

Social Enterprise Reporter

Innovative Business Solutions for Nonprofit Entrepreneurs

Social Enterprise Goes to School Campus-Based Programs Advance the Field

by Roger Hahn

This is the first in a series of three reports on *Campus/Community Catalysts* – examining the emergence of campus-based teaching, research, and outreach programs, training a new generation of socially conscious citizens. Parts two and three of this series will focus on the powerful and growing student movement; and a philanthropic sector that wields increased influence on campus, through targeted investments of time and management expertise. The series will explore ways that the campus-based social enterprise movement impacts not-for-profit social entrepreneurs.

The turn of the millennium has seen the rise of a vast array of campus-based programs that train MBAs and not-for-profit professionals in the areas of social enterprise and nonprofit management. Led by many of the world's top business schools, these endeavors signal that social entrepreneurship and social enterprise have gained strong cultural legitimacy.

Although the components of these programs vary, as a group, they comprise an almost dizzying assortment of individual elements. These include: Endowed centers and institutes; research programs; professional training courses; national and international business-plan and case-writing competitions; local, regional, national, and international conferences; the establishment of on- and off-campus consulting

INNOVATIVE SOLUTIONS

services; and campus-based community outreach, such as student internships. Universities and colleges are also developing and expanding their curricula and hiring increasing numbers of full- and part-time faculty.

“Just a decade ago, there were virtually no business school courses or projects on social entrepreneurship,” Laura D’Andrea Tyson, former chair of President Clinton’s Board of Economic Advisors and current Dean of the **London Business School**, wrote less than a year ago in *BusinessWeek Online*. “Today,” she concluded, “most top business schools have both.”

In 2003, *Fast Company* magazine estimated that at least 30 business schools in the U.S., Canada, and England were offering coursework in social entrepreneur-

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“This new generation of socially concerned students is really providing a spark, something we haven’t seen since the 1960s and ‘70s.”

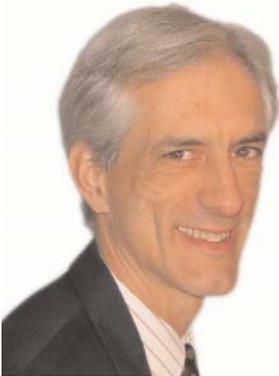
— **Samantha L. Beinhacker, Co-Director of the Yale School of Management – The Goldman Sachs Foundation Partnership on Nonprofit Ventures**

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Letter to Readers



Dear Reader,

In these difficult times it's refreshing and inspiring to find thinkers who incorporate nonprofit social enterprise into a long view of social change. In *America Beyond Capitalism*, Gar Alperovitz states "Those who view things historically understand that the challenge is always to build to and through even the worst difficulties." And he sees social enterprise as a major part of the 'small d' local effort towards building a more pluralistic, 'big D' democracy.

The baby boom generation, seeking alternatives to mainstream institutions, is helping to drive the demand for community-based goods and services. At the recent **Social Venture**

Institute, speakers such as Martha Jiménez of **TransFair USA** and John Sage of **PuraVida Coffee** referred to the purchasing power of this "sleeping giant". Social enterprises like those featured in *SER* are well-positioned to help consumers understand how their purchasing dollars can further sustainable local economies in North America and abroad.

Readers will note some changes to *SER*:

- The SEA member profile has been extended to incorporate many of the features of the Entrepreneurship in Action profile.
- A new bimonthly case study feature by Samantha Beinhacker, Deputy Co-Director of the **Yale School of Management - The Goldman Sachs Foundation Partnership on Nonprofit Ventures**, replaces Rolfe Larson's business planning column.
- A new two-part series on financing options, by Jeannine Jacokes, Executive Director of **Partners for the Common Good**, a community development loan fund that serves nonprofit organizations in the US and abroad.

I'd like to thank Warren Tranquada and Rolfe Larson for their contributions (you'll likely hear from them again in *SER*) and hope you'll join me in welcoming Samantha Beinhacker and Jeannine Jacokes. As always I'm proud to bring these columnists and entrepreneurs to your attention, and appreciate your comments and suggestions.

Best wishes,

Tom

P.S. If you'll be attending the SEA 6th Annual Gathering in Milwaukee this month, please be sure to introduce yourself. I always enjoy meeting subscribers!

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Editorial and Business Offices:

2644 Fulton Street, Suite A
Berkeley CA 94704
510-384-2336
Fax: 510-217-4065
E-mail: ser@sereporter.com

Subscriber Services:

service@sereporter.com

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E-mail submissions to ser@sereporter.com.

Finding The Right Price Point

An Argument for Raising Prices

by Jerr Boschee

Several years ago, **Sears** conducted a nationwide survey to test its pricing strategies. One finding seemed inexplicable yet undeniable: Prices ending in a “7” (\$11.97) sold better than prices ending in a “9” (\$11.99).

Of such nuances are profits made.

Finding the Optimum Price Point

Few tasks are more vexing for a small business person — social entrepreneur or otherwise — than trying to find the right price point for a given product or service.

So, let’s set a few ground rules . . .

First, and most important, let’s stop setting our prices on the basis of *unit* costs. Successful service companies in the commercial sector typically have a *gross* profit margin of 40 - 60% on everything they sell — in order to finish the year with an overall *net* profit of 3 - 5% (after overhead, payroll and other internal and external sales costs have been deducted). In other words, if your *unit* cost to design, deliver and support a product or service is \$1.00, you need to be charging \$1.40 to \$1.60 to cover your *annualized* costs.

Of course, abruptly introducing price hikes of that magnitude could come as a shock to most of your current payers. Nevertheless, any social enterprise hoping to become increasingly sustainable or self-sufficient will have to consider this approach, and, at the very least, begin raising prices incrementally.

Rich Gilmartin, President and CEO of **Gulf Coast Enterprises**, a \$30 million social enterprise in Pensacola, Florida, that employs people who are disabled or disadvantaged, frequently wins contracts despite having a *high-*

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

er price than his competitors. “Often,” he says, “the customers have already been there — and realize they may have shot themselves in the foot by going with the lower price. Now they’re looking around because they feel like they’re not getting what they expected — or maybe they’re just asking for a higher level of service.”

Needless to say, one of the major pressures on pricing is competition, which often changes the landscape dramatically. “There used to be more companies competing with us,” says Kathleen Buescher, President and CEO of a social enterprise in St. Louis that provides Employee Assistance Programs (EAP) to corporations. “Now there are fewer, they’re a lot bigger, and they’ve turned employee counseling into a commodity business. And that means pricing has become a very big deal. We used to be able to charge our corporate customers \$30 or \$35 per year per employee. Now it’s down to \$12 to \$18.”

Useful Pricing Strategies

Here are five common pricing strategies:

- Low, or “penetration” pricing (typically used when introducing a new product or service or to build market share)
- High, or “prestige” pricing (to establish a reputation for quality)
- “Value” pricing, which rises or falls according to market demand (for example, some soft drink vending machines are now calibrated to the climate outside the building — the price goes up as the temperature climbs, because customers value a cold drink more on hot days)
- “Cost-oriented” pricing (typically used to achieve a specific profit margin or return on investment; slavishly pegging prices to cost, however, can be counter-productive because it fails to take into account demand intensity or customer psychology)
- “Psychological” pricing (discounts, flexible payment plans, bundling or unbundling, using a “7” instead of a “9” in a price)

Regardless of which strategies you choose, however, be sure to re-visit them on a regular basis. In the entrepreneurial world, nothing is more deadly than inflexibility. ■



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

✉ jerr@orbis.net.

Harvard Business School Hosts 6th Annual Social Enterprise Conference

by Clare Leschin-Hoar

The defining question of our time — the question our children and grandchildren are going to ask us a generation from now — will be:

‘What were you doing to make our community and our country and the world stronger, safer and better?’ That was the question raised by Bill Shore, founder and Executive Director of **Share Our Strength**, a national non-profit working to help end hunger, at the start of the Harvard Business School 6th Annual Social Enterprise Conference in Cambridge this March.

More than 800 students, professionals, and Harvard faculty explored topics ranging from tackling the challenges of non-profit growth and expansion to retaining the best staff to measuring performance to empowering urban youth. They heard keynote presentations by Paul V. Applegarth, Chief Executive Officer of **Millennium Challenge Corporation**; John McGoldrick, Executive Vice President and General Counsel for **Bristol-Myers Squibb**; and Michael McBreen, Director of **Global Operations for Nike**.

There were nearly 90 panelists who addressed an expansive array of social issues, including outreach to children; disease treatment, hunger prevention, environmentally conscious products, green building, women’s issues, and urban development. Presenters highlighted the efforts of dozens of organizations such as **Communities in Schools**, **Atlantic Philanthropies**, **Habitat for Humanity**, **Trust for Public Land**, **Jumpstart**, **Equal Exchange**, and **KaBOOM! Inc.**

Among the topics discussed was the increasing sameness of businesses across sectors. ‘There is an increasing similarity of job responsibilities for senior managers in all three sectors,’ said Herman B. ‘Dutch’ Leonard, Co-Chair of the **Initiative on Social Enterprise** and Professor of Business Administration at **Harvard Business School**. ‘Business is becoming more political; political organizations are being more efficiently organized, using business principles; nonprofits are becoming both more businesslike and more skillful politically. Increasingly, the

leadership task in all three sectors is a combination of advocacy (politics), administration and strategy/design/analysis.’

Daniel J. Cardinali, President of **Communities In School**, a not-for-profit organization based in Alexandria, Virginia, that helps at-risk students remain in school, talked about accountability in the nonprofit arena. ‘There’s an important responsibility for leaders in the sector to work within the prevailing values and context,’ he noted.

‘The funding community is interested in outcomes and we have a responsibility to respond to that. We’re focusing on the work we do best, holding ourselves accountable, and are committed to sustainable social change.’

The day-long conference highlighted many salient areas of interest for organizations engaged in social

enterprise. However, the conference isn’t Harvard’s only social enterprise effort. The school’s Social Enterprise Initiative connects students with social enterprise organizations through fellowships, field study teams and consulting services. The Social Enterprise Initiative also offers courses to nonprofit professionals on strategy, performance management, and governance, and engages in an array of research projects related to nonprofit management.

‘I thought the program was awe-inspiring,’ said Initiative on Social Enterprise Co-Chair, Dutch Leonard. ‘I’m told this is now one of the largest conferences held annually at Harvard Business School, which I think is a very interesting message about the extent to which social enterprise has become part of the fabric of one of the world’s leading schools of business.’ ■

➔ www.hbs.edu/socialenterprise

“Social enterprise has become part of the fabric of one of the world’s leading schools of business.”

— Herman B. “Dutch”

Leonard, Co-Chair of the Initiative on Social Enterprise and Professor of Business Administration at Harvard Business School.

MEMBER PROFILE

Helping Women Break the Cycle of Unemployment

Women's Bean Project

by Carol Brzozowski

Tamra Ryan, Executive Director of the **Women's Bean Project** in Denver, Colorado is convinced that helping chronically unemployed women develop job and life skills gives them the ultimate gifts: self-sufficiency and self-esteem.

In the past 16 years, more than 250 women have participated in the Women's Bean Project, through its food production/sales and catering programs. Bean products are sold in specialty stores in 23 states, and shipped across the globe via the Internet.

Founder Jossy Eyre, a volunteer at a Denver homeless shelter for women, noted that women sought out employment, but consistently returned to the shelter because they lacked job skills. She believed that teaching them job skills would help women break the cycle and would cure community poverty. In the organization's first year, she invested \$500 and employed three women, who made \$6,100. Today, Ryan oversees \$1.1 million in operating revenue.

Q: Why just women, and why sell bean products rather than other lines of revenue?

A: The idea was to create an environment where women could work side-by-side, support one another and learn skills. We have lots of different kinds of beans that we use in our products, and there is an idea that touching the beans, in order to clean them, is therapeutic. We're not ultimately trying to train bean-soup makers. The work is straightforward enough, but it gives us an environment in which we can teach job readiness skills.

Q: What makes your program's approach to social enterprise unique in Denver?

A: We use employment and other means to teach skills. These women's needs are in three categories: Job readiness or workplace competency; life skills, such as planning, organizing, and problem solving; and assistance in finding housing, child care or health care. Every woman who comes here is paid.



Women's Bean Project participants preparing Golden Cornbread Mix

Q: How do your clients balance their time at the Women's Bean Project?

A: They spend about 70% of their time working and 30% on non-revenue-generating programmatic activities.

Q: What are your exit strategies for your clients?

A: Our clients are with us six months to a year and leave when they've learned basic workplace competencies, which are measured incrementally throughout the year. Most often, graduation means going on to employment in entry-level jobs in healthcare, restaurants, and clerical positions. Graduation may also mean going to school to get a GED or job-specific training, or going on to college.

Q: What can you offer to women who are qualified candidates, when you don't have enough jobs?

A: We try to refer them to other organizations — although there's really no one in Denver that does exactly what we do — through which they can get some services. We keep everyone's application, so that the next time we have an opening, we often contact women from

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Women's Bean Project

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whom we've previously had applications.

Q: You train 50 women each year, and employ 16 at a time. Any follow-up studies?

A: We are establishing a better system for long-term follow up. 60% of the women successfully complete the program. They don't always keep the first job that they get, but we do see a huge change in mentality. It's not whether or not they will have jobs afterward, but which jobs they will have.

Q: What are your partnership strategies?

A: We build relationships with organizations that provide services that don't make sense for us to offer, such as child care or job placement services.

Q: How rapidly are your product sales expanding geographically?

A: We sell our products in 23 states. We are in specialty stores around the country, and, of course, we ship anywhere. We're also in all the King Soopers and City Market stores (Kroger owned) in Colorado. We're seeing some expansion through Ten Thousand Villages Stores around the country, and that's something that we will continue. Our goal is to expand beyond Colorado and be more regional in market penetration.

Q: What's your organization's five-year plan?

A: The three key parts to the business plan that is carrying us to 2008 are: to grow our capacity to serve 50 women at a time; to ensure that our

infrastructure can grow to meet that demand; and to prove our results to the community. We're also working on measuring long-term outcomes and calculating the social return on our investment. Because we have to turn away about four out of five women who apply to the program, we are looking at starting a third business, possibly a bakery, to support our growth.

The Typical Client of the Women's Bean Project

- 90% have no high school diploma or GED, and have been unemployed
- The average age is 35, and most range from their early 20's to their early 60's
- 67% are single heads of household
- 67% have drug use and/or incarceration histories and may come from a halfway house

Julie, a typical client of the Women's Bean Project, is one of the organization's success stories. Julie became a reliable worker in the Women's Bean Project catering kitchen. She had been addicted to heroin for 23 years and jailed three times, and the addiction had robbed the mother of five of watching her children grow. Drug-free for three years, Julie has held a restaurant job for six months.

Q: How has the fluctuating economy affected financing?

A: Our products are inexpensive, and sales have grown over the years. We didn't feel the economic impact as much as other nonprofits fundraising 100% of their budgets. Some local foundations had to decrease

awards to grantees during the downturn. There is a proliferation of nonprofits in our community and more competition for contributed income with not much growth in sums.

Q: What have been some of your financing challenges?

A: We run a net profit every year, but don't have a lot of money to reinvest in the organization. We finished last year \$20,000 in the black. Buying expensive equipment is difficult. Our operating budget is supported 60% through product sales and 40% through foundation grants and other fundraising.

Q: How do you weigh the social mission against your responsibility to obtain revenue to support the program?

A: It's always a challenge. Since I came to the organization, we have truly made a change in our mentality, and focused on the idea that the better the businesses do, the more women we can serve. We are trying to get away from running our businesses inefficiently just because we have a social mission and we need to employ women. That has been an interesting challenge, going from an organization that had the mindset of making everything manual so that we have more jobs, to the idea that actually the more efficient we are, the better the organization will do.

Q: How has the 1995 purchase of a fire department building from Denver allowed you to take loan or equity financing?

A: To have that asset on our books is awesome. But it's also cool to have a physical place people can visit. We're in an historic neighborhood, and people can smell spices and chocolate chip cookies baking

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Leveraging Community Assets A Case Study of Minneapolis-Based CostumeRentals

by Samantha Beinhacker

It's the fortunate social entrepreneur who can pose the question: "How can I encourage customers to spend even more money than they currently do?" **CostumeRentals**, a social enterprise operated jointly by **The Children's Theatre** and **Guthrie Theatre** in Minneapolis, was able to address this issue a year after it launched a business that rents out much of the theaters' costume inventory.

Since 2002, costume designers in Minneapolis and around the world have rented unique, high-quality costumes from The Children's Theatre and Guthrie Theatre when they are not in use. CostumeRentals rents year-round, by appointment, to individuals, organizations, schools, theaters, and nonprofits.

The Problem

Although the two theater companies owned and rented thousands of costumes, several hundred of the same costumes kept going out, coming back, and going out again. Phone calls and email offered costume designers the opportunity to request and rent specific pieces; but, they rented only what they thought they needed and never saw the full breadth of the theaters' stock of more than 30,000 costumes.

The Solution

CostumeRentals had an idea: Bring the clients to Minneapolis to see their incredible array of theatrical merchandise.

"Once we get costume designers inside the wardrobe doors, they usually take more items than they expected, since our stock is so deep," explains Deb Murphy, CostumeRentals Manager.

But, how to get clients to Minneapolis? CostumeRentals brainstormed for weeks, and decided to



Costumes available to rent for private individuals, schools and other nonprofits.

institute a "VIP Frequent Renter" program that offers special discounts, rebates, and other incentives designed to draw costume designers to the Minneapolis area. However, CostumeRentals Co-Directors, Pam Wallize and Marybeth Hite, knew that discounts alone could not draw the additional customers they wanted.

Then they realized that they were sitting on a treasure: The star power and cultural vibrancy of the Twin Cities could be a lure for potential clients. In addition to housing a plethora of permanent art collections and special exhibits, Minneapolis and St. Paul offer an array of world-class performances throughout the year:

The Children's Theatre, Guthrie Theater, the Minneapolis Opera, Theatre de la Jeune Lune,

Penumbra Theatre and the **Jungle Theater** are all highly respected performance companies with unique missions. But, would the Twin Cities' cultural arts be enough of an attraction? Were there other inimitable qualities about the area that might be of interest to costume designers?

Then they had it, the "Eureka Moment": Where else but in Minneapolis and St. Paul could their clients find the Mall of America — the country's largest shopping mall — as well as a state-of-the-art fabric warehouse and an assortment of ethnic and imported clothing stores?

CostumeRentals immediately contacted the **Greater Minneapolis Convention and Visitor Bureau Association (MCVBA)** to ask for assistance in fleshing out its ideas. The MCVBA recognized the mutual benefits of

a partnership, and the two groups formed a relationship. CostumeRentals Co-Directors Wallize and Hite worked their professional networks throughout the arts community to arrange for discounts to theatrical performances in

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The Social Enterprise Case Study is an SER special feature that appears in every other issue.

Hey! What's the BIG Idea?

by David Rendall

Book Review:

America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy

by Gar Alperovitz

Hardcover

336 pages

October 2004, John Wiley & Sons, Inc.

\$24.95

Get ready! This is a BIG book. Not in the sense that it is long or hard to read. It is a BIG book because it tackles BIG problems and proposes BIG ideas. Alperovitz believes that “serious ideas count.” This book delivers on those.

Alperovitz calls himself a “historian and a political

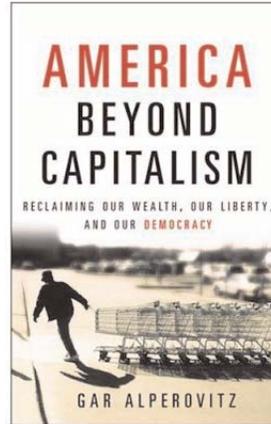
economist.” He is professor of political economy at the University of Maryland, but is quick to note that he also has extensive practical experience, including work as a legislative director in the U.S. Congress, where he was involved in the early stages of the civil rights and environmental movements. The tremendous, though still incomplete, success of these movements convinced him that “radical systemic change is ... common ... in world history.” His belief in the need for, and possibility of, major changes in the United States’ political and economic systems served as the impetus for this book.

This book isn’t a how-to manual for creating a successful social enterprise, writing business plans or finding new sources of funding. The issue of nonprofit enterprise takes up just 10 pages. Instead, Alperovitz provides a comprehensive review of the political and economic systems that support nonprofit ventures and many other seemingly disconnected developments in American society.

As I read the book jacket, I was skeptical. I asked myself why someone might want to read this book. However, it didn’t take me long to find a good answer.

The bottom line is that this book will encourage and inspire you in your efforts to change the world. It will convince you that big changes are possible and that they are already underway. It will show you the tremendous momentum of alternative practices, such as social enterprise, and help you to see your part in sustaining and accelerating that momentum.

The author puts entrepreneurial nonprofits in perspective by showing how they fit into a larger movement for social change. It is very encouraging to see the field of social enterprise, not as an isolated aspect of the nonprofit sector, but as part of a growing tidal wave of change in the for-profit, nonprofit and governmental sec-



tors. Alperovitz meticulously builds and supports the argument that changes in all the sectors are responses to similar environmental forces, such as globalization and changing governmental priorities. Alone, these developments are marginal, at best. However, taken together, they represent tremendous potential to create the “radical systemic change” that he envisions.

Additionally, Alperovitz uses compelling illustrations to argue that America’s version of capitalism and democracy is not working. He suggests that although this country was founded on the values of equality, liberty and democracy, it is gradually undermining those values. Alperovitz notes that the traditional approaches of conservatives and liberals will do little to fix the massive problems in our society. Furthermore, he finds traditional capitalist and socialist political systems inadequate, and calls for a systemic change that he terms the “Pluralist Commonwealth.”

Alperovitz creates a compelling vision of this “Pluralist Commonwealth” that integrates the best aspects of capitalism’s focus on freedom and economic stability with socialism’s support for equality and community. He believes that this quantum shift in direction will require “new institutions,” and encourages worker ownership and renewed not-for-profit and governmental entrepreneurship. Other recommendations include more localized democracy, greater financial security and time, regionalization, and new forms of wealth holding.

The second bottom-line (given that good social enterprises incorporate a double bottom-line) is that, for all its BIG ideas, this book has significant practical implications. Most notable for social enterprises is the exhortation to seek alliances with entrepreneurial local, state, and national governmental agencies, as well as with for-profit corporations that promote employee ownership and other social goals. Alperovitz believes that these alliances will unify the presently fragmented “movement” toward “radical systemic change.”

America Beyond Capitalism is challenging, persuasive, inspiring and educational. It is also very readable

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social enterprise case study

Leveraging Community Assets

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the area, and the MCVBA offered to broker value discounts at the Mall of America, and to provide reduced hotel and car rental rates to CostumeRentals VIP members.

Where are They Today?

The partnership with the MCVBA has begun to pay off:

CostumeRentals is linked to the MCVBA's website, from a special page designed for their VIP Frequent Renter Customers. The organization is negotiating with the fabric warehouse to offer value discounts to CostumeRentals VIP Frequent Renters, and is forging informal partnerships with various ethnic communities in the Twin Cities — including the Somali Community Association — to develop a comprehensive list of ethnic fabric importers in the area.

Working with the Twin Cities community has allowed CostumeRentals to begin developing

yet another a new earned-income revenue stream: Since shipping and delivery is one of the business' core competencies, Wallize and Hite have decided to offer a "Shop and Ship" service to VIP Frequent Renters. For a small fee, CostumeRentals will organize, handle and ship all the materials that Frequent Renters purchase during their stay in the Twin Cities. CostumeRentals is currently test-marketing its "Shop and Ship" service, and early customer feedback is positive.

Lessons Learned

As one of the grand-prize award recipients of the **National Business Plan Competition for Nonprofit Organizations of The Partnership on Nonprofit Ventures**, CostumeRentals had clearly proven its mettle at developing a strong business model and securing sustainable profit goals. But all business plans are works in progress, and require constant reflection, evolution, and even, at times, radical change.

One of the key lessons for any social enterprise is that it is impor-

tant to take the time to look at what an organization does or knows well. In CostumeRentals' case, the organization looked to its local community, applied an outsider's perspective about what might attract visitors to the area (where they could see its extraordinary inventory of costumes), and developed a strategy to grow its business by utilizing resources already at its disposal, without increasing organizational expenses. ■

➔ www.costumerentals.org

➔ www.ventures.yale.edu/aboutcompetition.asp

Samantha L. Beinhacker is Co-Director of the Yale School of Management – The Goldman Sachs Foundation Partnership on Nonprofit Ventures. The program educates nonprofits about social enterprise and income generation, serves as a mechanism for capitalizing promising profit-making business ventures with financial support, and provides intellectual capital to build the practice of social entrepreneurship in the nonprofit sector at-large. Samantha Beinhacker can be reached at 201-894-8950 or at samantha.beinhacker@yale.edu

Hey! What's the BIG Idea?

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and interesting, and it will renew the hope that motivates you and strengthen the beliefs that sustain you. I encourage you to set aside some time to read it this week. ■

➔ www.americabeyondcapitalism.com

Rating = 5

Rating System Key

- 1 – Don't read this book, even if you get it for free
- 2 – Reading this book review gives you everything you need to know
- 3 – Check out the book from your local library
- 4 – Buy the book for your personal library
- 5 – Buy the book and get a couple for your friends and associates

David Rendall is Assistant Professor of Business for Mount Olive College and principal of Rendall & Associates, a consulting firm that specializes in social enterprise development and leadership training for nonprofit organizations. ➔ www.drendall.com. ✉ dave@drendall.com

Social Enterprise Goes To School

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ship. The authors also noted that a total of more than 250 colleges and universities offered either course-work or degree programs for students interested in jobs “with a social focus.”

Philanthropy and Legitimacy

The philanthropic community has also helped many social enterprise-related initiatives to gain increased stature. Some of the most prominent examples of this trend include the 2003 establishment of Duke University’s Center for the Advancement of Social Entrepreneurship, located in the university’s Fuqua School of Business. The center was founded with a \$2.5-million matching grant from the Bermuda-based Atlantic Philanthropies.

Even more significant was the \$8.3 million grant that the Skoll Foundation provided to Oxford University’s Saïd School of Business

in late 2003 to found the Skoll Centre for Social Entrepreneurship. The Skoll Foundation’s gift was the largest award ever given towards establishing a program in social entrepreneurship, and the grant funds an endowed lectureship, a managing director, a visiting fellows program, and five MBA scholarships.

Local foundations have also begun to expand beyond simply funding initiatives. Many are assembling established resources located in larger, metropolitan regions or helping to develop those resources in smaller cities and more rural environments. Part 3 in this series will look at examples of these initiatives, such as the Pittsburgh Social Enterprise Committee and the Institute for Social Entrepreneurship at Roberts Wesleyan College.

Is Social Enterprise Education Limited to Top-Tier Business Schools?

While high-visibility activities at “marquee” universities may have won the most notice, mid-level metro-

region and regional universities have been expanding their offerings at an increasingly rapid pace. In the U.S., Sterling College in Sterling, KS; Berea College in Berea, KY; Mount Wachusett Community College in Gardner, MA, and other small schools have formed social entrepreneurship centers.

In England, The School for Social Entrepreneurs, founded six years ago by Labor Party leader Michael Young, has already graduated more than 150 trained social entrepreneurs. The school has recently established a network of satellite locations throughout the U.K., all from a tiny campus in Bethnal Green, East London.

Benefits to the Nonprofit Sector

While business school-related activities in both the U.S. and abroad have so far generated a great deal of publicity, they represent only one element of a growing movement. Although a new student generation is enthusiastically embracing the cause of widespread social change, the nonprofit community also stands to benefit significantly from this growing trend.

This was the conclusion of a study produced by Pittsburgh-based Olszak Management Consulting, Inc., and commissioned by the Pittsburgh Area Social Enterprise Committee, an informal group that represents local nonprofits and foundations. “A Study of Social Enterprise Training and Support Models,” includes individual reports on 14 academic and 18 community-based education and/or training programs.

The report concludes that on-campus programs provide a range of potential avenues — from introductory workshops to investor-sponsored management support—for nonprofit leaders and professionals to gain new

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A Practitioner’s Perspective

“On the ground’ insider experience would enable students to be more successful in their ventures, as they would understand the culture, challenges, and opportunities for nonprofits who choose to do this work. Students should be offered, or required to do, volunteer hours or internships with 2 nonprofits that have social purpose business ventures.

Nonprofits operate in an ‘atmosphere of scarcity’. We cannot bootstrap and spend money on start-ups the way many businesses do and that often MBA students expect to do. Nonprofits are community based and publicly ‘owned’, so risk capital is the ‘community’s money’, it’s from the stakeholders of the mission, and you need to be so careful in how you use it. These subtle, but very real differences, are not usually covered in MBA programs and are not understood by the students. So there’s an important role for experience in rounding out the learnings in these programs.”

Jan Cohen, Director of New Business Ventures
HOPE Services

Using Debt Capital as a Tool for Business Growth

by Jeannine Jacokes

Locating adequate financing may be among the greatest challenges your organization faces. Yet, a 2004 Social Enterprise Alliance (SEA) survey of practitioners revealed that 80% of respondents reported having insufficient information about lenders and financing options in the social enterprise arena. In this series, we explore debt financing and give you some pointers about what to look for when seeking financing. The next article will focus on the story of El Puente Community Development Corporation.

Is borrowing a magic fund-raising panacea for a rapidly growing social enterprise or a cash strapped nonprofit? Is it the key to entrepreneurial success? Absolutely not! But, when used properly, debt can be a strategic tool to help grow a business and allow you to take advantage of opportunities that you might otherwise have to pass on.

Be warned, however, that when used improperly, debt may provide a quick cash infusion that may temporarily mask and often compound underlying problems.

How does a nonprofit Executive Director know when debt is the right or wrong tool?

When to Borrow?

When thinking about borrowing, consider your organization or social enterprise's developmental stage.

In 2003, **Community Wealth Ventures (CWV)** spearheaded a study that identified five stages of enterprise development during

“Free money opportunities were just not there and we didn't see a way that could make it happen otherwise. Since we were running a business, a debt strategy just made sense.”

— **Cindy Arnold, Executive Director of El Puente CDC**

which a business venture's capital needs change and evolve: These include seed, start up, survival, growth and maturity stages.

- In the early developmental stages when the odds of business failure are highest, it is most appropriate to risk grant or internally generated funds that have no expectation of repayment.

- As an enterprise grows and generates greater revenues, its capital needs grow and eventually outstrip the availability of philanthropic or internal sources.

- Finally, once a business approaches breakeven and achieves profitability, its capital needs are great but its access to financing resources also expands as its cash flow and ability to repay debt grow stronger.

The right time to use borrowed funds is when you know how you plan to use the funds, says Kate Barr of the **Minnesota Nonprofit**

Assistance Fund (MNAF). It is important to have a good plan for repayment that is based on reasonable assumptions for future revenue, and the support of your organization's board is critical. Conversely, advises Barr, the wrong time to consider debt is when an organization has been running consistent deficits.

“Adding debt on top of accumulating losses is a step toward bankruptcy,” Barr notes. “If you don't have a realistic idea of when and how the loan can be repaid, it's time to step back and consider other options.”

Which Debt Vehicle is Most Appropriate?

Given the array of debt financing options, how does an organization decide which to explore?

Here are some rules of thumb:

- It is important to find a financing vehicle or loan structure that is suited to your organization's needs. For example, if you are seeking to purchase a major capital asset—such as a building—that is expensive and will be used over a long period of time, look for a long-term loan at a fixed rate of interest.

- Alternatively, if you require working capital to bridge today's program expenses until you receive the proceeds from committed grant funds that will arrive in six months, the flexibility of a short-term (less than one year) line of credit may be more appropriate.

“For us, having lenders willing to structure loan payments with initial interest-only periods in the early

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Using Debt Capital

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years of a venture when cash flow is thinnest has helped," says Cindy Arnold, Executive Director of El Puente CDC.

Depending upon the purpose of the loan, you may find lenders more amenable to specific forms of financing:

- Debt financing may be appropriate for working capital when it is needed to even out cash flows, such as bridging receivables, contracts, and grants.

- Loans may be a good fit to finance facilities and large-scale equipment and infrastructure needs, if your organization is able to secure longer term financing instruments.

- In some cases, borrowing may be appropriate to take advantage of an opportunity, such as the option to purchase a building or other real estate.

- Additionally, loans can provide upfront cash to start or expand a program if your organization can locate and secure realistic repayment sources.

Many nonprofits are better able to manage their costs and cash flow by refinancing high-cost debt with more affordable sources. Nonprofits or social enterprises that are in financial turmoil due to poor management or unforeseen circumstances may, in limited circumstances, find that borrowing to consolidate debt payments is appropriate, if that is part of a well-conceived turn-around plan.

Finding a Lender

El Puente CDC Executive Director Cindy Arnold suggests that organizations seek out lenders that understand nonprofits and, hopefully, social enterprises.

It is vital that the financial institution be willing to take the time to understand your needs and work

with you as you build your business. When you go to a lender, be prepared to respond to questions about your organization or social enterprise's operating history, financial track record, business plan, cash flow projections, and leadership.

"Having current, accurate financial information about your organization is critical for financing. I would also advise having a well developed and achievable plan for the amount and use of funds and a realistic plan for repayment," recommends Director of Lending for **Partners for the Common Good**, Gregory Crawley. "Borrowers should be prepared to offer viable collateral for a loan, particularly when dealing with a traditional lender. Because collateral is often a stumbling block, nonprofits should consider nontraditional lenders who often are more flexible on the nature and type of security they will accept for a loan."

Get Educated About Financing Options

The SEA survey identified a significant market information gap between the social enterprise sector and those lenders interested in supporting social enterprise. In response, the SEA is forming an **Access to Capital Working Group** comprised of lenders that serve or are interested in serving the social enterprise sector.

The group's goals include: (1) Educating practitioners about available financing resources and how and when to use debt as a strategic tool; (2) sharing best practices among lenders on how to better serve the field; and (3) facilitating the creation of credit delivery mechanisms to address un-served needs.

"We want to help bridge the gap between nonprofits engaged in earned income ventures and those

with the resources," says, SEA Executive Director, Beth Bubis. To that end, the organization's Annual Gathering in April 2005 [↪ [see link on Events listing](#)], will include several sessions and a focus group on access to capital for social enterprise. ■

↪ www.pcgloanfund.org

↪ www.communityloantech.org

↪ www.nffusa.org

↪ www.communitywealth.org

↪ www.se-alliance.org

Jeannine Jacokes is the Executive Director of Partners for the Common Good. She served for more than six years as a senior member of the management team at the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. Ms. Jacokes currently serves as senior policy advisor to the Community Development Bankers Association.

news: publications

Aspen Institute Initiative on Social Enterprise

The **Aspen Institute** is launching a new initiative, *Enterprising Organizations: New Approaches to Social Problem-Solving*, at an upcoming invitation-only conference in May. As part of the initiative, Aspen is also publishing a report, *The New Asset-Based Paradigm: Addressing Social and Economic Problems by Building Wealth*, authored by **The Democracy Collaborative**. (TDC Founding Principal Gar Alperovitz's new book, *America Beyond Capitalism*, is reviewed in this issue of *SER*

↪ [See page 8](#).)

For a copy of the report or for more information contact: Rachel Mosher-Williams, Program Manager, Nonprofit Sector and Philanthropy Program

✉ rwilliams@aspeninstitute.org

↪ www.aspeninstitute.org

↪ democracycollaborative.org

Social Enterprise Goes To School

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skills and build the sector's capacity. The diagram below highlights the array of possibilities available to the nonprofit community.

Additionally, *SER* recently conducted an informal survey that found that social purpose initiatives in the

for-profit and/or nonprofit sectors can access approximately 25 campus-based centers or institutes for social entrepreneurship, and 15 colleges or universities that sponsor business plan competitions. These centers and competitions provide additional opportunities for social enterprises to garner funding, build public awareness about their activities, and

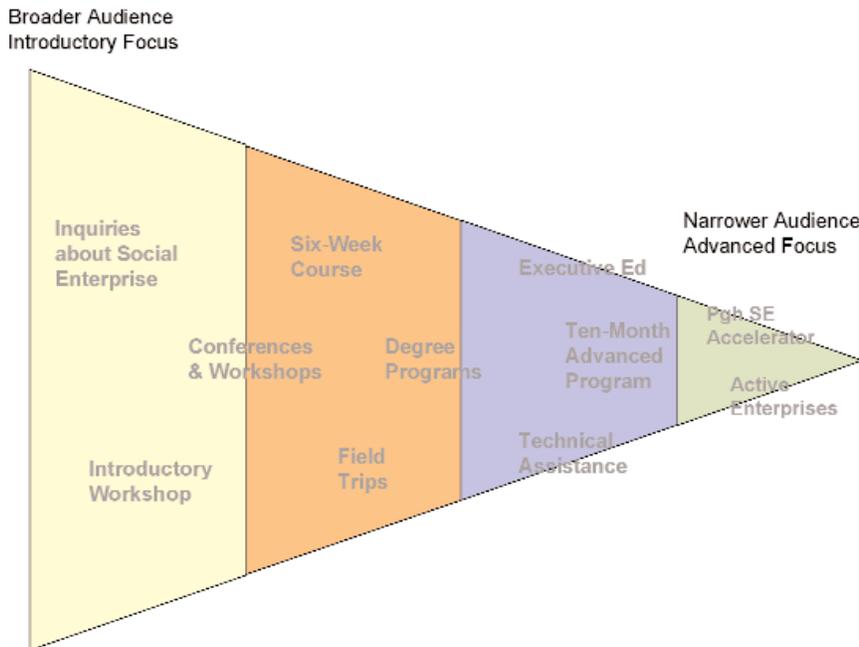
receive training.

The Campus as a Staging Platform

Gary McPherson, Director of the Canadian Centre for Social Entrepreneurship, sums up what many feel is the value of campus-based Social Entrepreneurship programs: "Universities and colleges are well-positioned to serve as an alternative voice for social movements. Colleges and universities have freedom and respect, which allows them to be more critical, more analytical, more creative, and more outspoken in sowing the seeds required for social change."

By sponsoring various educational components — whether they be MBA research projects, on-campus consulting services, undergraduate internships, career-based professional training, or how-to courses and conferences — campuses are serving as a venue for both students and nonprofit professionals to combine academic rigor with real-world applications. As such, these programs are

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Women's Bean Project

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when they visit. We got the building for a good price, but we still have a \$220,000 mortgage. Our equity line of credit helps us purchase raw materials during slow times.

Q: What did you bring to the table then when you joined the Women's Bean Project?

A: Coming from the for-profit world, I understand that the better our businesses do, the more women we can serve. And that's a two-way street and a sort of continuous loop. The businesses truly are the mechanisms through which we deliver our

services, so we need to run them with the proper accounting and attention to financial analysis. That makes us a stronger organization, overall.

Q: What motivates you, personally, to do this work?

A: It is the idea that when a woman leaves here and is successful, she's often the first example in many generations of her family who has been employed. The ripple effect of what that does in our community is tremendous. It's an opportunity for me to use the skills that I have to make an impact on my community. I think we're lucky if we get an opportunity to do that professionally. ■

➔ www.womensbeanproject.com

To purchase Women's Bean products

➔ www.womensbeanproject.com/index.php?c=23&a=33&w=2&r=Y

Freelance writer Carol Brzozowski resides with her two sons in Coral Springs, Florida. She has written for more than 200 trade journals, consumer publications, newspapers, newsletters, and websites.

Social Enterprise Goes To School (continued from page 13)

serving as a platform for the growth and increasing legitimacy of the social enterprise movement. ■

Part Two of this series will examine a new generation of highly motivated, socially conscious students currently entering universities and MBA programs.

Part Three of this series will examine the role of foundations, and will focus on several communities where philanthropies are gathering resources to support to the development of social enterprises.

For more information on "A Study of Social Enterprise Training and Support Models" and to view reports on the 32 individual programs covered in the study, visit

➔ www.olszak.com/nonprofit/reportfiles.htm

Education in Entrepreneurship

The growing cadre of higher-education institutions that currently promote education in social entrepreneurship includes:

- Arizona State University
- Bainbridge Island Graduate Institute
- Berea College
- Boston University
- Case Western Reserve University
- Columbia University
- Duke University
- Duquesne University
- George Mason University
- Georgetown University
- Harvard University
- London Business School
- Massachusetts Institute of Technology
- Mount Wachusett Community College
- New York University
- Northwestern University
- Notre Dame University
- Oxford University
- Purdue University
- San Diego State University
- The School for Social Entrepreneurs (UK)
- Seattle University
- Stanford University
- Sterling College
- The University of Alberta at Edmonton
- The University of Arizona
- The University of California at Berkeley
- The University of Chicago
- The University of Colorado
- The University of Toronto
- Vanderbilt University
- Virginia Commonwealth University
- Wake Forest University
- Yale University

Roger Hahn ✉ RogerHahn@BellSouth.net is a veteran reporter, writer, and editor who previously edited several university-based publications, and most recently contributed editorial assistance for University of Maryland political economics Professor Gar Alperovitz's latest book, *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy*.

Letter to the Editor

Tom,

The President's faith based initiative works to take funds for community based projects away from competent non-profit organizations that specialize in giving social services, and handing them over to questionable, if well-meaning, faith-based institutions. Furthermore, it needs to be clarified that there has never been discrimination against faith-based organizations that receive government money. The key is that they should not discriminate in hiring practices if they receive government money. The other important component is that these

institutions do not promote religious views, or include prayer sessions, when operating government sponsored programs. Even if there is a lot of government support for these faith-based initiatives, we need to make sure that we continue to support separation of church and state.

Harry Rhodes, Executive Director
Growing Home, Inc., Chicago, IL
✉ hrhodes@growinghomeinc.org

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 is a membership organization, mobilizing nonprofit organizations and funders to advance earned-income strategies.

Art of the Start Conference April 21, 2005, Mountain View, CA

→ artofthestart.garage.com/

LOHAS 9 Forum: **Getting to the Heart of Conscious Commerce** April 25–27, 2005, Marina del Rey, CA

→ www.lohas.com/page/program.html

Earned Income: Assessing Your Nonprofit's Revenue Options

Foundation Center Locations, including April 27, 2005: Washington, DC; May 6, 2005: San Francisco, CA; June 3, 2005: Atlanta, GA; June 15, 2005: New York, NY; June 22, 2005: Cleveland, OH; June 24, 2005: Washington, DC

Course developed by SER Editorial Advisors, Cynthia Massarsky and Samantha Beinhacker, co-directors of the National Business Plan Competition for Nonprofit Organizations, a program of the Yale School of Management—The Goldman Sachs Foundation Partnership on Nonprofit Ventures. → fdncenter.org/marketplace/catalog/subcategory_training.jhtml?id=cat250001

Social Fusion Conversations in Social Enterprise: **Best Practices Lunch Series 2005**

Starting April 29, San Francisco, CA

→ socialfusion.org/se_pr_speakers_series.html

The Grantsmanship Center **New Business Ventures for Nonprofits Workshop** May 2005 2–4: Pearl City, HI; May 16–18: Cortland, NY

An entirely new and up-to-date curriculum has been developed in cooperation with two SER contributors who also share the actual training: Rolfe Larson, and Andy Horsnell. → www.tgci.com/training/nbv/nbv.asp

2005 National Conference on CED and the Social Economy **Building an Inclusive Movement with a diversity of people, communities and approaches** May 4–7, Sault Ste. Marie, Ontario

→ www.ccednet-rcdec.ca/en/pages/conference.asp#2005NationalCEDConference

6th International Workshop in Resource Mobilisation May 6–8 2005, Menam Riverside Hotel, Bangkok

→ www.resource-alliance.org/subsection.php?sectionid=5&subsectionid=88

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

Raising and Earning More Dollars: **A Survival Guide for the Social Purpose Organization** May 18, 2005, Seattle, WA

→ socialprofits.com

Conference on Social Enterprise: **Developing Earned Income Strategies to Enhance Social and Community Impact** June 1, 2005, Duke University, Fuqua School of Business, Durham, NC

→ www.fuqua.duke.edu/centers/case/leaders/conference/

Business Alliance for Local Living Economies **Third Annual International BALLE Conference**

June 2–5, 2005, Vancouver, British Columbia

→ www.ballebc.com/conference.htm

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. → ventures.yale.edu/aboutconference.asp

Canadian Social Investment Conference

June 12–14 2005, Toronto

→ www.socialinvestment.ca/event.htm

3rd Annual Cause Marketing Forum June 16, 2005, Crowne Plaza Times Square, New York

→ causemarketingforum.com/conference.asp

The Communities We Serve: Building Capacity for Impact Alliance for Nonprofit Management and National Council of Nonprofit Associations Joint Conference

July 13–17, 2005, Chicago, Illinois

→ ncna.org/index.cfm?fuseaction=Page.viewPage&pagelid=457