

# Social Enterprise Reporter

Innovative Business Solutions for Nonprofit Entrepreneurs

## Making Tough Choices When to Start A Business and When to Shut Down

by Cheryl Dahle

**D**eciding to launch a business or to shut it down is a tough call for any entrepreneur. But for entrepreneurs with a social as well as fiscal bottom line, those decisions can be particularly agonizing. New businesses must have dual benefits. They must meet rigorous financial criteria, and they must dovetail with an organization's social mission. Otherwise, the energy and time spent on a launch is a costly distraction. Likewise, closing a business means accepting a double hit—the business is lost, along with the benefit it was delivering to a social cause.

“You have an added layer of complexity with a social enterprise,” says Cynthia Gair, REDF's Portfolio Director. “You have to work harder to not let the social concerns blunt your imagination and entrepreneurial edge, and at the same time, you can't let the possibilities of the

### INNOVATIVE SOLUTIONS

difference you could make push you to be financially imprudent. It's a hard line to walk.”

We spoke with two REDF Portfolio nonprofits about how they face these twin dilemmas, and with REDF itself about how it makes start-up and pull-out decisions with its own portfolio.

### Getting Started

**Golden Gate Community, Inc. (GGCI)** is always looking for ways to expand. The organization runs three companies (a café, a bike repair shop and a screen printing shop—all of which employ formerly homeless or at-risk youth). Founded in 1981, the organization's mission is to guide at-risk youth to sustained economic independence, and GGCI provided jobs, training and support to 150 young people last year.

As GGCI's Enterprise Director Caroline Pappajohn says, “Our small companies are

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**Editor's Note:** This is last of a series of three reports on nonprofit enterprises in the REDF social entrepreneurship portfolio. These nonprofits employ over 600 homeless and low-income individuals in the San Francisco Bay Area, and they continue to demonstrate new approaches to the unique challenges faced by social entrepreneurs.

REDF → [www.redf.org](http://www.redf.org) is one of the longest-running experiments in the field, and today partners with 15 S.F. Bay Area nonprofit businesses helping people move out of poverty. Founded in 1997 by financier George Roberts (and originally named The Roberts Enterprise Development Fund), the acronym REDF reflects the organization's incorporation as an independent nonprofit.

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# Letter to Readers



Dear Reader,

In his book *Begging for Change*, reviewed on page 9, Robert Egger speaks to a major theme in this month's issue of *SER*. Robert makes the case that social entrepreneurs are actively promulgating a "new social contract" with consumers who buy their services or products. In a recent e-mail to *SER*, Robert writes "Whether it's employing felons, paying a living wage, being eco-friendly or giving ownership to staff, if we can show that it's possible to do the above, and STILL make profit, then we will be leading by example, which is the best form of advocacy. More importantly, we'll be demonstrating that, in the future, philanthropy will be linked with how you spend your money everyday, not how much you give away at the end of the year."

The entrepreneurs profiled in this issue of *SER* emphasize these tangible links that connect their clients, customers and donors. Customers like those who shop at at Grow Café or Growing Home's produce stand. Robert describes this as a Trojan horse strategy to break down public stereotypes and bring about a calculated epiphany: "You mean the person pouring my coffee was a homeless person and now she has a job through your training program?"

I encourage *SER* readers to share your experiences creating these tangible links and epiphanies for your clients and customers. What were your Trojan horse strategies for breaking down stereotypes about the work you do and the clients you work with?

Lastly, I want to thank you for your help with spreading the word about the *Reporter*; and give a special thanks if you are one of *SER*'s 200 charter subscribers. I thought you'd want to know who are your fellow subscribers—just over half are nonprofit practitioners, followed by technical assistance providers and academics or students. The top three ventures are Educational Services, Partnerships with For-Profits, and Health Care/Social Services. With many subscribers choosing 'Other' it's clear that nonprofit entrepreneurs are breaking out of the traditional categories and are developing unique approaches to solving social problems.

As always, I appreciate your comments and look forward to sharing your perspectives with other nonprofit entrepreneurs in future articles and letters to the editor.

Best wishes,

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Social Enterprise Reporter™ (ISSN: 1550-7300) is published monthly 10 times per year at [www.sereporter.com](http://www.sereporter.com), Jan-June, Aug-Nov by Social Enterprise Reporter.

### Annual Subscription:

\$69 institutional/multi-user license; \$59 Individual; \$29 Student/Low-Income.

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# Steve Bengis

## State-of-the Art Care for Emotionally Disturbed Youth

by Tom White

*Steven Bengis and Penelope Cuninggim first met 25 years ago while working together at a youth services agency in the Pioneer Valley of Central Massachusetts. Today Steve directs the overall NEARI organization, and Penny is Director of Educational Services at the New England Adolescent Research Institute (NEARI), a 501(c)3 that they co-founded in 1985. SER caught up with Steve, asked for his perspective on social enterprise, and invited him to share some of the challenges, failures and successes he's faced leading NEARI's education, publishing and training programs.*

**B**ased in Holyoke, Massachusetts, the **New England Adolescent Research Institute (NEARI)** provides cutting-edge care for emotionally disturbed adolescents and educational resources for their families, teachers, and other professionals. In 2003 NEARI's total revenue was over \$2.5 million – about 90% of which was derived from NEARI's Special Education Program services.

“What makes NEARI unique is the students that we are able to work with,” says NEARI Executive Director Steve Bengis. “Our kids exhibit high levels of acting out and we have to both manage their behaviors and educate them. We use the latest techniques drawn from cutting-edge brain-based research. Our kids come to school with complex learning disabilities. They've acted out and have often received a range of mental health diagnoses.

We provide a strong therapeutic environment, and we deal with the whole kid.”

As in most states, Massachusetts has laws requiring that local public school districts offer Federally-mandated special educational services (Chap 766) to students with disabilities. The public schools often contract with private providers like NEARI, and rates for services charged to

“A key lesson for me has been understanding how to roll out new ventures so they don't bury me....Now I truly weigh the downside possibilities and walk through all the 'what ifs'. It keeps me from biting my nails at night.”

the schools are set by the state.

NEARI programs currently include a Special Education Day School for Holyoke-Springfield and surrounding area students ages 9 to 22; Jump Start, an after-school prevention program for highly at-risk adolescents; ; the NEARI Press, which publishes state-of-the-art materials on educating and treating high-risk children and youth; and a training and consulting center for parents and professionals, that focuses on linking the best of research with practical strategies for working with at-risk populations.

### Natural Born Entrepreneur

Steve points out that Special Education is a business venture like any other, and NEARI is in competition with other similar schools for enrollment referrals. He describes himself as someone who loves to start new ventures, so it's no surprise that NEARI relies on social enterprises to subsidize their non-revenue-generating programs.

“We don't have rich friends and our kids are from the inner city, so we have no parent base for an endowment,” Steve says. “Rather than fundraising, I find it easier to start new businesses. Our strategic plan has been to surround our core services with revenue-generating businesses. NEARI Press presently nets \$35,000 in profit every year – we'd have to have a \$700,000 endowment to net that much yearly interest revenue!



Steve Bengis, NEARI Executive Director

Tom White is Editor and Publisher of the *Social Enterprise Reporter*.

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# New Answers to Old Questions

## Overcoming Resistance to Change

by Jerr Boschee

His friends often chided Albert Einstein for using the same final exam every year in his physics class at Princeton. "Never fear," he would say. "The questions may be the same – but the answers are different!"

Social entrepreneurs are in the business of constantly finding new answers to age-old challenges: How do we care for the sick and dying? How do we create jobs for people who are developmentally disabled?

But people have a built-in resistance to change. The progenitors of the hospice movement ran into all sorts of flak from doctors and nurses who were horrified by their willingness to actually talk about death and dying with people in extremis. John DuRand was excoriated for placing people who were developmentally disabled into a normalized work environment (but eventually created a \$68 million nonprofit business with more than 1,000 employees).

So how can social entrepreneurs reduce resistance to their innovations? How can they turn traditionalists into buyers?

### 10 Objections to Overcome

During the past 30 years, Professor Everett M. Rogers spent a great deal of time teasing out the sources of resistance; known for his "Diffusion of Innovations" theory, Dr. Rogers of Ohio University passed away Oct. 21, 2004. He was joined in his efforts by Professor James Bright and scholar/corporate trainer Joel Barker. Here, based on their work, are ten objections social entrepreneurs need to



Jerr Boschee has spent the past 25 years as an advisor to social entrepreneurs in the U.S. 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

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

overcome:

- **"I've already got one."** Will traditionalists be able to immediately see the advantages of your new product or service? If they can't, they'll be gone, and the other nine objections won't even arise.
- **"It's going to screw things up."** Change the pillow case, change the bedding. Change the bedding, change the curtains. Change the curtains, re-paint the walls. Forget it! Traditionalists need to be convinced that buying your product or service will cause minimum disruption. What will they have to do differently? "Not much."
- **"It's too complicated."** Nope, it's easy. No matter how complex things might be behind the scenes, no matter how many people must be involved in delivering and supporting the product or service, your potential buyer must be convinced that, for him or her, it's easy to use. "Just dial 4-1-1." "Just one click on our web site." "Just flip the switch."
- **"It's too big a commitment."** Traditionalists not only resist change, they are positively allergic to big changes. The more you can let prospects try things one piece at a time, the fewer risks they'll be taking and the less money they'll have to spend. It's a classic loss leader strategy for people selling services: Let people purchase an hour or two of time; then, if they like what they get, they'll buy more.
- **"What did you say?."** One of the worst mistakes you can make is using language that makes traditionalists feel stupid. Or excluded. Jargon may make you feel special, but it makes your prospects itchy. Use familiar words. And try to describe your innovation in ten words or less.
- **"It costs too much."** Traditionalists aren't just thinking about dollars. They're worried about their time, their emotional investment, their opportunity costs. Your new product or service should be less expensive — in every category — than the product or service it's replacing.
- **"Can I get my money back if I change my mind?"** Yep.
- **"Never heard of you."** Traditionalists are more

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## competitions and awards

### Cause Marketing Halo Awards American cause marketing's highest honor

Outstanding companies and causes will compete in the following categories:

- Best Transactional Program
- Best Joint Message Program
- Best Health-Related Program
- Best Environmental/Wildlife Program
- Best Social Service/Educational Program
- Best Cause Marketing Print Creative
- Best Cause Marketing Event

Entry Fee/deadline: \$150 by 2/25/05

➔ <http://causemarketingforum.com/page.asp?ID=79>

## grants

### Tide Center Awarded \$4.5 Million to Expand Nonprofit Sector Capabilities

San Francisco, Calif. — Tides Center has been awarded grants totaling \$4.5 million to significantly expand its services to social innovators and nonprofit organizations. W.K. Kellogg Foundation led the funding with a three-year grant of \$4.07 million. Additional funders of the initiative include the Skoll Foundation, which has contributed \$225,000, as well as The Evelyn and Walter Haas Jr. Fund and The David and Lucile Packard Foundation, which have each contributed \$100,000.

With this substantial funding, Tides Center is deploying a scalable technology platform that will enable thousands of nonprofits and fiscal sponsors to operate more efficiently and effectively. This platform will greatly increase the availability of affordable, quality, administrative infrastructure and reduce duplication in the nonprofit sector. Tides Center also will use the grants to collaborate with others to improve standards of practice and accountability in the sector. Currently, Tides Center provides grants management, administrative, financial and human resources services to charitable initiatives not incorporated as 501(c)(3)s. Tides Center is the fiscal sponsor to hundreds of projects across the U.S. in such areas as economic development, social justice and the environment.

➔ <http://www.tidescenter.org/>

### Global Social Venture Competition Final Presentations and Awards

April 15, 2005, Berkeley Art Museum, Berkeley, CA

The Global Social Venture Competition began in 1999 as a student-led initiative at the UC Berkeley Haas School of Business. The Columbia Business School, The Goldman Sachs Foundation and the London Business School have partnered with Haas to extend the reach of the competition and help grow a national platform for social ventures.

Each year, entrant teams from around the world compete for over \$45,000 in cash and travel prizes. This year, the Grand Prize of \$25,000 will be awarded to the plan that achieves the best blended value (high economic and social returns).

➔ <http://www.socialvc.net/>

### Duke University gets \$1M for After-school and Nonprofit Programs

DURHAM NC - (Durham Herald-Sun) The Wachovia Foundation is giving Duke University \$1 million for after-school programs for low-income Durham schoolchildren and business support for nonprofit organizations.

The after-school component will be carried out by Project HOPE (Holistic Opportunities Plan for Enrichment), which operates in the Walltown neighborhood and southwestern central Durham.

In 2004, more than 165 children received tutoring, mentoring and arts enrichment at community centers after school and during the summer. Duke students volunteer as tutors.

Project HOPE is a program of the university's Duke-Durham Partnership Initiative, which works to improve the quality of life and boost student achievement in neighborhoods and schools near the campus. It will receive half the grant, which will support salaries of key staff members for at least five years.

The other half will go to Duke's Fuqua School of Business programs, including one that encourages MBA students to share their knowledge and expertise with nonprofit organizations.

The Fuqua School will divide the money equally between the Center for the Advancement of Social Entrepreneurship (CASE) and the Center for Leadership and Ethics (COLE). ➔ [http://www.fuqua.duke.edu/admin/extaff/news/wachovia\\_0205.htm](http://www.fuqua.duke.edu/admin/extaff/news/wachovia_0205.htm)

## The Income Diversification Journey (3)

by Warren Tranquada

**T**his is the third in a series about Grantmakers for Effective Organizations (GEO), a nonprofit membership community, dedicated to maximizing philanthropy's impact by advancing the effectiveness of grantmakers and their grantees. GEO was founded in 1997.

The previous articles [SER November 2004 and January 2005] described how GEO assessed its readiness for an earned-revenue strategy, selected a 'short list' of eight possible ideas during a brainstorming session that generated 100 potential earned revenue concepts.

### Concept Screening

As GEO staff and stakeholders evaluated earned-income opportunities, they decided to gather additional information about the eight most promising possibilities.

Eight GEO staff champions at the brainstorming meeting agreed to write a short business case on one potential revenue-generating idea. Each champion was provided with a business case format, consisting of a list of questions and a general layout to guide concept development, and a challenge to spend no more than three hours developing the case. The purpose of these short business cases was to develop the idea (in some cases, simply a few words on a flipchart) into a concept that could be debated and assessed. It was impor-

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Warren Tranquada is the Chief Executive Officer of Pepin, Tranquada, Baker & Associates, a consulting firm that helps non-profits develop and implement income diversification strategies.

➔ [www.pepintranquada.com](http://www.pepintranquada.com)

### Developing A Screening Scorecard

To develop an effective Screening Scorecard, we suggest:

1. Stop/Go Factors. Determine if any "stop/go" factors should automatically disqualify ideas. GEO decided that only ideas that would advance their Theory of Change should be pursued .
2. Quality/Fit Indicators. Determine criteria that indicate the quality of the ideas and the likelihood that the organization can implement them. GEO selected 6 quality indicators and 8 'fit' indicators.
3. Scoring. As specifically as possible, describe what constitutes each idea's score (from 0-3) on each indicator.
4. Extra Weighting. Determine whether any indicators are so important that they deserve extra weighting. GEO experimented with several weightings but found they had no impact on the highest-priority ideas.

tant to GEO that the effort at this point be highly targeted and efficient.

Kathleen Enright, GEO's Executive Director, explains: "When we agreed to assign staff champions to do further analysis, we had only invested a few minutes of discussion into each idea. We wanted to put enough effort into these concepts that we could have an informed discussion and properly assess their potential. But at the same time, we did not want to spend enormous amounts of staff time researching and developing plans for ideas that would ultimately not be executed. We felt the three-hour challenge was appropriate to get us to the next step."

The team met one week later to discuss the business cases and screen the list. At this meeting, the team agreed to the final layout of a Screening Scorecard that would be used to rate the ideas relative to each other on mission fit, financial potential, and the likelihood of GEO being able to successfully execute (see sidebar). Each idea champion had 20 min-

utes to present their concept, answer questions, and lead the team through rating the idea on a scorecard.

### Using a Screening Scorecard

Lori Bartczak, GEO Program Manager, notes that "Having a Screening Scorecard and business case layout helped us determine which ideas would help us meet our earned revenue goals. While all were good ideas at some level, we began to realize through the discussion that the strongest opportunity for us was to improve the sustainability of existing programs, such as our membership program and conferences."

A screening scorecard allows the organization to objectively compare and rate ideas, relative to each other, by formally recognizing the criteria that drives its success in developing an earned income business. However, a scorecard does not replace intuition, and should never be used blindly; and we do not recommend using a scorecard to make final decisions on

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## Steve Bengis: State-of-the-Art Care

(continued from page 3)

### NEARI Press

The NEARI Press was the first business venture that Steve and Penelope developed to support NEARI's educational activities. No staff positions are involved in NEARI Press, which sells a list of 17 publications through a catalog and on the NEARI website. Steve partnered with an author/publisher colleague who transferred several of his titles to NEARI Press before it launched, so he started with a revenue stream from the backlist on day one. All printing, distribution, and customer service is outsourced, to a printing/fulfillment company.

Steve used the NEARI Training Center mailing list to send out catalogs twice a year and now that is his main source of sales. In addition to its backlist, NEARI will be publishing a state-of-the-art textbook on treating sexually abusive children and adolescents, later this year.

"We're a niche press for professionals working in a field where NEARI has already developed a strong reputation," Steve notes. "Other publishing entrepreneurs should look at where they are already known, then build on the reputation they have established."

### A Jump Start for After School Programs

When local inner-city kids were hanging out after school on the stoop of the NEARI Day School, desperate for activities, Penny Cuninggim pushed to develop an after-school program and Steve Bengis looked to one of NEARI's social enterprises to help fund the launch of the new early-intervention program for at-risk youth.

"We took revenues from the NEARI Press and used a staff person to raise additional funds" Steve says. "I prefer to use profits for growing innovative programs, not just for working capital." Today Jump-Start provides these inner-city kids with mentoring, educational support, skill development, and structured recreational opportunities.

Not all of NEARI's ventures have been successful, Steve recalls. "We tried to launch a residential program to help sexually abusing kids, but the community rose up against it. We had to close it down and came very close to declaring bankruptcy." NEARI filed a federal fair housing discrimination lawsuit and after five years of legal action the defendants settled before the trial closed.

"A key lesson for me has been understanding how to roll out new ventures so they don't bury me. I anticipate the downside a lot better now," says Steve. "Once you fail it's sobering. Now I truly weigh the downside possibili-

ties and walk through all the 'what ifs'. It keeps me from biting my nails at night. But it often means I can't roll out new programs as dramatically as I may have wanted. I grow them more incrementally, sometimes adding new responsibilities to the job descriptions of our present staff"

### New Online Training Venture

In addition to their current training and publishing programs, NEARI is now developing a business plan for online training courses for people managing and treating sexually abusive children, adolescents and adults. Working with a business-savvy colleague who donated her expertise, Steve recently prepared a business plan for this new venture.

"A written business plan is not my usual way to start a business," says Steve. "I have never done market analyses. But that's not always the best approach, and it's been fascinating to plan in a more formal way. We recently did an internet marketing survey for this venture and got over 1,000 responses, and 90% of them supported the concept."

Steve has a few principles that he works by: "*First, just believe you can do it.* We have a lot of ability and talent in the nonprofit sector, and social entrepreneurs often get stopped by their Board or donors, just because they want to start a for-profit venture. I find it ludicrous.

"*Another principle is how to position your venture.* Understand that you're in competition with business people who spend their entire lives doing what you're doing part time. Your story won't carry you—it's your product and its benefits, price-wise and product-wise. Your story can become a compelling asset for a customer, but only if the product or service is as good as one they can get elsewhere.

"*Lastly, it ain't worth a damn if you don't execute.* You've got to do it!"

What about balancing home and work life when you work with your life partner of 25 years? "Marriage is also an entrepreneurial venture. It isn't easy and we don't always do it well, but much of the creative work derives from our differing strengths. Penny is brilliant and I could never have built NEARI without her, but that's another story!" says Steve. ■

➔ [www.neari.com](http://www.neari.com)

## MEMBER PROFILE

### Growing Home, Inc. - Organic Farming in Chicago

**O**rganic spinach, arugula, kale, turnips, mustard greens, tomatoes, onions (red and yellow), zucchini, collards, basil and strawberries. These are some of fresh organic produce grown and sold by the clients of **Growing**

**Home, Inc. (GHI)** — a 3 year-old 501c3 social enterprise that produces and sells fresh produce to restaurants and at farmers markets throughout the Chicago area. Its mission is to provide job training and create employment opportunities for homeless and low-income people, within the context of an organic agriculture business. *SER* spoke with Harry Rhodes, GHI's Executive Director.

**Q: How did Growing Home get its start?**

**A:** In 1992 our founder and Board President, Les Brown, worked for the Chicago Coalition for the Homeless. He discovered that the McKinney Homeless Assistance Act gives nonprofit organizations serving the homeless the right of first refusal to purchase federal surplus land. Les wanted to use a parcel to train homeless people to build and operate vegetable greenhouses, and he put in a bid to acquire land at Chicago's Navy Pier.

At first, Les was pleased and surprised when we won the bid, but the City of Chicago, which had won a bid to build on another section of the same parcel wasn't too happy. Les negotiated a land swap with the City for an acre on Chicago's west side, which unfortunately turned out to be a polluted brownfield. The City promised to take care of remediation, but nothing has happened on that parcel, and we plan to offer it for sale.

**Q: Where did you finally start farming?**

**A:** In 1998, we successfully bid on 10 acres at a for-

mer federal weather station in LaSalle County, 75 miles outside of Chicago. It hadn't been farmed for years, and we knew that it wouldn't take long to get it certified as organic. Our clients split their time between the farm and

Su Casa Catholic Worker Community, a transitional house for homeless Latino families. We run the garden, grow the food, and use the farm as an urban training center. Our clients also get sales experience, selling our produce at local farmers markets. It's a great experience for them to sell what they've grown, and it makes a tangible link between our clients and our customers.

**Q: Who are GHI's clients?**

**A:** We partner with transitional homes and shelters to recruit clients over 18 years of age. They must be drug-free and, if they were recently using drugs,

be enrolled in a recovery program. We're looking for people who are ready to change their lives. So far, 40 people have been through our training program, and 71% of our graduates have found full time employment or gone on to further training, mostly in the food service business. If we've done our job well, they're capable of being self-sufficient and earning a living wage. Our clients enjoy learning about nutrition and farming, and they personally relate to the fact that our farm is free of chemicals too.

**Q: How did you get funded?**

**A:** We got a grant to pay for a business plan, and obtained the services of Daniel Helfman [founding principal of the New York City-based firm, Social Venture Consulting] who helped us to write the plan. The business plan was successful in attracting grants from local foundations—the Chicago Community Trust was an early, big supporter, as was Heifer International. We also have

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GHI Client Bobby E. at Chicago's Green City Market

# An Entrepreneur's Approach to Hunger & Homelessness

by Tom White

Book Review:  
**Begging for Change: the Dollars and Sense of Making Nonprofits Responsive, Efficient, and Rewarding for All**  
 By Robert Egger  
 HarperCollins Publishers 2004  
 \$24.95

Don't use the term "soup kitchen" to describe the D.C. Central Kitchen that Robert Egger founded on Inauguration Day of January 1989. It's a depression-era term that limits the public's perception of what places like the Kitchen can accomplish: a job-training program, a for-profit catering company, a

cooking school, and drug counseling program. And they serve up 4,000 meals a day, seven days a week by collecting and reusing unserved food from Washington D.C.-area restaurants and caterers.

Egger's story of his own "charity crusade" is an engrossing and lively story, starting with his evening rounds as a volunteer on the Salvation Army's 'Grate Patrol' soup van. He was a successful restaurateur at the time, with dreams of starting a nightclub, when he came up with the idea for the D.C. Central Kitchen. Soon after starting the Kitchen with a \$25,000 grant from the Abel Foundation, Robert was forced to rethink his view of hunger: "We could never solve hunger unless we also found a way to help people help themselves... [and] food could be one hell of a tool." Hunger is tied to other battles: creating a system of self-sufficiency for "the people we're assisting and the services we're providing."

Like other social entrepreneurs, Robert is not only fighting a battle against hunger and waste, but for changing public stereotypes and attitudes about what charities can and should do. The book is a personal story of how one social entrepreneur got started and lessons he's learned over the last 15 years. But it's also a guide to giving and to doing, motivated by a concern for finding the best ways for nonprofits to effect maximum social change with a minimum of resources.

In his introductory review of the practice of charity, "A Brief History of the Handout," Egger points out that by the 1970's there were no market forces limiting the operations or growth in the number of nonprofits then competing for limited resources. The focus was on fund-raising efficiency or number of meals served, but these measurements "didn't reflect the true impact, efficiency or effectiveness of any nonprofit... Over the past 50 years

the structure of nonprofit has evolved for optimum survival, not optimum results."

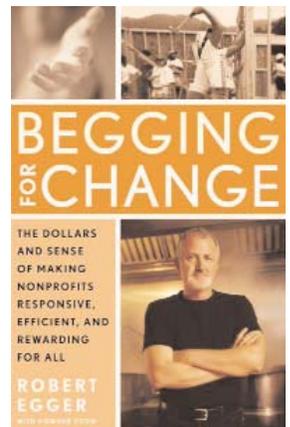
You're only as strong as your weakest link, and from Egger's perspective the nonprofit chain is overlong and dangerously thin. "The harsh reality is that some of these organizations shouldn't be running day to day... The nonprofit sector lacks what economists refer to as 'creative destruction', the consolidation or destruction of the most ineffective and wasteful organizations."

Egger issues a call for a nationwide time-out to develop a unified, sector-wide strategy to solve the problems of hunger, homelessness and poverty. Applying this thinking about duplication and consolidation to his own efforts he asks: What if, by soliciting money from the regional donor pool for a capital campaign he inadvertently contributes to downsizing or shutting down sister agencies whose missions are linked to the same cause? "We'd end up reducing our effectiveness by the very act of trying to improve it."

Cautioning readers not to equate efficiency with effectiveness, Egger's concern is to focus on results, not bottom-line metrics such as overhead or fundraising percentages. Well run, innovative nonprofits get "maximum results with the minimum amount of resources. Resourcefulness means using 'everything but the oink' to feed and empower the people, but then finding a way to use even the oink to get people's attention."

Egger shows how nonprofit organizations like the Gainesville, Florida-based *Dignity Project* know how to cultivate and market tangible links between workers, donors and customers. The DignityProject teaches high school drop-outs the basics of car repair. Every donated car they fix is handed over to a low-income family, and cars valued at \$7,500 and up are sold on the market to keep the project running. The founder, Todd Livingston, has structured the hand-overs as celebrations for the new car owners and Dignity Project staff.

Egger states that "We're at an exciting moment in the



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## Making Tough Choices

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never going to scale to \$20 million dollar enterprises. So if we want to increase the number of kids we employ, we have to start new ventures.”

An opportunity for a new venture appeared in 2003 when GGCI was approached by the California Academy of Sciences about a partnership. The museum, based in Golden Gate Park, was undergoing a lengthy renovation that forced it to close its main campus facility. To maintain its relationship with the public during that four-year project, the museum wanted to open a satellite location in

**“Compared to for-profit business launches, the risk for a non-profit opening a new business is higher. There is a huge opportunity cost, in terms of the energy that goes into it.”**

— Caroline Pappajohn, GGCI Enterprise Director

downtown San Francisco—with a café. GGCI wound up accepting the deal to operate Grow Café in the temporary museum (which opened downtown in May of 2004), while simultaneously deciding to close a café GGCI had been running in San Francisco’s Sunset District. GGCI considered multiple factors in the joint launch and shut-down, Pappajohn says.

**Growth potential.** The larger location of the new Grow Café would allow GGCI to almost double



Grow Café, at the California Academy of Sciences museum, San Francisco

the number of kids they employ (from 8 to 15), and build a catering business as well. The new café would also be located downtown, in a neighborhood that was more conducive to soliciting corporate catering clients and foot traffic.

**Resource use.** The staff determined that GGCI couldn’t run both cafés and that the newer café had a brighter long-term future. But opening a new café (as opposed to picking a different line of business) allowed the staff to use their existing business expertise. The sale of the lease at the old café location provided capital for the new opening.

**Partner support and fit.** The Academy was more than just philosophically supportive of GGCI’s mission. They offered to let Grow Café piggy-back off of the Academy’s marketing efforts, and provided a no-interest loan for GGCI to build the 6,000-foot kitchen space in the café. The museum also provides day-to-day in-kind facilities maintenance support for the café.

“Compared to for-profit business launches, the risk for a non-profit opening a new business is higher,” Pappajohn says. “There is a huge

opportunity cost, in terms of the energy that goes into it. But we felt it was a managed risk for us. And given our experience in the café business and the fit of our partner, the California Academy of Sciences, it was actually a fairly low-risk proposition for us.”

## Shutting Down

Since 1973, Rubicon Programs has built housing, provided employment and mental health services, and created jobs to assist individuals who are economically disadvantaged. Rubicon’s mission is to help individuals and communities build assets to achieve greater independence. The agency employs upwards of 300 people and over 3,000 people participate in Rubicon’s programs throughout the San Francisco Bay Area.

More than eight years ago when Rubicon started its Home Care business, the concept seemed the ideal choice. Rubicon would provide in-home care for low-income elderly people, while training its client base of formerly homeless individuals in a career path in entry level medical care.

But as the years passed and government regulation on home care reimbursement changed, the business became harder and harder to sustain. While the business was still a win for employees and the patients they served, it had become a financial drag on the parent company, says Rick Aubry, Rubicon’s executive director. The problem was that the margins in the business were so slim (particularly because Rubicon insisted on paying its employees well) that the model needed hundreds of patients to be profitable. Rubicon had dozens. At the end of 2003, Aubry realized that there wasn’t a chance the organization could scale the Home Care business in a time frame that wouldn’t threaten Rubicon’s stability.

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## Testing the Waters:

### The Quick Feasibility Test

by Rolfe Larson and Andy Horsnell

**F**easibility analysis involves evaluating the relative strength of one or more earned income ideas, and then determining whether your organization is likely to be successful at achieving its goals if you were to pursue a specific venture idea.

These are the criteria often used for feasibility analysis:

- Strategic Alignment — do we want to do it?
- Operational — can we do it?
- Marketing — will customers buy from us?
- Financial — will we achieve our profitability goals?

Your evaluation should proceed through the following steps only as far as is necessary to determine if and how you should proceed with a given earned income idea — but no farther.

#### Four Increasingly-Rigorous Levels of Assessment

1. Judgment
2. Feasibility Screening
3. Quick Feasibility Test (QFT)
4. Full Feasibility Study

Our previous article [*January 2005 SER: Fast Track or Back Burner? P.11*] explains how to use judgment and feasibility screening to narrow a long list of ideas down to two or three that are worthy of the more thorough Quick Feasibility Test (QFT). Almost all new ventures should undergo a QFT; exceptions are very low-cost, low-risk opportunities, for which the best feasibility testing is often simply to start doing it.

#### When to Use a QFT

A QFT involves gathering internal and external data to answer an expanded list of 23 feasibility questions (see “*Download the QFT*” at the end of this article). This step often takes 20–30 hours of work for each earned income idea, usually over a period of 4–6 weeks. In our experience, both as nonprofit managers and as consultants, the QFT is sufficient for assessing the feasibility of most earned income ideas.

The QFT is a research-based, data-driven process — unlike a Feasibility Screen, which relies on your judgment and readily available information. It is contrasted with a Full Feasibility Study which, while also a research-based process, is much more comprehensive, and is generally reserved for higher risk ventures.

Social entrepreneurs who skip the QFT and go straight to the business plan do so at their own peril. Errors in their reasoning and untested assumptions can quickly be caught by the QFT and radically improve the venture’s chances for success (or the QFT can uncover fatal flaws in the venture).

Conversely, entrepreneurs who auto-

matically go prematurely into a full feasibility study risk over-analyzing an idea that could have been green-lighted by a QFT — and wasting precious time and resources.

#### A Team Effort

Completing a QFT is ideally a team effort. While the QFT may be the project of the venture champion, the effort works best with the support of at least three other people. Participants typically include a board representative on the strategic alignment questions, program staff on operational capability questions, and your accountant or board treasurer on the financial questions. Occasionally, outside experts can be brought in to assist you with the marketing questions. A number of excellent books can guide you through answering the marketing feasibility questions — *Market Research Made Easy* by Self-Counsel Press for example.

In our next article, we’ll introduce the *Quick Business Plan* — a planning tool you can use to develop your QFT-validated earned income ideas. ■

Rolfe Larson and Andy Horsnell are principal consultants at Rolfe Larson Associates

➔ [www.RolfeLarson.com](http://www.RolfeLarson.com), a marketing, finance and venture consulting firm that specializes in helping nonprofits develop successful earned income strategies. Rolfe Larson is the author of *Venture Forth! The Essential Guide to Starting A Moneymaking Business in Your Nonprofit Organization*, published by the Amherst H. Wilder Foundation. ➔ [www.wilderpubs.org](http://www.wilderpubs.org) Andy and Rolfe co-moderate the npEnterprise Forum ➔ [www.npEnterprise.net](http://www.npEnterprise.net), the premier listserv about social enterprise, and the official listserv of the Social Enterprise Alliance ➔ [www.se-alliance.org](http://www.se-alliance.org).

#### Download the QFT

Want to do a Quick Feasibility Test? Download our free QFT Questionnaire from

➔ [www.sereporter.com/resources/LarsonQFTworksheet.doc](http://www.sereporter.com/resources/LarsonQFTworksheet.doc)

## Making Tough Choices

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“We had some really hard choices to make,” Aubry says. “We had great home care workers, we had a business with a great reputation and brand, and customers who were at risk. How do you pull the plug and walk away from that?”

Ultimately, Rubicon opted for a creative strategy that got the organization out from under the business without stranding its employees or customers. Aubry found a competitor that would hire 100% of Rubicon’s workforce and accept all of its patients, as well.

“We literally gave away the business,” Aubry says. “That meant everyone we created jobs for got to keep them, and for all of the mission purposes, everyone was left whole. It was actually more financially costly to do it that way, rather than just giving everyone 30 days notice. But our social mission dictated that we had to come up with a different kind of exit strategy.”

## Tough Decisions for the Portfolio

REDF uses some of the same criteria that its organizations employ around launches and closes, when deciding whether to accept a new company into its portfolio, and when to part ways with an organization.

The biggest factor is mission alignment, says REDF’s Portfolio Director, Cynthia Gair. In REDF’s case, that means companies must be committed to running market-driven businesses, and agree to manage both the social and financial aspects of their organization using rigorous metrics.

This notion of ‘fit’ is so important that REDF has tried adding new companies to its portfolio in the past by bringing them on for year-long experiments in working together.

But Gair points out that REDF sees its role as venture philanthropist as fundamentally different from the corollary private sector venture-funding model, in which companies are pushed out of a fund as they grow. On the private side, a more developed capital structure provides somewhere for companies to go for the next stage of growth and funding, while there’s currently no equivalent on the non-profit side. So REDF has no expectation that its companies will (or should) leave the nest, Gair says.

“Our approach, to date, has been that we find winners and we stick with them,” she says. “As long as we are both getting mutual benefit from the relationship, and our missions and strategies are in sync, we have continued to support them.” ■

➔ [www.ggci.org](http://www.ggci.org)

➔ [www.rubiconprograms.org](http://www.rubiconprograms.org)

➔ [www.redf.org](http://www.redf.org)

➔ [www.fastcompany.com/social/2005/](http://www.fastcompany.com/social/2005/)

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## Boschee

(continued from page 4)

apt to buy something new from you if they already trust you. Do you have any credibility? Do you have allies and endorsers who can speak for you? Do you have a track record of successfully introducing innovations?

- **“It probably won’t work.”** No prototypes, please. There was a time when the buying public expected products or services to arrive in the market unfinished. People were willing to let the seller work out the kinks as time went by. Not so much any more.
- **“And if it doesn’t . . . .”** This one’s easy: You fix it. No charge. ■

## Book Review

(continued from page 9)

history of nonprofits and business, the confluence of for-profit and nonprofit ideologies. People no longer want companies to squeeze profit of everything they do. They want purpose and meaning. . . . As a result, profit and purpose have become a unified formula for running any organization. The formula is simple: Purpose = Profit. Companies that strive for social change can show us the possibilities of running a businesslike nonprofit and a nonprofit-like business. And the marriage of these two ideas is our future.” ■

- ➔ Download Robert’s Rules for Nonprofits at <http://www.sereporter.com/Resources/ROBERTSRULES.DOC>

## Income Diversification Journey

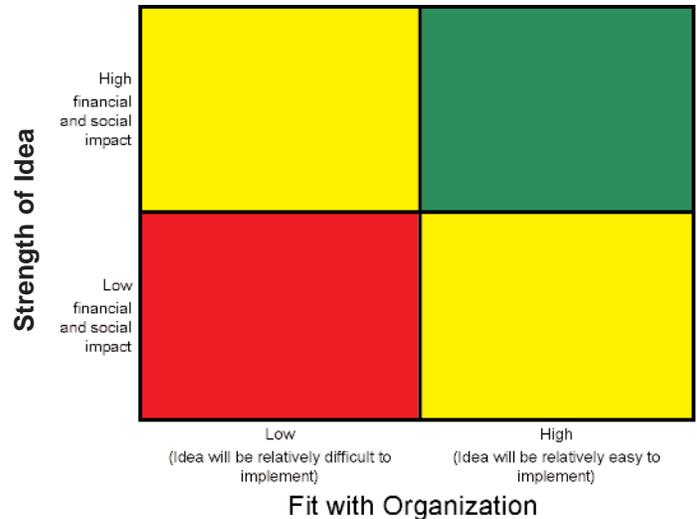
(continued from page 6)

whether to implement. We find that the most effective scorecards group ideas at an early stage into 'buckets'. The idea is to identify the set of ideas that is most deserving of serious discussion and planning.

After completing a scorecard for each idea, all of the ideas are placed on a matrix, where each quadrant has a group of ideas with similar potential, such as this example at right.

At the end of GEO's meeting to evaluate its top business cases, the scorecard results and discussion were used to determine next steps. The staff decided to write a business plan around the enhancement of its membership program; to develop marketing plans to enhance its two major conferences; and to further explore two new product ideas in a feasibility assessment.

Our next article, which concludes the series on GEO's planning process, will describe the results of GEO's decision-making process. ■



## Organic Farming In Chicago

(continued from page 8)

loans from the Illinois Facilities Fund, and plan to sell the brownfield lands we first bought, in order to pay back the loans. We're working to diversify our funding base, and will be hosting a benefit event and launching a direct mail campaign to individual donors, later this year.

### Q: What are your long-term goals?

A: Our current goal is to obtain a larger urban site with greenhouses, where we can run training programs year round. We have only a 6-month seasonal training program now, due to weather constraints.

By 2007 our business plan envisions that revenues from sales of our product will cover the farm management and operating costs of our social enterprise. We had \$11,500 in sales from the 2003 growing season, \$38,000 in 2004 and we project \$75,000 for the 2005 season. In 2005, we plan to add a community-supported agriculture program, too. Even as the business grows, we will still be dependent on some outside funding in order to cover the social mission costs related to job training and case management.

### Q: What partnership strategies have you employed?

A: Our clients work with us for only 24 hours a week, so we've partnered with other urban agriculture programs, including a honey bee coop, to round out their work week. We are part of the regional Advocates for Urban Agriculture, which is developing an economic engine for Chicago, based on food grown in a sustainable manner. Chicago's Mayor Richard M. Daley, who is very big on greening the City, has set up an Urban Agriculture Task Force, and I sit on the Task Force's Entrepreneurship Committee.

### Q: How have you managed your dual role as GHI's Business Manager and the Nonprofit's Executive Director?

A: There's been a tension between growing the business versus investing time in job training. The process of planning helped me focus on what we needed to do to grow. As a result, we were able to hire a Training Manager to make sure clients were getting the help they need. With more staff, my dual role is more doable! ■

➔ [www.growinghomeinc.org](http://www.growinghomeinc.org)

## **Community Development Venture Capital Alliance Annual Conference**

**March 15–16, 2005, Arlington, Virginia**

This conference is the premier training and networking event for anyone interested in community development venture capital. A one-day training workshop entitled Double Bottom Line Investing: An Introduction to the Community Development Venture Capital Approach, precedes the conference.

➔ [www.cdvca.org](http://www.cdvca.org)

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## **World Resources Institute**

**Eradicating Poverty through Profit:**

**Making Business Work for the Poor**

**Dec. 2005 Conference Program presentations, video and interviews available online.**

➔ <http://povertyprofit.wri.org/program/program.html>

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**Business Sustainability Panel Discussion & Dinner  
The Net Impact Chapter of the University of San Francisco's School of  
Business and Management, Feb. 17, 2005, 5–8 PM  
University of San Francisco - McLaren Center 250  
2130 Fulton Street, San Francisco, CA 94117  
RSVP: [netimpactusf@yahoo.com](mailto:netimpactusf@yahoo.com)**

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**Ethical Corporation's Business/  
NGO Engagement Conference:  
Feb 22–23, 2005  
Regent's Park Marriott Hotel, London.**

For the first time in Europe: a critical evaluation of 29 of the world's most innovative partnership case studies, plus 16 interactive workshops and over 60 expert speakers covering:

- Key ingredients of a successful partnership: What are they, and how do they really work?
- Partnership expectations: Are some partners more equal than others — and can you achieve real trust when your partner has a different standard of accountability?
- Practical issues: How do you agree a joint approach on potential minefields such as key performance indicators and the nuts and bolts of partnership management?
- Avoid failure: What can you learn from partnerships that have turned sour — and how can you success-proof your own projects?

Plus professional tips on structuring agreements; tactics to resolve disputes; selecting the most appropriate partners; tackling corruption; balancing the opportunity against the risks.

➔ <http://www.ethicalcorp.com/engagement/>

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**2005 San Francisco Social Venture Institute  
Business Problem Solving for Socially and Environmentally Conscious  
Entrepreneurs  
February 28 and March 1 2005**

This event will bring together successful business leaders and emerging entrepreneurs for an interactive learning experience, exploring the day-to-day challenges of running a triple bottom line business.

Contact Alison Bunker at ✉ [alison@wtc-sf.org](mailto:alison@wtc-sf.org) or (415) 421-5500.

➔ <http://www.wtc-sf.org/svinstitute.html>

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**Skoll World Forum on Social Entrepreneurship  
March 30 – April 1, 2005**

**Saïd Business School, University of Oxford, England**

The 2005 Skoll World Forum for Social Entrepreneurs is the premier global gathering for change-makers everywhere. This year conference organizers have introduced a rolling thematic focus — this year networks and their impacts for social entrepreneurs — and an area focus on Europe.

➔ [http://www.sbs.ox.ac.uk/html/faculty\\_skoll\\_world\\_forum\\_2005.asp](http://www.sbs.ox.ac.uk/html/faculty_skoll_world_forum_2005.asp)

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**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 profile in SER101) to host the 6th Annual Gathering of the SEA.

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

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

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**6th International Workshop on Resource Mobilisation  
May 6–8 2005**

**Menam Riverside Hotel  
Bangkok**

➔ <http://www.resource-alliance.org/subsection.php?sectionid=5&subsectionid=88>

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**2005 National Conference: Collaborating for Success  
Creating and Operating Multi-tenant Nonprofit Centers  
May 12–13, 2005**

**Fort Mason Center, San Francisco, CA**

➔ [www.nonprofitcenters.org/events/2005/2005\\_conference.html](http://www.nonprofitcenters.org/events/2005/2005_conference.html)

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**Third National Business Plan Competition for Nonprofit  
Organizations**

**Annual Conference and Awards Ceremony**

**June 9–10, 2005**

**Hyatt on the Hudson**

**Jersey City, New Jersey**

Master classes and workshop sessions will run throughout the Conference to help advance your understanding of business enterprise, led by experts in the field of nonprofit entrepreneurship and business management.

➔ <http://ventures.yale.edu/aboutconference.asp>

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**3rd Annual Cause Marketing Forum  
June 16, 2005**

**Crowne Plaza Times Square, New York**

➔ <http://causemarketingforum.com/conference.asp>

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