

# Nonprofit Enterprise — Learning By Example

*By Idan Ivri*

Over the past decade there has been a surge of interest in the subject of nonprofit enterprise. Foundation reports and academic treatises abound, and the production of theoretical "paradigms" has turned into something of a cottage industry.

Real-life nonprofit business ventures also abound, though written descriptions of them may be harder to find. For anyone interested in actually starting or running a nonprofit venture, however, those practical examples are likely to be what's most useful.

Here are some places to start looking for them:

## ***Databases and Case Studies***

### **Community Wealth Ventures**

<http://www.communitywealth.org>

Community Wealth Ventures is a for-profit subsidiary of Share Our Strength, an anti-poverty organization that has long been a model of successful enterprise creation—having raised more than \$100 million through licensing, sponsorship agreements and cause-related partnerships with corporations such as American Express and Tyson Foods.

In cooperation with the Social Enterprise Alliance (profiled later in this article), Community Wealth Ventures maintains an online Directory of Social Enterprises. It includes both business ventures (defined as "businesses with revenues generated from the sale of products and/or services to customers beyond the organization's immediate constituents") and strategic alliances (defined as "partnerships between a company and a nonprofit with a mutually beneficial outcome"). Organizations that generate revenue primarily through fee-for-service activities, membership dues, or tuition—such as hospitals, museums, or colleges—are not included in the database.

The Community Wealth database is searchable by geographic location, by keyword, by program area, by type of venture or alliance initiated, or by the

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legal relationship between the for-profit and nonprofit segments of the organization. Organizations in the database run the gamut from large, national nonprofits (Boy Scouts of America, American Cancer Society, Susan G. Komen Breast Cancer Foundation) to small, grass-roots groups such as Barrios Unidos, which operates a custom screen printing shop in Santa Cruz, Calif.

Because each organization submits its own data on a voluntary basis, search results can be uneven, especially if you're looking only for organizations in a certain particular locale or only for groups with a high percentage of earned income. Still, this is the largest database of its kind on the Web and probably the best place to start a search for current examples of nonprofit enterprise.

Besides the Directory of Social Enterprises, Community Wealth Ventures' Web site contains a report titled *Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability*, which includes ten excellent case studies. Among the most interesting are those profiling Boomtown Cafe and Catering, a Seattle group that used earned income to sustain itself during a period when its free services had to be suspended, and Homeboyz Interactive, a Milwaukee group whose hbl.consulting division trains inner-city youth to work in Internet technology. *Powering Social Change* also includes a long section that covers responses to a survey distributed to the directors of organizations that operate nonprofit business ventures. The survey captures information about the kinds of businesses these groups run; start-up considerations; pre-launch activities; and impact on the organizations' missions.

Finally, Community Wealth Ventures itself is the subject of a detailed case study published in the Harvard Business Review. It too is accessible at the Community Wealth Ventures Web site.

### **Guidestar**

<http://www.guidestar.org>

The most comprehensive and easily searchable database of nonprofit organizations online is the Guidestar Advanced Charity Search, which includes information drawn from the IRS 990 forms of 850,000 organizations. A huge number of these nonprofits earn some or all of the income they receive, even if they don't identify those efforts as "nonprofit business ventures" or "social enterprises."

To use the database effectively, be sure to register for Guidestar Plus, a free service that greatly increases the degree of detail that your search will yield. You can search for organizations by name, location, keyword, income range, IRS employer identification number and other criteria.

When looking for groups with earned-income activities, start with organizations that show colored icons next to their names, especially noting the green dollar sign (signifying an available financial breakdown) and the blue GS sign (signifying a complete report on the group's purpose and services).

Once you have selected an organization to review, check to see if the "Financials" tab is active in the menu to the left. If it is, you'll be able to access information on the organization's sources of revenue. If it has earned income (appearing under "program services" or "sales"), the next step is to search the organization's own Web site for more information about what exactly it does. Or use the Guidestar "contact Information" tab to communicate with the organization directly.

If the "Financials" tab is not active, try looking at the IRS form 990 that the organization has submitted to Guidestar. (Another way to access an organization's 990 is through its state's charity regulator, usually the office of the state attorney general.) Part 1 of the 990 lists all the organization's revenue sources, including earned-income sources.

### **Roberts Enterprise Development Fund**

<http://www.redf.org>

The Roberts Foundation's pioneering work in the field of homeless economic development spawned a 476-page report, *New Social Entrepreneurs: The Success, Challenge and Lessons of Nonprofit Enterprise Creation*, in 1996. This detailed collection of case studies documented the work of organizations that Roberts funded to help employ homeless people, primarily in the San Francisco Bay area.

The report consists of five in-depth case studies and 17 shorter case summaries which provide background information about the organizations, their management practices, and the benefits and costs of their various ventures. The profile of Rubicon Programs is typical. It describes how the organization started out as a provider of job training and social services, then moved into the landscaping and food-service fields. The market research that went into the food-service expansion is explained, and the relationship

between Rubicon's business operations and its social mission is analyzed. Conflicts between business goals and social mission are described as well.

The case summaries are considerably shorter than the case studies, but they still impart interesting anecdotal information about the work of REDF "investees," such as Community Housing Partnership, which operates adult-single and family housing units and also provides employment and vocational education services to the units' tenants.

REDF has made the entire text of *New Social Entrepreneurs* available at its Web site. In addition, it has posted updated information on several of the organizations profiled in *New Social Entrepreneurs*, along with evaluative accounts of the work performed by other nonprofit enterprises that REDF has supported since that original report was compiled. Social-return-on-investment (SROI) analyses, which attempt to measure both financial profitability and positive social impact, are included.

REDF also maintains a database of nonprofit business ventures at its site. Though smaller than the database from Community Wealth Ventures, it does offer leads for further research. Descriptions are kept brief, including only a sentence or two from the organization itself followed by a link to its Web site. The organizations represented include everything from a small Web-design nonprofit run by teenagers (PluggedIn.Enterprises) to the celebrated Greyston Bakery—recently the subject of a glowing profile on 60 Minutes—which has parlayed a contract with Ben & Jerry's into a multi-function, multi-million-dollar enterprise.

### **Institute for Social Entrepreneurs**

<http://www.socialent.org>

The Institute for Social Entrepreneurs is a consulting firm founded by Jerr Boschee, whose *Social Enterprise Sourcebook* ([http://www.socialent.org/exec\\_director.htm#otherbooks](http://www.socialent.org/exec_director.htm#otherbooks)) is one of the better collections of published case studies. The Sourcebook contains narrative profiles of 14 nonprofit ventures. These include descriptions of the organizations, their business development processes, and candid comments from key players.

While the case studies cover a variety of products and services—from temporary staffing to landscaping to manufacturing—the focus is almost exclusively on workforce development. Success stories include Skookum Abatement Services, which employs former welfare recipients who are now

earning upwards of \$36 an hour, and Chrysalis Labor Connection, a Los Angeles nonprofit that evolved from being a food and clothing distribution center to a temporary employment provider to a permanent staffing agency.

The Institute for Social Entrepreneurs Web site also features a number of articles by Jerr Boschee about nonprofit enterprise, including a piece from *Across The Board* that examines how nonprofit businesses compete with traditional for-profit companies in the same market. Eight examples are cited.

### **The Social Enterprise Alliance**

<http://www.se-alliance.org>

The Social Enterprise Alliance (SEA) is a membership organization comprised of individuals and institutions interested in promoting various aspects of nonprofit entrepreneurship. Its signature event is the "National Gathering," an annual conference that brings together hundreds of people from the field. Nonprofit businesses showcase the results of their efforts in a special exhibit area at the conference.

SEA's listserv, npEnterprise Forum (<http://www.npenterprise.net>), is moderated by the two trainers for TGCI's Earned Income Strategies for Nonprofits Workshop, Andy Horsnell and Rolfe Larson. Subscribing to the Forum is free. It's a good place to hear first-hand from the managers of other nonprofits interested in enterprise development. Recent topics have included the challenges associated with running a for-profit subsidiary and the special issues facing rural groups that attempt to start a venture.

### **Forth Sector and the Social Enterprise Development Initiative**

<http://www.forthsector.org.uk>

<http://www.sedi.org>

Forth Sector, located in Edinburgh, Scotland, started out as a traditional provider of training and educational/employment services to people with mental disabilities. It has since launched a number of business ventures to advance that mission, including a catering service and a guest house. Another of Forth Sector's enterprises, Ithos, is an IT consulting and Web design firm that has created sophisticated sites for itself and other Forth Sector ventures. The one for Edinburgh Embroidery Services is especially impressive (<http://www.edinburghembroidery.co.uk/intro.htm>).

In cooperation with other Scottish agencies, Forth Sector founded the Social Enterprise Development Initiative (SEDI), an umbrella group that serves as an "outsourcing" liaison between nonprofits and for-profit companies.

### **Nonprofit Enterprise and Self Sustainability Team (NESsT)**

<http://www.nesst.org>

NESsT, an organization that (among other things) helps MBAs and graduates of nonprofit management programs find positions with nonprofit enterprises abroad, has compiled case studies of several of the enterprises with which it has worked in Latin America. These can be ordered at the publications section of the NESsT Web site; they examine issues such as self-financing and finding subsidies to ensure the delivery of high-quality services.

### **Echoing Green**

<http://www.echoinggreen.org>

Echoing Green, a grantmaking organization that supports "visionary" entrepreneurship, features several case studies of funded organizations at its Web site. They focus on the organizations' leaders and their commitment to promoting social change.

### **Blended Value**

<http://www.blendedvalue.org>

Jed Emerson, who spearheaded the Roberts Enterprise Development Fund's original work with homeless economic development, maintains a Web site that tracks resources and new developments in the areas of corporate social responsibility, social enterprise, social investing, strategic philanthropy and sustainable development. Emerson's Blended Value project is an ambitious effort to "map" each of these separate categories and draw connections among them."

The Blended Value site's annotated bibliography contains dozens of links and information on groups and publications related to nonprofit enterprise. For examples of specific organizations that are pursuing enterprise development, see pages 117-136. While far from definitive, the list represents a good cross-section of models, including an educational enterprise (The Compass School), a rehabilitation program (Gould Farm), a retail shop (Recycle A Bicycle), and employment/youth development services (Juma Ventures).

## ***Contests and Competitions***

### **Global Social Venture Competition**

<http://www.socialvc.net>

Administered by the Haas School of Business at UC Berkeley, the Columbia Business School, the London Business School, and The Goldman Sachs Foundation, this competition has four separate categories: medium-growth enterprises (\$25,000 prize); high-growth enterprises (\$25,000 prize); blended value (best mix of social returns and profitability--\$25,000 prize which can be won in conjunction with either of the previous two prizes); and social-return-on-investment analysis (\$5,000 prize).

For-profit companies, nonprofits, and public entities from anywhere in the world can and do compete. One condition is that each competing team must include at least one MBA student.

The degree of innovation displayed by past winners is particularly noteworthy. For example, the grand prize in 2001 was awarded to Sea Power and Associates (now called SeaVolt), which invented an ingenious wave-riding buoy, attached to the ocean floor by a cable, that is used to generate clean electrical energy. The Maine Highlands Guild, a 2003 winner, uses novel distribution methods to help artisans and craftspeople market their products both locally and around the country.

For profiles of these and other past winners, click on "History" from the Web site's main menu.

### **Fast Company/Monitor Group Social Capitalist Reports and Awards**

<http://www.fastcompany.com>

The business magazine *Fast Company* sponsors a competition that rewards nonprofit ventures for excellence in "entrepreneurship, innovation, and social impact." The magazine's January 2004 issue includes several articles on the subject of nonprofit entrepreneurship, most of which are also posted in the "Social Capitalist" section of the magazine's Web site ([http://www.fastcompany.com/magazine/78/social\\_intro.html](http://www.fastcompany.com/magazine/78/social_intro.html)).

In judging (or "grading") the Social Capitalist Awards contestants, *Fast Company* and the Monitor Group, a private consulting firm, pay special attention to the uniqueness of a group's "big idea." Past winners, profiled at

the *Fast Company* Web site, include Benetech, which provides technological assistance to the disabled, and ACCION International, which offers microfinancing support to organizations overseas.

The highest grade in last year's competition was received by PATH, Program for Appropriate Technology in Health, which has developed a vitamin-fortified rice product for people who live in areas where that grain is the primary source of nutrition.

### **Cause Marketing Halo Awards**

<http://causemarketingforum.com>

The Cause Marketing Forum's Halo Awards competition offers cash prizes (and exposure in Advertising Age magazine) in the categories of Best Transactional Campaign (generates donations via consumer activity); Best Joint Message Promotion (a cause partnership that shares an important message); Best Health-Related Campaign; Best Environmental/Wildlife Campaign; Best Social Service/Education Campaign; Best Cause Marketing Print Creative (magazine or newspaper); and Best Cause Marketing Event (fundraising or message-driven consumer events).

Past winners are profiled in the "Award Archives" section of the Cause Marketing Forum's Web site.

### ***Academic-Based Resources***

#### **Working Knowledge**

(Harvard Business School)

Working Knowledge is the Harvard Business School's electronic newsletter. Examples of nonprofit businesses are included in several of its articles.

<http://hbswk.hbs.edu/topics/nonprofit.html>

#### **Center for the Advancement of Social Entrepreneurship**

(Fuqua School of Business, Duke University)

Duke's social entrepreneurship program maintains a Web site that contains examples of nonprofit enterprises:

<http://www.fuqua.duke.edu/centers/case/leaders/resources.htm>

**Stanford Social Innovation Review**  
(Stanford Business School)

This new quarterly, published by the Stanford Business School, features a "What Works" section that profiles successful ventures.

<http://www.ssireview.org/>

***Books***

***The Cathedral Within: Transforming Your Life by Giving Something Back***  
By Bill Shore

This book, by the founder of Share Our Strength, contains examples of numerous social purpose organizations that have tapped into the resources of the private sector.

***Enterprising Nonprofits: A Toolkit for Social Entrepreneurs***  
By J. Gregory Dees, Jed Emerson, and Peter Economy

Essentially a primer on social enterprise, this text is peppered with examples of nonprofit businesses, intended to illustrate the book's themes. For example, in the chapter on "Mastering the Art of Innovation," the authors describe Grameen Bank, a micro-credit lender in Bangladesh.

Using a system of "peer lending," Grameen was able to make start-up financing available to indigent communities. Peer lending, which spreads the responsibility for paying back a loan among whole groups of individuals working together, takes advantage of the historic principles that bind the residents of small villages to one another.

Help the World See (HTWS), profiled in the chapter on "Mobilizing Resources," is the subject of another interesting case study. HTWS recruits teams of volunteer doctors and technicians to provide free eye exams and glasses; distributes recycled eyeglasses at no charge; and partners with local organizations to create permanent eyeglass clinics that generate revenue by charging below-market prices for new eyeglasses to those who can afford them.

***Strategic Tools for Social Entrepreneurs: Enhancing the Performance of Your Enterprising Nonprofit***

**By J. Gregory Dees, Jed Emerson, and Peter Economy**

A follow-up to *Enterprising Nonprofits*, described above, this book also includes numerous examples from the field. Most consist of paragraph-long, "case-in-point" narratives meant to illustrate the theme of a particular chapter. For example, in the chapter titled "The Question of Scale: Finding an Appropriate Strategy," a group called HOPE is profiled. While HOPE has greatly extended its operations and services over the years to include job training, day care, and manufacturing, it has never over-extended itself. That's because it has refused to move beyond its local, core constituency in Detroit. This demonstrates one of the chapter's key points: When looking to expand, consider "scaling deep" rather than "scaling up."

***Venture Forth!: The Essential Guide to Starting a Moneymaking Business in Your Nonprofit Organization***

**By Rolfe Larson**

This how-to manual lays out the practical steps to take when considering and creating a nonprofit business venture. A number of real-world examples are used to illustrate those steps, including an interesting section on Breakthrough Urban Ministries, a Chicago group that runs an employment agency and street-cleaning service.

***Selling Social Change (Without Selling Out)***

**By Andy Robinson et al**

Another good guide to developing nonprofit ventures, this book is targeted at grass-roots organizations. About a dozen succinct case studies are included, detailing the efforts of groups like Native Seeds/SEARCH, a conservation organization based in Tucson that works to document, preserve, and distribute the varieties of wild and agricultural seeds used by native people of the Southwest. Since its founding in 1983, the group has become a major regional seed bank and a leader in the heirloom seed movement.

Native Seeds/SEARCH promotes the use of ancient crops by distributing seeds to Native American communities at no cost and by selling them to gardening enthusiasts around the world. In addition to its seed packages, the group markets traditional crafts and other products through a catalog, which goes to a mailing list of more than 20,000 supporters, as well as through its

online shop. Native Seeds/SEARCH also offers gardening workshops and supplies food products to local restaurants. Through these and other ventures, the group has been able to earn more than a third of its annual operating budget and fund its crop conservation and free seed distribution programs.