstacles was our name. Although we serve parents with children up to age eight, our name, Birth To Three implies that we serve only young children. Once we began exhibiting at conferences and tradeshows, we found that potential customers were passing us by. They thought we weren't for them. Through a careful process, we decided to create a new national identity called *Parenting Now!*

Through *Parenting Now!* we now market our nationally recognized parenting curricula and trainings. Our curricula are currently used in over 540 sites in 43 states and 7 countries, including Romania where it is helping to reduce the potential for child abandonment into institutions.

Partnering and Copyrighting Commercial Products

One of our products came from

(continued on page 7)

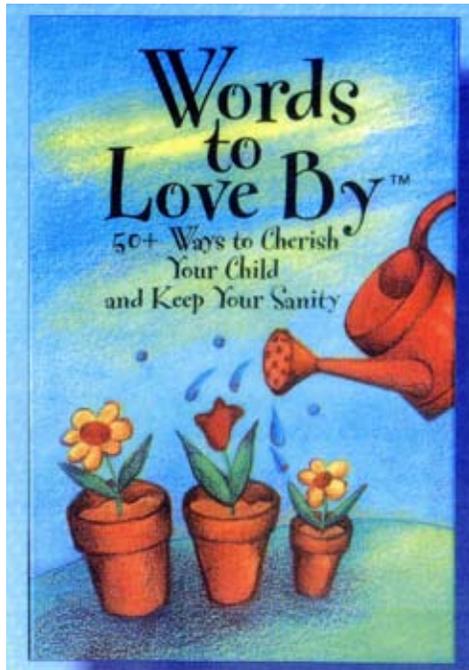
social enterprise alliance spotlight

Words to love by

(continued from page 6)

a request. **The University of Oregon Center on Excellence in Developmental Disabilities**, aware of our work with highly stressed families, approached us to collaborate with them on a project, to develop a parenting tool to help support parents of children with disabilities. As part of the agreement, we would retain the copyright and the ability to market the product. If you are planning to invest precious time and money to launch an entrepreneurial effort that involves intellectual property, it pays to protect your work!

We created a simple deck of cards, filled with parenting concepts and affirmations, based on the content in our curricula. Parents were then invited to form focus groups and offer suggestions to improve the cards. We quickly realized that our cards would be wonderful for any parent. We brought in the graphics firm, **Funk/Levis and Associates** and their artist, Beverly Soasey, to



make them attractive. To assure the high quality of the cards the **Gemaco Card Company** provided the printing. *Words to Love By*TM was born.

With *Words to Love By*TM we now have a commercially attractive and affordable line of products that is consistent with our mission. It is sold in book stores and gift shops, used as a fundraiser by local Head Start

programs, and offered by parenting organizations to their families as part of their parenting programs.

By attending the 6th Gathering of the **Social Enterprise Alliance** we learned we are not alone in our entrepreneurial efforts, that we are one of many non-profit organizations experiencing growing pains. As presenters and exhibitors we were able to share our experience, learn how other organizations develop business plans in order to obtain funding, and partner with others who support their mission. Now one of our goals is to find a corporate partner to help us advance our efforts.

Committed to our vision, that all children are nurtured by loving, skilled parents, Birth To Three is now well on its way to realize a new future of self-sufficiency through *Parenting Now!* curricula, products, and training.

➔ www.parentingnow.net

Mika Singer is Managing Director of Birth To Three. She has worked in the field of parenting and child development for over 25 years.

Tips for the long haul

(continued from page 5)

we focus on solving the problem. Trust and the commitment to solve problems must exist amongst leaders. Neither the Board nor the CEO micromanages or “points fingers”, but instead the team (BAC, Board, staff, community) pitches in to focus on next steps, with “we are all in this together” being the attitude.

- One financial surprise example of this was the Unemployment

Insurance (UI) crisis. Project HIRED found out that any temp who had worked for HIRED Temps, even if that person left to get another job, then lost that job, was our UI claimant. HIRED Temps Advisory Committee and Board members focused on what to do, rather than on why it happened or whose fault it was. They shared ideas to mitigate the financial catastrophe by minimizing the payout and focusing the business on “stable companies” rather than on those who only used temps

during “good times”.

In conclusion, these 4 tips have been key in enabling Project HIRED to be a survivor throughout 19 years in the Silicon Valley... Many for-profit companies have come and gone, but Project HIRED is thriving and growing, both on the business side and the client services side. ■

➔ www.projecthired.org

Social Enterprise Consulting

(continued from page 1)

percent of its members participating in the survey have paid an outside consultant to help develop an earned income venture, and another 29 percent have considered retaining the services of a paid consultant but have not yet done so. The results also indicated that the primary reason for contacting a consultant was the absence of in-house expertise, which is a need that experienced social entrepreneurs can readily and efficiently fill.

The approach of each consulting engagement varies depending on the client's needs and goals as well as the unique expertise of the consultant. Regardless of the focus, Pioneer has found the following two approaches to be particularly effective.

1. "They come to us" consulting

Experiencing the daily operation of a social enterprise in action has significant educational and inspirational value to groups and individuals exploring the concept or looking for ways to improve their own. Tailored on-site tours of Pioneer Human Services provide an in-depth insight into the real world of social enterprise.

"Getting out of our day to day world and having the opportunity to visit and tour a social enterprise operation in action was of real value in our planning process," said Darlene Carrington, social enterprise director for the **Rescue Mission** in Liverpool, New York.

The Mission recently launched the **\$1 Shopper** in its **Thrifty Shopper** stores in central New York State, selling household necessities for a dollar and generating earned-

income to decrease the organization's dependence on government funding.

"The site visit experience gave us a chance to gain a new perspective, and brainstorm effectively without distraction," she added. "We realized some new opportunities that we wanted to start doing and services that we wanted to stop doing in order to be more focused and effective."

A social enterprise is not just about a nonprofit organization running a business; it's about an entire organization running in a business-like manner. Finding and maintaining the proper balance between money and mission is the real challenge social enterprises deal with every day. Every department at Pioneer has unique challenges related to achieving that balance and it is at a department level where the real operational issues often come up.

In meetings and Q&A sessions with Pioneer department leaders, consulting clients have especially valued the chance to ask questions about tax and insurance issues in finance, motivation and legal issues in human resources, as well as how to measure program outcomes.

2. "We go to them" consulting

It is neither practical nor advisable for consulting to be limited to tours. Social enterprises should consider developing more traditional consulting services delivered to the client at their location. Our great advantage as social enterprises doing this consulting is that we actually have extensive experiences in starting social enterprises and bringing them to scale.

Frequently, boards of directors, community foundations, business

schools, and nonprofit management teams will request presentations introducing them to social enterprise or requesting more in-depth reports. Developing feasibility studies, board development exercises, marketing plans, and complete business plans are typical Pioneer consulting engagements.

Whether it is a well established organization like Rescue Mission wanting to expand its social enterprises or a brand new agency just starting out, like **Stepping Stones** from Austin, Texas, looking to build their organization on the principles of social enterprise from the outset, organized tours and specialized consulting services can provide answers not found in books or theoretical plans.

It's always important to remember that experience in one business sector may well apply to others, but one might wonder, what does Pioneer's business experiences have to do with running an organic farm in Hawaii?

The **MA'O Youth Organic Farm** in the Wai'anae community in O'ahu experienced this first hand when working with a consultant to refine its business plan. "We knew that if we wanted to generate real wealth in our community we had to do it the right way and approach it as something that would strengthen, not drain our nonprofit organization," said Operating Director Gary Maunakea-Forth.

He adds, "The counsel from an established social enterprise helped us fine-tune our business plan and put some real horsepower behind it with ideas that were very sensitive to the human side of the issues that we hadn't thought about before." MA'O has successfully grown from a mod-

(continued on page 9)

