

Social Enterprise Reporter

Innovative Business Solutions for Nonprofit Entrepreneurs

Third National Business Plan Competition for Nonprofits—Rebranding with New Partners

by Stephen Fenichell

A philanthropic Internet start-up, a web-based children's book distributor to disadvantaged children, a workforce development program for disenfranchised youth, and a loan fund targeting impoverished coffee growers in war-torn Rwanda were the four Grand Prize winners in what was the third and final National Business Plan Competition for Nonprofit Organizations, under the auspices of the **Yale School of Management-The Goldman Sachs Foundation Partnership on Nonprofit Ventures**.

The Partnership was created in 2001 with funding from **The Goldman Sachs Foundation** and **The Pew Charitable Trusts**. Responding to a growing interest among nonprofits in generating income that has grown over the past four years, the Partnership has educated non-profit organizations as to the benefits, rewards, and considerable risks associated with launching for-profit subsidiary enterprises as sustaining profit centers for mission-driven organizations.

Ripple Effects

The Partnership's National Business Plan Competition for Nonprofit Organizations was the first of its kind in the nation, and over the past three years has dispensed \$2 million in monetary awards and consulting services to 16 social enterprises, with an additional \$1 million

LESSONS LEARNED

scheduled to be awarded to the 8 latest winners in June. Having evaluated nearly 2000 distinct nonprofit venture ideas and provided help in the development of over 200 complete business plans, The Partnership is now poised to move on to a second phase of operations, sans the support of its three founding partners.

“When the Yale School of Management began The Partnership with The Pew Charitable Trusts and The Goldman Sachs Foundation in 2001, the field of nonprofit enterprise was in its infancy,” observed Professor Sharon M. Oster, co-faculty director of The Partnership. “People in the field looking for examples of great business plans by nonprofits launching ventures or best practice in the field found precious little. Today, after four years of work by

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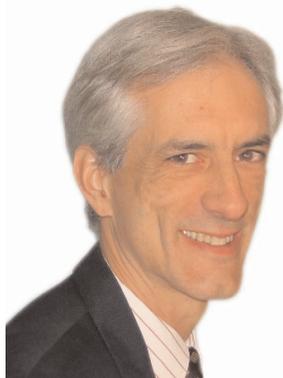
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Letter to Readers



Dear Reader:

The lead story in this issue of *SER* features an article on the Partnership on Nonprofit Ventures's National Business Plan Competition for Nonprofits. This article is a good example of the cross-sector collaborations that have been the focus of the continuing *SER* series on Campus-Community Catalysts. This series will continue in the next issue of *SER*.

Yma Gordon, Program Officer for Economic Development at the **Ms. Foundation for Women**, was one of several plenary speakers at the Competition's Annual Conference and Awards Ceremony held this June. In an interview that appears in this issue of *SER* she speaks about the role of foundations in

building the changing, adolescent field of social enterprise. "Social enterprise as a tool for achieving mission has come to the fore. It's more than a revenue strategy. People are beginning to look at it as a tool of economic empowerment for the communities they serve. It's not just another fund-raising tool—it is a mission fulfillment tool."

Ms. Gordon's point was brought home to me in an interview with another of the Competition plenary speakers, Cindy Arnold, Executive Director of **El Puente Development Corporation** (EPDC). El Puente has helped to build a bridge for the economically devastated communities of El Paso, Texas. El Paso was home to a substantial garment industry that headed south soon after the NAFTA agreements were signed. As the local industry lost 30,000 jobs over ten years, the directors of El Puente's parent, La Mujer Obrera, realized they had two choices: to give up or to create a new economic infrastructure for their community. Ms. Arnold and her colleagues have begun work on building a web of social enterprises, rooted in market opportunities, with viable businesses that will provide a bridge (el Puente) from economic catastrophe to economic sustainability for the former garment workers.

Ms. Arnold echoed Yma Gordon's vision of the field when she stated, "Social enterprise is not just a revenue strategy. Social enterprise uses business as a tool for social change and we deserve access to the same business tools as the for-profit world". [Read more about EPDC in the next issue of *SER*].

SER is committed to shining a light on the changing definitions of social enterprise as it is advanced and gains credibility from the work of practitioners like Cindy Arnold and other "social enterprisers" across North America. And we will continue to provide the tools and techniques you need to be effective in furthering your triple bottom line: sustainable business development, individual economic empowerment and systemic social change.

Best wishes,

Tom White

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Ms. Foundation for Women

Mobilizing Donors in Support of Women's Enterprise

by Tom White

Yma Gordon is the Program Officer for Economic Development at the Ms. Foundation for Women. Ms. Gordon was one of several plenary speakers, including Billy Shore, Cindy Arnold and Charles Lief, at the recent Partnership on Nonprofit Ventures' Third Annual Nonprofit Business Plan Competition Conference. In an interview with SER before the conference, Ms. Gordon spoke about her grantmaking activities including, the Ms. Foundation's model Collaborative Fund for Women's Economic Development (CFWED), a multi-year, multi-donor fund which has mobilized \$10.5 million in support for enterprise development and social enterprise organizations around the country.

Social Enterprise: "Naming what we've been doing all along"

Over the past five years the Fund's pool of donors has included anchor foundations such as the **C. S. Mott**, and **Ford** foundations, family foundations, and support from corporations including **Chase**, **Citigroup**, and **Well Fargo**. The Fund disburses \$50,000 per year to each of 12–15 grantees, for a total of \$150,000 per grantee over a 3 year period.

CFWED has faced an upslope of multiple learning goals and agendas that mirror the combined income streams of low income entrepreneurs. Women need flexible forms of income to surmount employment barriers such as elder and child dependent care, and to supplement benefits from welfare and other sources.

Funding towards sustainability

As CFWED prepares to launch its fourth round of grantmaking in the dual tracks of micro and social enterprise, one of Ms. Gordon's goals is to fund towards sustainability—including, but not necessarily requiring, self-sustaining organizations. "We're not trying to put ourselves out of the grant-making business. But we want to

work with organizations so that after three years of receiving funding, the carpet isn't being pulled out from under them. We have seen some real dilemmas surface around the issue of leadership capacity. The person who runs the non-profit might have a set of skills that doesn't work for the business side. We support leadership development that helps people be anticipatory rather than reactive leaders. That also means understanding the kind of management team that they need in order to grow."

The Ms. Foundation provides a tremendous amount of technical assistance in its particular brand of high engagement philanthropy. "There's a lot of partnering with organizations that some would consider handholding", states Gordon. "We have not had a deliberate exit strategy for grantees—once our grants were over, we've achieved our goals. Moving forward, we need to begin to exit the relationship in a more deliberate way. We try to have relationships now where we work with grantees throughout the entire grant cycle. In the next round of funding we will be looking more closely about arriving at that goal of sustainability."

Economic security and social enterprise

One of the first steps in developing a relationship with grantees is deciding on mutually beneficial objectives. Part of that conversation focuses on whether social enterprise is right for the grantee. "We finally figured

out that our end goal is not always the possibility of a social enterprise," states Gordon. "We fund enterprises or entities that we expect will make a positive impact on women's lives. Economic security for women is paramount when creating social enterprises—we hope they're not mutually exclusive. The non-profits creating these entities are making a social return above and beyond their expenses—that's one of the dilemmas of the added social costs. But we do expect grantees to try to cover their operational expenses."



Yma Gordon, Program Officer for Economic Development at the Ms. Foundation for Women.

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Forging Strategic Partnerships with For-profits

by Jerr Boschee

Few social enterprises today can survive without creating strategic partnerships.

Four of the most powerful types they can forge with for-profit companies include “operational philanthropy” (a phrase coined by Gary Mulhair of **Pioneer Human Services** in the mid-1990’s), supplier relationships, distributor relationships, and cause-related marketing.

• **Operational philanthropy** occurs when a for-profit company creates a business relationship with a social enterprise instead of giving it a grant—and therefore becomes dependent on the non-profit’s performance for its own success. For example, **Pioneer Human Services**, based in Seattle, employs ex-offenders and former substance abusers to manufacture aerospace and sheet metal products for the aircraft, telecommunications, electronic and other industries (including cargo liners and more than 8,000 other parts for **Boeing** aircraft). Pioneer’s businesses also include warehousing, assembly, contract packaging and food purchasing services, plus a central kitchen facility and a number of retail cafes. Annual revenues are \$55 million, most of it coming from earned income. **Fast Company** magazine recognized the organization for “pioneering a new model for social change and setting an agenda for non-profits nationwide.”

• A **supplier relationship** takes place when either the social enterprise or the for-profit company supplies personnel, raw materials and/or finished components to

the other. **Greyston Bakery** (Yonkers, New York) is a prime example: It supplies more than 10,000 pounds of brownies and blondies a day—nearly three million pounds a year—that are used in five Ben and Jerry’s ice cream products in the United States, Europe and the Mideast. Annual sales for the bakery are \$3.5 million—and it provides 55 jobs for people who have been chronically unemployed.

• A **distributor relationship** occurs when either a for-profit company or a social enterprise channels its products or services to customers through the other organization’s network. A common example in the United States takes place when for-profit companies partner with social enterprises to access federal and state “set-aside” programs (in which government contracts are offered first to nonprofits). Another is the relationship **Bobbie Lenz** has with the post office in Duluth, Minnesota. Her company, **UDAC**, is a full service direct mail provider employing people who are developmentally disabled. “The post office has given us a lot of technical assistance and taught us everything we’ve learned about the business,” she says, “and, for them, having somebody like us is helpful, because it reduces the number of organizations showing up with bulk mailings that aren’t sorted or otherwise ready for mailing. When people like that come to them, the post office sends them to us.”

• **Cause-related marketing** occurs when an organization licenses the use of its name, product or service to the other. The combination can be powerful: It can enhance the reputation and boost the sales of a for-profit company and simultaneously increase the credibility and generate earned income for a social enterprise. For example, during 90-day periods in four consecutive years from 1993 through 1996, each person who used an American Express card knew three per cent of his or her purchase went directly to **Share Our Strength**, one of the nation’s leading anti-hunger organizations. The partnership raised \$21 million and funded more than 1,000 local, state, national and international organizations. But the goals do not have to be so ambitious: When **Clif Bar, Inc.**, a leading energy bar manufacturer, decided to help the **Breast**

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



Jerr Boschee has spent the past 25 years as an advisor to social entrepreneurs in the 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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Social Fusion Media Panel Report

The Art and Compromise of Selling Good News

by Tom White

On May 27th the third annual **Conversations in Social Enterprise** launched with **Media Mavens: The Art and Compromise of Selling Good News**. The ongoing summer luncheon series is a “Best Practices” forum sponsored by the San Francisco-based **Social Fusion**, a social enterprise incubator with a mission of fusing the power of business with the heart of social impact.

Using Star Power for Peace

The meeting, moderated by Sylvia Paull, a publicity and strategic marketing consultant, and past *SER* contributor (PR for Nonprofits in *SER* 102), focused on strategies for mobilizing the media to elevate the reach and credibility of social enterprise to greater levels. The need to motivate media for social change was brought home by one of the speakers, Jeremy Gilley, a filmmaker from England who has launched the film project **Peace One Day** to document his journey to establish a World Peace Day.

While Mr. Gilley has garnered the support of the Dalai Lama and moved the member states of the **United Nations** to unanimously declare September 21 as a day of global cease-fire and non-violence, only one or two members of the audience had heard of this revolutionary concept. To help remedy the lack of awareness of World Peace Day, Jeremy has recently produced a documentary that is being shown worldwide via cinema, television, and film festivals, and has recruited Jimmy Cliff and sport stars to help publicize the event.

The Power of Links

Two other panelists focused on publicity methods for public interest news projects. Cheryl Woodard, is founder of **AskQuestions.org**, a web site that invites people to pose questions they wish the media would answer. Cheryl found that her site traffic was boosted significantly when she shared content and links with the **CommonDreams.org** site.

The power of web links also was evident to panelist Xiao Qiang when Mu Zimei, a blogger based in China, rose to fame with graphic online descriptions of her sex

life. Mr. Qiang is the Director of the **Berkeley China Internet Project** at the Graduate School of Journalism, **University of California at Berkeley**. When he added links from the UC, Berkeley-based *China Digital Times* weblog to the Zimei story, he saw traffic to his site increase dramatically as the world started to Google this new Chinese phenomenon.

Reframing the Message of Ebonics

Panelist Darolyn Davis, president and CEO of **Davis & Associates Communications**, spoke about how she was called upon to help reframe the media agenda about ‘ebonics’ after the controversy erupted in Oakland, CA schools. Ms. Davis took her reframed message about the schooling of Afro-American children to national talk show hosts, and recommended that NGO’s work with their neighborhood and ethnic presses, “where people who don’t use computers get the real story about things that effect their lives”. Ms. Davis also pointed to the successful story of rapper/producer Sean “P Diddy” Combs’ support for inner-city voting campaigns.

Gain Attention with Stories and Results

With such easy access to so many different messages, “it’s the credibility of the human story behind the message that gives your story legitimacy and attention,” said Mr. Qiang. “And how do keep viewers attention?” asked Mr. Gilley: “Show how your story will change their lives!” ■

➔ socialfusion.org

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MEMBER PROFILE

Social Enterprise Group, LLC Reviving Local Economies

by Tom White

The Social Enterprise Group (SEG) is a consulting firm that provides business planning, feasibility studies, market analysis, strategic planning and associated services to nonprofits, businesses, philanthropic organizations and government agencies who are conducting or considering a social enterprise. SER spoke with Kirsten Gagnaire, SEG Principal and founder. Kirsten is passionately committed to building the field of social enterprise and is Vice Chair of Social Enterprise Alliance.



Kirsten Gagnaire,
SEG Principal and Founder

Q: Can you give me an example of one of your current consulting projects?

A: SEG is currently consulting to the **City of Redmond** (Washington) Department of Planning and Community Development on the development of the **Reds Xpress** coffee stand.

Q: What are the goals for Reds Xpress?

A: The goal is to generate a sustainable, reliable source of funding for youth-serving programs and services in Redmond. Funding for many of Redmond's youth prevention programs has been lost due to funding cuts. The project also provides opportunities for youth to learn entrepreneurial skills, and allows input from all members of the community as it grows to scale.

Q: Coffee shops aren't a new development in social enterprises. What's unique about this one?

A: What's amazing is the city government's proactive response to working with the community on stabilizing its human services agencies. Rather than solicit the money from other sources, they decided to earn it

through social enterprise.

Q: How did you help the City of Redmond develop this enterprise?

A: Lauren Kirby, the City of Redmond Human Services Manager, and Randy Phillips, a local minister, selected SEG and asked me to lead the community through the initial stage of what became known as the **Redmond Social Enterprise Project (RSEP)**. Lauren, Randy and myself became the core project team who guided the remainder of the project and business planning process.

Q: Where will Reds Xpress be located?

A: It will be located at **The Overlake Transit Center**, which is owned by the local transit authority. Members of the transit authority heard about the RSEP and offered the space to the RSEP rent-free! The City of Redmond will hold the lease. With help from the Federal Transit Administration, the City is constructing a new commuter building that they expect will be used by 5,000 commuters per day.

Q: How is the local community involved?

A: We've developed a Community Advisory Board that has mobilized a project Oversight Committee made up of stakeholders from Redmond's local churches, educational and youth-serving organizations and employers. This Community Advisory Board will oversee the concept development and profit allocation. Now that we're a year and half into the development of this concept, it is becoming clear that the Board will likely need to obtain 501(c)3 designation in order to have more control over the operations of the enterprise and to be free to manage future expansion. Some of the fiscal sponsor's restrictions (e.g., that the vendor must be a nonprofit) are limiting the directions the café and future entities can go.

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Member Profile: SEG

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Q: How did RSEP identify an operator for the Cafe?

A: This has been perhaps the most difficult part of the process. We had a vendor identified. Just as the contract was to be signed, the vendor pulled out, as they had staffing changes and decided they didn't want to enter into the contract at that time. It has been exciting to see how the Board has rallied around this and hasn't seen the vendor pull-out as a real setback, but rather they reconfirmed their commitment to the concept of using social enterprise to meet their community's needs and are further determined to find a solution for making it work.

Q: Do you see RSEP as a replicable model, and if so, what plans do you have for scaling?

A: The intent all along has been to document what did and did not work with this model so that we can determine whether and how it's replicable. I believe the concept of using social enterprise to address a specific community need is absolutely replicable. However, there are some pieces of this project that I would do differently in the future—specifically, developing a less complicated organizational structure.

Q: How has the market for SEG's services and social enterprise changed since you started SEG?

A: It has changed dramatically. When I first started the business 5 years ago, every conversation I had started with a basic education of

what social enterprise is—before an organization could even determine whether they needed our services. Now, we have a range of organizations seeking our services—from those just entering into social enterprise to those that have been engaged in it for a long time and are wanting to expand to the next level. We are also being asked to do much more innovative and complex projects that push the envelope of social enterprise and can be models for the field.

Q: What unique skill sets are required to be a successful social enterprise consultant?

A: Balance—we have to be able to look at every project through the dual lens of the social mission and financial sustainability. We also have to be diplomatic—our clients are navigating the usual organizational issues around internal and external politics and relationships, but they are also developing new ideas and ways of working which can be a source of great tension that has to be managed constructively and proactively. Often, an idea may pencil out from a financial perspective, but the social mission and cultural issues may mean that it's not viable and vice versa. We have to be innovative and come up with solutions that meet both bottom lines AND fit our clients' needs.

Finally, I think that consultants in this field have to be able to set aside their egos and work together—access to effective and efficient technical assistance is frequently identified as one of the things holding this field back. I believe it is the responsibility of consultants in this field to learn from each other and develop the solutions together.

Q: Are there any other SEG

initiatives you're particularly excited about or would like to share?

A: Yes! The two biggest initiatives for us right now are our partnership with Gifford Pinchot III and **Bainbridge Graduate Institute**, the college he co-founded. We are working with Gifford Pinchot and his MBA faculty to apply his Business Innovation Accelerator curriculum to the social enterprise field. We are piloting this right now and have plans to launch it nationally and internationally via a network of licensees. We are recruiting our first 2 licensee teams who will go through the training in October. We expect to have this up and running in communities around the country by mid-2006.

We're also starting an exciting partnership in a consortium that received a large **Kellogg Foundation** grant to develop an economic development system in 5 target areas of rural Oregon. We are providing the social enterprise training and technical assistance to entrepreneurs in these communities, but also hope that we will be able to train the local small business assistance and development agencies to provide social enterprise training to their communities over the long-term. We believe that the development and support of social entrepreneurs will be an integral part of reviving these economies through entrepreneurship. And, we believe that it is important to build up the local capacity to support social entrepreneurs, as this is more sustainable than having to look outside the community for this support in the future. ■

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lessons learned

Partnership on Nonprofit Ventures (continued from page 1)

The Partnership, much has changed.” So much as changed, as The Partnership’s co-director, Cynthia Massarsky, acknowledged in an interview with *SER* (on whose advisory board she serves), that the ideas which the Partnership was designed to disseminate have now moved squarely into the cultural and business mainstream.

As Don Kimelman, Director of The Pew Charitable Trusts’ Information Initiatives, recalled at the awards presentation ceremony on June 10 in Jersey City, New Jersey, when he originally broached the idea of sponsoring a national business plan competition for non-profit ventures to the Pew trustees, he “spoke about the ripple effect that such a competition would set off in the sector. While the strongest impact would clearly be on the four finalists each receiving not only a cash award but recognition, the broadest, most long-term effects would be on the hundreds of entrants to the competition and attendees to the conference and awards presentations.”

As Kimelman predicted five years ago, “the message that non-profits can generate and sustain themselves with earned income without challenging or compromising their social mission” has spread like wildfire through the non-profit community. “This trend in the non-profit world is not a passing fad,” he added, “it is here to stay, to society’s long term benefit.”

Phase Two: Going to Scale

“The original intent of these three very prominent organizations was to get us off the ground and to provide seed money for three busi-

ness plan competitions,” Massarsky maintained. “After saying goodbye to our wonderful sponsors, [co-Deputy Director] Samantha Beinhacker and I will be spending the summer gathering together the huge amount of data we have gathered, assembling all the lessons we’ve learned, and talking with other corporations, foundations, and investors about their potential interest in sponsoring the National Business Plan Competition”.

While under the current plan the Competition only accepts applications from ventures involved in new and early stage businesses, the Partnership now intends to include enterprises “that will be going to

“The Partnership intends to launch a consortium that will invite universities to ... participate in ... research, publishing and curriculum development.”

— Cynthia Massarsky,
Partnership Co-director

scale. We will be rebranding and tweaking our business model so that we will be able to offer to foundations, corporations and social investors the opportunity to name individual awards in their programmatic or geographic areas of interest.”

US and International Expansion

Massarsky says, “Our plan and our hope is that all non-profits inclined to participate will have at least one category and one award for which they qualify. Interest outside the U.S. has been tremendous, so we are looking

to expand the field of our competition to global scale.” The Partnership further intends to launch a university consortium that will invite universities to get involved and participate in the process of research, publishing and curriculum development. “The participating universities, including Brown University, Washington University in St. Louis, New York University and the University of Toronto, will then have a wonderful opportunity to bring alumni back into the fold as business plan evaluators.”

The Partnership has also expanded to include a for-profit publishing firm. “We are very excited to announce a new partnership with **Entrepreneur Media**,” said Massarsky. “They publish *Entrepreneur* magazine and *Entrepreneur.com*. This partnership will help us launch a new series of business plan competitions for nonprofit organizations, and also will include joint activities that effectively integrate complementary content on each of our respective websites, as well as a web column on *Entrepreneur.com* that highlights business planning tips for starting and growing social enterprise.”

Grand Prize Winners

Of the 20 finalists that made verbal presentations to a panel of judges during the two day conference, the four Grand Prize winners were: Points of Light/ Mission Fish (Helping non-profits raise money on EBay), Ecologic Finance (Providing technical and financial support to subsistence farming communities in East Africa), The First Book Marketplace (Selling high quality Children’s Books over the web to programs serving disadvantaged children at below market

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Partnership on Nonprofit Ventures

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prices), and **NPower NY** (Provides technology support services for nonprofits and employs graduates from its Technology Service Corps program).

Each of the Grand Prize winners received a cash award of \$100,000 in seed money for starting or growing their businesses, combined with money for consulting.

Lessons Learned from 2004

One of the more heavily attended conference events was a session entitled “A Year’s Worth of Lessons Learned from the 2004 Award Recipients.” Moderated by Kirsten Gagnaire, principal and founder of **Social Enterprise Group, LLC**, the spirited discussion among the four panelists—Michael Gurau of Portland, Maine-based **Coastal Enterprises**, Mark Hoisser of West St. Paul, Minnesota, **Dakota Area Resources and Transportation for Seniors (DARTS)**, Darlene Carrington of the Liverpool, New York-based **Rescue Mission**, and Luisa Perticucci, of the San Francisco-based **Volunteer Match**—quickly found a focus in exploring what **CEI Community Ventures** President Michael Gurau referred to as “cultural dynamics.”

Managing Cultural Dynamics

Michael Gurau of CEI Community Ventures says the greatest challenge he has faced since founding his fund as a for-profit arm of a non-profit organization has been “managing the structural, cultural tension between the ‘for-profit people’ and the ‘non-profit people in the organization.” As a venture capitalist with a social mission, Gurau acknowl-

edged frequently feeling frustrated by “the anti-business bias built into the wiring of a lot of the sort of folks who work in mission-centric organizations,” which he described as, “a holdover from the Sixties. I share many of the same values, but I have some ideas about how to run a business,” Gurau added, “Some of them have other ideas about how to run a mission, and not infrequently, we find ourselves involved in culture clashes.”

Cross-pollinating Entrepreneurial Spirit

Darlene Carrington of Rescue Mission, whose primary social mis-

“The battle is won in the business planning stage. The planning process is what develops us as leaders.”

— Darlene Carrington,
Rescue Mission

sion is operating a shelter for the homeless of Central New York, freely acknowledged the “internal tension between the ‘for-profit’ and ‘non-profit’ people” that occurred while launching Rescue Mission’s \$1 Shopper outlets in Thrifty Shopper stores across New York State. “Those of us who like to make revenue have an entrepreneurial spirit, and are motivated by the bottom line as well the mission,” she observed. But rather than finding the “internal tension” destabilizing, she insists that the ensuing cross-pollination has been powerfully productive in advancing Rescue Mission’s social agenda.

She cited an example of the food service division of her organization,

“seeing that we were make money for ourselves in the Thrifty Stores, going out and getting themselves a food service contract, they put out a bid, and the contract grew.” The result, she added, was that the organizational transformation that ensued generated national new coverage for the organization. “We started receiving phone calls from all over the country from people sharing ideas, asking us to advise them on how best to leverage their core competencies in the for-profit arena.”

Looking over the wall

Carrington says, “Its critical you get an outside set of eyes to look closely at your venture. Our point of sales system had become a wall for us. But by working with an outside consultant, we learned what we didn’t want to do. Now we’re going to be able to look at software that allows us to turn a C customer into a B customer, and a B customer into an A customer. We worked with a multi-million dollar non-profit, from whom when the government funding comes in, the venture flourishes, when it leaves, the venture dies. We learned from that experience that we don’t want an outside entity controlling our destiny. Nobody should have more passion for your non-profit than you. You need to keep that mission under your own control.”

Talking to clients everyday

Luisa Perticucci of Volunteer Match, a web-based service designed to manage, maximize, and measure employee volunteer programs, added that the most important lesson learned for her organization over the past year was “how to integrate customer findings into our product

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Implementation:

Turning Your Business Plan into a Business

by Rolfe Larson and Andy Horsnell

You've gone through the steps. You've sorted through numerous venture ideas (*January 2005 SER: Fast Track or Back Burner*), assessed the feasibility of a few of them (*February 2005 SER: Testing the Waters*), and written a quick business plan for one (*March 2005 SER: Just Enough Planning*). Now you're ready to move beyond planning and start doing.

Your business plan is reasonably thorough, so there's nothing to worry about, right? Sorry—wrong. Hopefully, it tells you enough to get started, but it's only a plan. The rest you'll have to figure out as you go. Reality has an annoying way of interfering with business plans once they go from paper to practice. Good plans, however, help you anticipate most things, and will put you in a good position to respond to everything else.

Implementation: The Final Frontier

Here are some tips:

1. Have a Champion. It's impossible to have entrepreneurship without an entrepreneur—someone who will take personal responsibility to make sure that the plan is implemented effectively and adjusted when the unforeseen happens (and it will happen - count on it).

2. Stay Focused on Your Customers. Stay obsessively alert to your customers. Learn as much as possible about why they buy from you (and why others do not), who else they are buying from and why, and what improvements they'd like

to see. Your venture will only exist as long they decide it will. Market research is a never-ending assignment. Constantly look for better ways to deliver what they want.

3. Focus on Success. To achieve sustainability, most businesses focus on a small number of success factors, such as achieving sales goals, controlling costs, and not running out of money. For most social enterprises, another important area is attracting and keeping the right staff. You'll probably have two or three others. However, identifying success factors isn't enough. You need to have strategies (with strict accountabilities) to monitor and ensure that they are addressed.

Don't believe the venture exists strictly to create a social impact. No money, no mission; it's as simple as that. You need both.

4. Aspire to Profitability. If your goal is to break even, you won't. Decide up front that making a profit is good. Profits are needed for future investments such as replacing equipment, or just to survive when sales are down. Don't believe the venture exists strictly to create a social impact. No money, no mission; it's as simple as that. You need both.

5. Know the Key Numbers. Be sure to track and understand the key metrics for your venture. Pay attention to things like cost of goods sold, receivables, conversion rates, unit

costs, labor productivity, overhead, cash flow, and burn rate.

6. Start From Where You Are and Grow As You're Able. For most nonprofit ventures, the best strategy is to build on what you know (core competencies) and who you know (core customers) and grow from there. Unrealistic expectations of rapid growth often lead to failure. It takes time to grow a sustainable business.

7. Get Outside Entrepreneurial Help. Many ventures create informal enterprise committees, made up of staff, board members, and local entrepreneurs who can cut through the rhetoric and jargon and get to the real issues.

8. Free is Sometimes Very Expensive. Be frugal, but don't be afraid to pay for something that the business needs to succeed. Your most valuable resource is staff time. Don't waste it looking for cheaper ways to do things if the search costs more than the savings.

Good luck! ■

Rolfe Larson and Andy Horsnell are principal consultants at Rolfe Larson Associates (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 Fieldstone Alliance.

Partnership on Nonprofit Ventures (continued from page 9)

offerings. We have a dedicated sale and client relations team, out there talking to clients and prospects every single day. So whenever we win some new business or lose an opportunity to work with a corporate

“[The Competition] is the R&D needed to help funders like us ... It would be a real loss if this is the last competition!”

— Yma Gordon,

Ms. Foundation for Women

client, we conduct a post mortem that helps us to learn from our failures as well as our successes.” Her experience over the past year has taught her that the “relationship between a funding corporation and the non-profit it funds are based on greater exchange. Instead of doling out outright philanthropy, companies are looking for non-profits to be much more strategic in meeting community needs that are alignment with their business mission and practices.”

Mark Hoissier of DARTS observed that when dealing with corporate clients, the most important thing is to convey to them at the highest level the importance of the social mission. “I’ve found that the CEO thinks it makes a big difference for us to be a non-profit,” he recalled. The most important part of client service, he’s learned, is that “it’s critical to maintain contact at every strata of the customer base we talk to. I can talk to the executive at one level, while the

mechanic and fleet manager may speak a different language. But regardless of the vocabulary, it’s critically important for those messages to be effective and consistent.”

All four participants agreed that leveraging their own business expertise across to the larger organization has been a worthwhile and fruitful, if occasionally a frustrating, process. Darlene Carrington added that, inspired by her division’s success, “now the other parts of our organization are looking for ways to be more entrepreneurial. The program side never developed that kind of thinking until we came along. They never thought about leveraging their strengths in these areas. A longstanding program “giving away clothing to the community at large has now been handed over to social entrepreneurs to manage more like a business.”

For Michael Gurau, the broadest piece of advice he can dispense in this area is that “If you’re non-profit, look at how you view business in general. Social mission driven people often are charismatic, and don’t think about business, and as result the boards of these organizations are frequently staffed by non-profit oriented like-minded people who may be mistrustful of business. For Darlene Carrington, “the battle is won in the business planning stage. The planning process is what develops us as leaders. We’re still struggling with questions like, “Did we write the plan from the parent’s perspective or the business venture’s perspective?”

Perticci added wryly, “we call it creative friction between mission and revenue. We have addressed this as part of our executive team meetings. Whether an individual program is to support mission or revenue we put it through a matrix designed to answer the question. How does this address

the mission? How does this address the revenue? Make sure there is really a need for your product and service... You need to understand what you are offering, and that there is a legitimate need for it.”

In closing, Michael Gurau posited that it is legitimate to ask, “Is this the best way to accomplish what we need to do, by being a for-profit subsidiary of a non-profit parent? Sometimes, a hybrid might be an alternative, being in a partnership as opposed to one funding the other.”

Yma Gordon, Program Officer for Economic Development at the **Ms. Foundation for Women**, was one of several plenary speakers, including Billy Shore, Cindy Arnold and Charles Lief. In an interview with *SER* before the conference, Gordon stated that the competition has encouraged and supported a real emergence of new and promising ideas. “It’s the R&D needed to help funders like us. The Partnership has involved our next generation of leaders in the non-profit, social enterprise sector. It would be a real loss if this is the last competition!” ■

Runners up (\$25,000 Award): **The Caroline Center, Eco-Trust, Housing Partnership Network, Wai’anae Community Re-Development Corp** (Hawaii).

➔ ventures.yale.edu

Grand Prize Winners:

➔ www.ecologicfinance.org

➔ www.FBMarketplace.org

➔ www.npower.org

➔ www.missionfish.org

New York-based Stephen Fenichell is the co-author, with 7th Generation Founder Jeffrey Hollender, of *What Matters Most: How a Small Group of Pioneers is Teaching Social Responsibility to Big Business*, and *Why Big Business is Listening*.

Funder's Perspective

(continued from page 3)

The small, more sheltered social purpose businesses in the CWFED portfolio tend to be more profitable, yet some are so small they don't have a big impact on employment in their communities. "On the one side we're saying you've got to be in the black, sometime in our lifetime, but for many of these organizations if they offer benefits, they won't be in the black," states Gordon. "It's a real dilemma that funders have got to figure out. These aren't good jobs until they have benefits. We're trying to create quality jobs, regardless of sectors. And there are three elements of any good job - adequate wages and benefits, flexible work hours, and access to decision-making power."

In Ms. Gordon's view, the social enterprise field is in an adolescent stage. "One of the roles of funders like the Ms. Foundation is to build the field. Social enterprise as a tool for achieving mission has come to the fore. It's more than just a revenue strategy. People are beginning to look at it as a tool of economic empowerment for the communities they serve. It's not just another fund-raising tool—it is in fact a mission fulfillment tool." ■

➔ www.ms.foundation.org

Boschee on Marketing

(continued from page 4)

Cancer Foundation by creating the LunaBar and donating a percentage of sales to the Foundation, the first year's proceeds were only \$5,000—but they have now grown to more than \$300,000 per year, about 10 per cent of the Foundation's annual operating budget.

Despite the attractiveness of strategic partnerships, many Board members and senior executives are leery of entering into a relationship with a for-profit company, especially large corporations – and often with good reason. Next month we'll review some of the issues you'll need to think about as you explore the possibilities. ■

Erratum

The caption accompanying the photo of the SEA 6th Gathering Marketplace Award Winners in SER 106 on page six incorrectly identified David Pippin as one of the Award Winners. The gentleman pictured is Chris Denman, Manager of Coffee with a Conscience, a social business venture of the Milwaukee-based Wisconsin Women's Business Initiative Corporation [profiled in SER 101].

Earned Income: Assessing Your Nonprofit's Revenue Options

Foundation Center Locations, Washington, DC September 19, 2005, New York, NY September 30, 2005, San Francisco, CA November 1

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

July 29, 2005 Social Change — for Profit? II: Hybrid Capital and Sustainability; August 26, 2005 Supersizing Good: Lessons from the Trenches in Going Corporate; San Francisco, CA

➔ socialfusion.org/se_pr_speakers_series.html

The Grantsmanship Center

New Business Ventures for Nonprofits Workshop

August 8–10: Charleston, WV, 15–17: Indianapolis, IN; Sept. 19–21, Los Angeles, CA; Oct. 3–5, Kansas City, MO; Nov. 7–9, Dayton, OH

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

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&pageId=457

Building Communities From The Inside Out: Putting ABCD Into Action

July 28–30, 2005, Chicago, IL

➔ www.abcdtraininggroup.org/info/chicago/Chicago_2005.htm

National Association of Development Organizations 2005 Annual Training Conference

August 27–30, Seattle, WA

➔ www.nado.org/meetings/atc.html

National Congress of Community Economic Development Annual Conference & 35th Anniversary

September 19–21, 2005, Washington, DC

➔ www.ncced.org/conventions/

International Economic Development Council 2005 Annual Conference: “The Global Economy is Here...Now What?”

September 25–28, 2005, Chicago IL

➔ www.iedconline.org/AnnualConference/index.html

S-DEV Geneva 05: International Platform on Sustainable Urban Development

October 11–13, 2005 Geneva - SWITZERLAND

➔ www.s-dev.org/

The Nonprofit Congress

October 15–18, 2006, Washington, DC

➔ www.nonprofitcongress.org/

National Community Capital Association

Annual Conference: On the Road to Scale: What's NOW? What's NEW? What's NEXT?

October 19–22, 2005, Los Angeles, CA

➔ www.communitycapital.org/training/atc_2005.html

3rd Annual Entrepreneurship Education FORUM

November 5–8, 2005, Orlando FL

➔ www.entre-ed.org/_network/forum.htm
