Chapter 3

Growing a Social Purpose Enterprise

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Introduction

How do you grow a business founded with the goal of creating jobs and opportunity? There is no ready answer. "We're making it up as we go along" is a common proud refrain among social entrepreneurs. Yet there is tremendous learning in the process of this "going along." Some insights from practitioners hold true for any business; others could have just as easily been learned in the nonprofit world. However, the themes that repeat themselves in conversations with social entrepreneurs are valuable precisely because they occur in the context of a new hybrid organization, a social purpose enterprise.

The founders of social purpose enterprises are blazing trails that lead to companies successfully employing very low-income, homeless and disabled individuals. This article chronicles the factors these pioneers believe have contributed to their ventures' triumphs and failures at each stage of their development and begins a discussion of the issues raised by the opportunity for further growth.

The Voices of Social Purpose Enterprise Experience

This discussion centers on social entrepreneurs who are currently leading social purpose enterprises in the San Francisco Bay Area. Each of the organizations represented here receives funding from the Roberts Enterprise Development Fund (REDF). The recurring themes culled from interviews with ten practitioners aspire to be, at best, collective wisdom and at worst, cautionary and inspirational tales about undertaking an enterprise with a social purpose.

The organizations which contributed to this discussion span a range of organizational models and social missions. They include:

- nonprofits which decided to create subsidiary ventures,
- nonprofits founded for the sole purpose of running social purpose enterprises,and
- ventures working with homeless people, those with disabilities, youth, adults,those in recovery from substance abuse,mentally ill,as well as others who are simply very low income individuals.

Stages of Development

The development cycle of a company is commonly illustrated as a curve in which the company's growth is a function of its age. This typical progression is described in human terms: a company passes through a "Birth" stage at a low rate of growth relative to the increase in its age, the company then moves into a "Survival" stage during which it either accelerates its growth or disappears; a company that makes it past the survival stage continues to expand in a third "Growth" stage, which in turn gives way to a fourth and final stage of more growth, survival or decline.[1]

The social entrepreneurs interviewed agreed with the following traditional descriptions of these first three stages in the development of a company:[2]

Birth

You've made a firm commitment and begin launching a business. You have a product or service, a few customers, a few employees, revenues coming in and expenses going out. Basic administrative systems are in place and you are still refining your product/service offerings and strategy. One manager is primarily responsible for managing and helping operate the business and that person is very, very busy.

Survival

By the end of this phase you have cleared your first hurdles for success. You have customers, you have employees, you have all of the basic systems in place and you have a bona fide business. It's all working – more or less – and you go home each night confident that the doors won't close tomorrow.

Growth

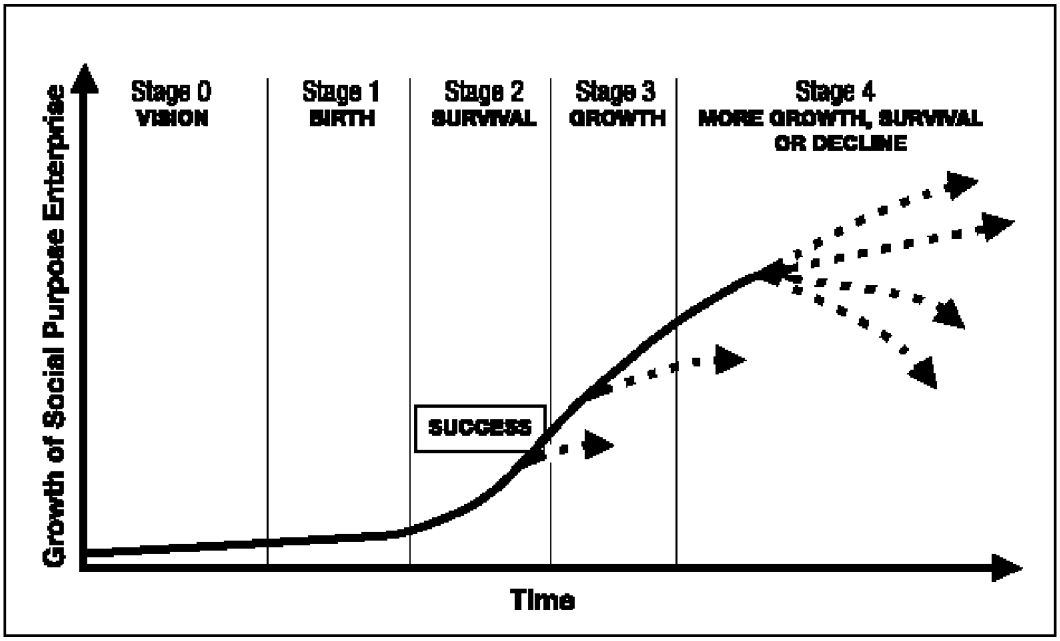
You have reached a point at which you feel comfortable striving to expand your business. You have a management team in place and the company may already be operating profitably. Further investment will likely be needed to increase your capacity, marketing reach, inventory, etc. [3]

However, several of the social entrepreneurs pointed out that a very critical stage in determining the growth of their companies had been left out of this life-cycle description: the Vision stage. They suggested that the successes and challenges of their businesses began long before their organizations had committed to starting the venture. The following description characterizes this critical "pre-development" phase.

Vision

The idea for a venture is germinating. It is being discussed and evaluated but is far from accepted as a "go." This stage tends to be both emotional and analytical and creates irrational enthusiasm as well as fear.

Several of the contributing practitioners are running social purpose enterprises that have already reached the growth phase. All of the practitioners interviewed have lived through the birth phase, and a good portion have seen a business through the survival phase - some multiple businesses. And many of these entrepreneurs have participated in serious consideration of a business idea that never made it past the Vision stage.



Vision

In *New Social Entrepreneurs*, Jed Emerson and Fay Twersky argue that when nonprofits evaluate their potential to engage in a social purpose enterprise, "getting to no" is not a "wrong" answer; in fact, deciding not to begin a social purpose enterprise "may be more important than getting to yes."[4] The decision of whether or not to launch any social purpose enterprise at all should be the first and overarching concern for any nonprofit thinking of starting its first business enterprise. Emerson's work with social purpose enterprises in the Bay Area has documented the tremendous change that creating a venture causes in a parent nonprofit. While invigorating for many, the dramatic shifts in approach and thinking associated with social purpose enterprises typically cause significant turnover at the staff, board and even client level and are very challenging for those who remain.[5] At a minimum, a new business requires a long-term commitment, a significant financial investment and a willingness to learn to manage effectively in a world driven primarily by market forces. In some cases,the differences between the existing program driven nonprofit and the new social purpose enterprise are so great that the organization creates a separate management team or spins off the venture into a separate entity.

Once a nonprofit makes the decision to create a social purpose enterprise, practitioners emphasize the importance of a serious assessment stage prior to committing to a specific business. Three key elements of this Vision stage are: the enunciation of clear criteria by which a decision will be made, the analysis of information gathered, and the securing of stakeholder buy-in based upon the facts and analysis.

Clear decision-making criteria

Despite the diversity of their employees and current businesses, REDF practitioners agree on the importance of a clear set of criteria on which to base the decision of whether to enter a new business. Several of the organizations employed clear decision criteria before launching their very first social purpose enterprise; all of them could articulate the criteria they used to evaluate proposed additional businesses. These nonprofits primarily consider criteria associated with their mission, the proposed business' financial viability and the fit with their own organization.

Social entrepreneurs typically begin by screening each proposed business by its ability to further their social mission: creating needed jobs for their target population. They base their assessments on different combinations of factors such as:

- The labor intensity of the business (the more labor intensive the better for creating entry level jobs)
- Total jobs created for the investment required
- The ability to create "quality jobs"
- The attractiveness of the jobs to the target workforce
- The ability to impart the skills required for a follow-on permanent position
- The attainability of follow-on jobs
- The ease of creating a good "first job environment" for the target workforce

Specific organizations employ one or more of the above factors as an initial screen of business ideas:

> *"We know that our next business will not be in retail. We already have fifty-five retail positions in the Bay Area – we now need to create jobs that lead to higher salaries and develop different sets of skills so we will only consider those kind of businesses."*
>
> Diane Flannery
> CEO, JUMA VENTURES

At the same time, practitioners have clear criteria for evaluating the economics of the businesses they are considering. Although practitioner definitions of viability vary widely, each organization examines some aspect of the venture's financial viability and likely returns. For example, some organizations only look seriously at businesses they believe will cover 100% of their costs. Others are willing to engage in ventures that cover all of the typical costs of doing business but require subsidies for additional program and training costs. Still others consider only businesses that have the potential to generate profits back to the parent nonprofit. It should be noted that organizations seldom launch social purpose enterprises with the primary goal of creating a large source of income. Indeed, the organizations represented in the REDF portfolio all have as their primary focus the pursuit of social missions through the operation of ventures that operate "in the black" financially.

> *"The business must hold its own financially; any additional dollars it generates to help us achieve our social mission are just a nice plus, not a goal."*
>
> Maurice Lim Miller
> EXECUTIVE DIRECTOR, ASIAN NEIGHBORHOOD DESIGN (AND)

Finally, even when the parent organization already operates social purpose enterprises, it is useful to have standards by which to assess each proposed business' fit with the nonprofit. Different types of businesses place different demands on human, financial and infrastructure resources. Similarly, expansions into new locations or related businesses may have organizational ramifications that need to be considered beforehand. For example, a new business location may make it difficult for client employees to access complementary social services offered by the parent nonprofit, creating the need for additional program staff. Or, reaching a new type of customer may require hiring someone whose experience would require a salary far higher than the existing pay scale.

The following list captures some of the major questions current social purpose enterprise leaders ask when investigating the fit of an additional business.

- **Timing:** Does the organization have sufficient resources (human and financial) to devote the significant effort necessary to start up a new business and make it succeed at this point in time? Can the organization (management, board, staff) focus its attention on a new enterprise right now or does this energy need to focus on other programs, other businesses, fundraising, strategic planning etc.?

- **Leadership:** Who will be the social entrepreneur that leads this new business? What role will current senior management play? How can this role be managed given other commitments?

- **Internal knowledge/expertise needed:** What specific skills are needed to start and to run this business? What level of industry, functional and management experience does the venture need to have? How could those needs and the industry standards for compensation and structure fit with the organization's human resource strategy?

- **Capital required:** How much investment will be required up-front and over the next five years? How much of that capital can the organization invest or realistically obtain from third parties? How will that investment affect other organizational priorities?

- **Financial risk for the rest of the organization:** How much cash would the parent organization need to contribute to the enterprise up-front and over the next five years? Could the nonprofit survive the loss of its total investment and the requirement to pay off accumulated debt? What structures could be put in place to minimize financial exposure (rent vs. buy property, slow expansion, low initial inventory levels, etc.) without jeopardizing the business?

- **Board readiness for this type of business:** How well does the current board understand this business? What specific expertise could individual board members contribute? How does the business fit with the board's risk profile?

- **Existence of an established model to follow:** Is there any evidence that this business could be successful with the target population? Is it reasonable to believe that a nonprofit has any advantages that would enable it to reach profitability in this business?

"Once we had established that our latest business would further our mission of helping youth, we answered the question of whether we would be financially successful in a relatively short period of time. We then thought about what made sense for the organization. For example, we knew that we wanted a business that could be located near most of our other businesses and our office".

Laura McLatchy
EXECUTIVE DIRECTOR, YOUTH INDUSTRY

Rigorous analysis

According to practitioners who have gone through the process of deciding to start a social purpose enterprise, getting the information to make a good decision requires investigating and analyzing the facts more rigorously than many of them realized when they went through the decision process the first time. The social entrepreneurs mention a common pitfall of "not really understanding what we were getting into" when they started their first business. When considering later businesses, these same organizations had learned they needed to dig much deeper in order to understand the likely social outcomes, financial resources required and key levers of profitability before making a commitment.

Social outcomes

Social purpose enterprises should carefully examine at least three factors that will affect a proposed business' capacity to achieve its social goals. First, the nonprofit should consider the potential job opportunity from the perspective of the targeted employee. Then, the organization must research the business sufficiently to understand whether it can support the proposed employment scenario without subsidies or losses. Finally, the decision makers must ensure they have a viable strategy for both attracting the intended employees to the business and helping them reach any longer term goals that are part of the organization's social mission.

Unlike most businesses, the employees described in a social purpose enterprise's mission statement are its ultimate clients. The social purpose enterprise must investigate whether the intended beneficiaries of additional employment opportunities would actually value this opportunity. Would members of the target population want to work in the proposed business? What would be the benefits of working for the new business instead of working for existing businesses, enrolling in other programs or other alternatives? How would the proposed positions contribute to employees' overall objectives, such as escaping poverty, finding a career or providing better for their children? The best way to gather this information is from the source,talking with both individuals from the targeted group and talking in-depth with providers of services, for a "reality check."

> *"I began with the naïve belief that because it was not physically demanding,a retail position would be attractive to almost anyone without a job. In fact, retail is not for everyone. The inherent customer contact can be so difficult for some individuals that it's almost impossible for them to succeed in that environment."*
>
> Kristin Majeska
> FORMER ENTERPRISE DIRECTOR, THE CITY STORE

Social purpose enterprise proponents must next plug their social objectives into the analysis of the viability of the proposed business (see discussion of financial analysis later in this chapter.) First, can the targeted employees execute the required tasks with sufficient quality and efficiency to make the business successful? Will it be able to compete head to head with other companies with more advantaged labor pools? Is the nonprofit comfortable with the mix of client vs. non-client employees needed for the business to break-even? How do the organization's stated objectives of preparing and training employees for more advanced positions balance with a need for experience and efficiency to keep costs down? Positions that are purposely created to be transitional create additional challenges. For example, is it realistic to achieve industry productivity levels with intentionally higher than average turnover?

Employee compensation is the next issue to analyze. Nonprofits tend to think of themselves as relatively low paying but overall "good employers" and believe in concepts like "a living wage" and health insurance. However, these types of benefits may be far above the standard for entry-level employees in the new venture's industry. Each organization must take a hard look at the norms for pay and benefits in the industry they are entering in order to decide whether they will be happy with the "quality" of the jobs that they will be able to create. It is nearly impossible to be profitable with a labor force that is *both* lower skilled and higher paid than those of the competitors.

> *"We knew that most home healthcare jobs were not well paying and offer few benefits and promotion opportunities. We had to determine if we could pay a living wage and still be competitive before deciding to enter the industry."*
>
> Carrie Portis
> DIRECTOR OF ENTERPRISE DEVELOPMENT, RUBICON PROGRAMS

The links that bring target employees into the business, support them in the work environment and later help them transition to better employment opportunities are less obvious but also integral pieces of analyzing a business' potential for social impact. The venture should either be able to identify an existing mechanism for recruiting and screening the targeted employee pool or must include these expenses in its cost structure. Engaging in the *Field of Dreams* strategy of "build it and they will come" just doesn't work. Similarly, the organization must research the programmatic support needed for disadvantaged employees to succeed in the businesses and determine how it will be delivered and funded. What support mechanisms will be incorporated in the day-to-day operations of the business? What services can be provided by existing third party organizations? How will using those services affect employees' schedules, etc.? Ventures that strive to help their employees move on to other positions in the private sector also need to analyze the options and costs for job counseling, job development and job coaching. Rarely will employees be able to take that step fully on their own.

Financial viability

Analysis of the financial viability of a social purpose enterprise is typically the single most important and most challenging type of prelaunch analysis. Social purpose enterprise leaders emphasize the need for a clearly defined business strategy, realistic revenue and cost projections and a focused and thorough analysis.

Wise organizations begin by spelling out their "competitive advantage" in the potential business, i.e. "what makes us think that we are more likely to succeed at this business than everyone else who is already there or may enter the industry and will compete with us for customers?" Fundamentally, a business must be able to offer a better "value proposition" than its competitors from the customer's perspective and must be able to deliver its product or service cost effectively. To succeed, a social purpose enterprise must be able to identify an advantage that competitors will not be able to easily replicate. For example, screen printer Ashbury Images keeps its customers on the basis of its high quality printing, quick response to graphic design needs and competitive (but not low-ball) pricing. Unique salvage products from the City, such as street signs and parking meters, give The City Store an advantage over the thousands of other retailers targeting San Francisco tourists.

> *"We look to be sure that any new business offers us a way to leverage our mission and nonprofit status. An advantage such as being able to re-sell donated clothes or bicycles enables us to sell at market rates yet compensate for the higher costs we incur because of our workforce."*
>
> Laura McLatchy
> EXECUTIVE DIRECTOR, YOUTH INDUSTRY

In a sound analysis, an organization verifies that the hypothetical competitive advantage really would exist and explores how much that advantage is likely to be worth. For example, nonprofits frequently overestimate the advantage of their social mission on the revenue side. They assume, for instance, that customers will buy their product because of the good done by the organization. In fact, customers usually only consider social mission after they have decided on more important factors such as

- *"How much do I like this product or service?"*
- *"Is this a good price?"*
- *"Is this the highest quality I can get for my dollar?"*
- *"Is this product or service easy for me to purchase?"*

Once the organization has outlined its proposed strategy, professionals in the industry can help an organization realistically estimate what its revenues would be if it were operating a comparable for-profit business. It is imperative to check these and any other sales estimates by assessing the underlying assumptions. For example, "we should sell at least $500,000 in year one because that's what 'competitor x' does" may not stand up when you compare 'competitor x's' foot traffic, long-standing reputation and unique product to your proposed business. (In particular, do not underestimate the importance of location as it relates to your retail operations potential success—remember: customers will seldom walk an extra block even if they do believe in your cause!) The most effective projections tend to be "bottom-up", e.g. "if we sell 30 products per day in the slow season (an average of three products per hour) at an average price of $19.94 and gross margin of 60%…" with a good sensitivity analysis. However, even bottom-up estimates should be reality checked by quick top-down assessments of gross measures like industry sales per square foot, sales per employee, etc.

Accurate revenue forecasting will help your organization understand and be able to meet its cash flow, capital, management, staffing and funding needs over the first several years of the business – or make the decision not to enter the business if it can not meet those needs.

> *"Our sales estimates for our first store in year one were too optimistic and that caused problems. For future store openings we really examined our assumptions and built our projections up from an analysis of what we knew about the drivers of the business."*
>
> Kristin Majeska
> FORMER ENTERPRISE DIRECTOR, THE CITY STORE

Smart organizations also realistically assess the costs associated with the proposed business. The most common mistakes of social purpose enterprises are to underestimate the senior management time needed to run a venture and the hidden costs associated with working with the target population. Looking at the organizational structures of comparable for-profit businesses can give insight into the management requirements of a new business (keeping in mind that your for-profit counterpart may be an owner/manager who is willing to put extraordinary effort into the business.) Talking with other social purpose enterprises and analyzing the skill set your employees will need can go a long way in predicting the additional costs you will incur because of your workforce and even whether your target employees will likely be able to contribute sufficiently to make the business successful.

> *"Our first employees were 'job-ready' but we found out the hard way that they usually were not ready for a job in the construction industry. We discovered that the business needed much more skilled labor than we could find among our target employees."*
>
> boona cheema
> EXECUTIVE DIRECTOR, BOSS ENTERPRISES

A rigorous analysis of the potential of a proposed business is a large undertaking that requires time as well as an understanding of business principles. Because many nonprofit and social purpose enterprise managers are already stretched so thin, they often ask third parties to help them assess a potential venture. Third parties can dedicate their efforts to assessing the business, can bring in additional business experience and potentially even industry knowledge and may be more objective than someone inside of the organization. Outside consultants or interns with business backgrounds can provide management and board members with significant leverage.

> *"We'd highly recommend spending the time and money it takes to do a really good analysis of any proposed business. Our outside consultants could focus exclusively on the potential business, brought their experience to bear and helped us get to a much better decision on whether to enter the business than we could have done on our own."*
>
> Michele Tatos
> DIRECTOR OF BUSINESS AND FINANCE, CVE, INC.

Nonetheless, practitioners should never turn over the process completely to an outside "expert." The planning and exploration stage is the point at which the social entrepreneur learns how to engage in appropriate business planning. Social purpose enterprises should view the relationship with consultants as an opportunity for "knowledge transfer," not simply one of "paying for a plan." Whether done in-house or with consultants, a strong analysis of the financial potential of a venture highlights the key factors for success in the business. Nonprofit managers can then use this information to understand better their own ability to manage the venture and how to allocate their scarce start-up resources in the areas that will be most critical for early success.

Stakeholder buy-in

The process of "bringing along" all of the people who must be behind a nonprofit's decision to launch a social purpose enterprise begins well before that decision is made; it must begin during the Vision stage. That effort must be inclusive, well planned and include a significant amount of education about the business and how it contributes to the fulfillment of the organization's mission.

> *"Starting a social purpose enterprise involves many more stake-holders than a comparable private start-up which has one or two founders and maybe a few family and friends who invest money. Getting buy-in from the stakeholders in a nonprofit takes much more time and is much more complex. Sometimes it's even hard to find a common language to use to talk about the venture."*
>
> Carrie Portis
> DIRECTOR OF ENTERPRISE DEVELOPMENT, RUBICON PROGRAMS

The first business enterprise an organization considers creating will often meet with significant resistance from many staff and community members. As described at the beginning of the Vision stage description, social purpose enterprises are very different entities from most nonprofits. Before moving forward, the whole organization should thoughtfully consider the road ahead and recognize the changes it will require in priorities, mindset, funder relationships, client relationships, and maybe even leadership. Key staff, as well as the organization's leaders should do some soul-searching and question the appropriateness of this step, the organization's level of commitment to the venture's success and the skill gaps the organization must fill in order to make the venture work.

The support of one of every nonprofit's key stakeholders, the Board of Directors, is also critical to successfully launching a business. Board members must be prepared not only to help seek outside donors and investors to fund the venture,they must also be ready to make a significant commitment of the organization's own financial resources. Thinking through this decision from their perspective can facilitate the process of obtaining board support for a venture.

> *"Although our Board is an exception, nonprofit boards are not necessarily entrepreneurial, indeed they tend to be risk averse. It helps to recognize upfront that Board members have a moral and legal responsibility to ensure the mission of the organization is carried out — regardless of business opportunities — they have a fiduciary as well as a moral liability for the organization. They certainly don't want to go into bankruptcy!"*
>
> Maurice Lim Miller
> EXECUTIVE DIRECTOR, AND

The process of building buy-in can be lengthy but can also reap rich dividends. First, skeptics tend to ask difficult questions and challenge overly optimistic scenarios, pointing out the potential risks and asking about worst case scenarios. This process inevitably strengthens the final business plan. Second, if stakeholders understand the risks and have made a very conscious decision to move forward with a social purpose enterprise, they are more likely to support it in the future. An intensive process of building commitment early on can result in a much smoother ride during later more turbulent start-up and survival stages.

Birth

As current practitioners think back to their business launches, three themes consistently emerge: "Find the right managers, plan carefully and make sure you have the capital to see you through." Each of these interdependent recommendations merits special attention in the context of a social purpose enterprise.

The right managers

Investors in for-profit businesses concur that the most important predictor of a start-up business' success is its management team. However, social purpose enterprises not only need great businesspeople, they need managers who also thrive on the challenges of blending profit and social mission goals. They need managers who enjoy "creating the rules" in a new industry where ambiguity abounds. They need managers with compassion and an aptitude for coaching. And, if possible, they need industry expertise. Finding the manager with all of these characteristics is just as difficult as it sounds, but it can make the difference between success and failure for a new venture.

> *"The most important piece of advice I would give to someone starting a new venture is 'hire your management staff very carefully.' Invest the time to check references and prior work the person has done and definitely include someone with industry experience in the hiring decision process."*
>
> boona cheema
> EXECUTIVE DIRECTOR, BOSS ENTERPRISES

If the best candidate for the position does not have enough industry experience,look for creative ways to access that expertise and integrate it into the business during the initial phase. Consider creating an active advisory board, finding a for-profit entity with which you don't compete to provide advice, or hiring an industry consultant to work on key areas and coach the new manager.

> *"Unlike the private sector where the founders usually have expertise in the busi-*

ness they are starting, a social purpose enterprise might not yet know what it really needs in a manager. We resolved that problem by contracting with an industry consultant to manage our business for the first several months while we learned the ropes."

Carrie Portis
DIRECTOR OF ENTERPRISE DEVELOPMENT, RUBICON PROGRAMS

Because of their nonprofit backgrounds, new social purpose enterprises may face different hiring pressures than private businesses. First, because the venture is likely to be seen as "new" and "fun," managers from the parent nonprofit may be eager to help lead the business. The social purpose enterprise must carefully determine the management skills it requires and select only candidates who have already demonstrated those skills. Just because an individual was a good job developer does not mean she will be a good business developer! Most social purpose enterprises do not have the luxury of providing managers with a lot of "on the job" training, but rather require managers who can hit the ground running and take immediate control of the business. Second, business ventures must resist the temptation to find management "bargains."

"Don't scrimp on people and choose the person with 'the good heart' who is willing to work for less. You need one or two very good people in key positions from day one. It might take a little more money than you'd like but it really pays off."

Marc Coudeyre
ENTERPRISE DIRECTOR, ASHBURY IMAGES

Finally, because they are not offering the carrot of ownership of the company and personal rewards for its financial success, social purpose enterprises should search for managers who believe deeply in their mission and are willing to go the extra mile to make the business succeed.

"You need determination on the part of your leadership. Assume that everything that can go wrong will and that the management will just have to jump in there and do whatever has to be done – even if it's scooping ice cream."

Diane Flannery
CEO, JUMA VENTURES

"Look for strong entrepreneurs who will take the venture's mission and make it their personal mission."

Maurice Lim Miller
EXECUTIVE DIRECTOR, AND

Practitioners who have launched more than one business heartily recommend not only hiring the right managers, but also hiring them early. Recruiting a great manager early on, even before you may technically 'have the money to do so,' increases your chances of finding the "right person" before opening day. Having the manager on board for the operations planning phase both reduces the need to rework plans upon his or her arrival and gives the new manager time to learn more about the new business and the parent organization before getting caught up in day-to-day operations.

"We hired our Ben & Jerry shop managers before we even began the store build-out – and we sent them to other franchises for training. By the time our store opened they really knew what to expect."

Diane Flannery
CEO, JUMA VENTURES

Careful planning

Planning during the Birth stage builds on the analysis that underpinned the decision to launch the social purpose enterprise. Yet it is much more than a compelling business case. This level of planning must be very detailed and focused on operationalizing the already identified factors for success.

The launch plan must specify the resources, specific tasks and estimated time required to set up the business. For example, in addition to planning for obvious requirements such as equipment, raw materials, customers, employees, etc. a detailed plan would anticipate factors such as the need for an accounting system that meets both the requirements of the business and the parent nonprofit or the lead time required to get employees accredited to perform required tasks.

A good plan also highlights the priorities for launching the business. Referring back to the key success factors identified in the vision stage and focusing on these "must haves" helps leaders resist the temptation to charge ahead before the venture is in a position to succeed. Social purpose enterprises, in particular, often face pressure from funders to get their programs up and running quickly, sometimes without the necessary infrastructure in place. Both practitioners who have waited and those who have moved forward too fast emphasize the value of not compromising on items that may determine the fate of the entire business.

"Following the advice of our business advisors, Juma spent sixteen months looking for the perfect site for our first store. Having a clear plan makes it easier not to cave into things like foundations' pressures to take a sub-optimal location, thereby condemning yourself to building a mediocre business instead of a great one."

Diane Flannery
CEO, JUMA VENTURES

Ventures should also incorporate realistic forecasting into their plans, preferably an updated version of the Vision stage projections. Although later adjustments may be necessary, setting explicit expectations for financial and social impact is much easier before a business is in operation. These expectations should also include clear time frames. Having pre-set points at which to judge the business' performance against plan makes it easier to make hard decisions, such as when to invest more in a business and when to cut your losses and close the doors.

Indeed, an explicit exit strategy should be part of every business plan. Managers are more likely to perform well when they have a deadline by which they must hit their numbers, rather than having to worry day-to-day about the ramifications of interim losses. A clear decision point also takes pressure off the leaders of a nonprofit parent by minimizing the risk that a venture's financial troubles may jeopardize the financial security of the entire parent organization. Finally, enunciated financial targets and decision points reduce the likelihood of an unanticipated cash crunch – one of the primary causes of bankruptcy for all businesses fewer than five years old.

The process of starting the first social purpose enterprise of an organization will almost inevitably be dramatic and time-consuming, with repercussions throughout the organization. The importance of senior leadership's involvement in this process should be planned for and not under-estimated.

In contrast, an intensive planning effort for an additional venture is often best coordinated by a single individual who can focus on getting the new business ready to open its doors. Not only does this minimize upheaval for the rest of the organization, it requires less coordination and makes for a better and more efficient process.

"I highly recommend designating a full-time coordinator for the business opening. It's usually more than a full-time workload and means the rest of the staff is less likely to have to give 150%"

Laura McLatchy
EXECUTIVE DIRECTOR, YOUTH INDUSTRY

Sufficient capital

Once the decision is made to start a business, a thorough business plan makes it much easier to solicit the other key ingredient of a start-up, capital. Nearly every practitioner stresses the importance of securing sufficient capital and of having access to that capital long enough to reach the point of sustainability or "success."

Unlike nonprofits that typically receive grants underwriting direct social programs, social purpose enterprises need capital to invest in their businesses well before they start operating or in any way furthering their social mission. Start-up capital enables an organization to hire the managers and/or coordinators it needs to get the business up and running, to recruit, screen and train the employees, to build-out the business facilities, etc. Ventures often need this injection of capital to create an organization that will succeed; for example, to carry out their plan of hiring the "right" manager, purchasing competitive equipment, or creating a professional storefront, rather than having to fall back on the limited funds often available to nonprofits or to look for lower cost substitutes.

"One of the things I've learned is to get more funding in advance. For this new business

we've actually been able to hire the additional Youth Service Workers in time to get enough youth screened and trained before the day of the grand opening."

Laura McLatchy
EXECUTIVE DIRECTOR, YOUTH INDUSTRY

During the planning phase, it can be vital to understand the necessary timing of potential sources of capital. Foundations, in particular, often make their investment decisions only at certain times during the year and disburse them only at certain points – points which may not naturally coincide with the business' needs.

Equally important, funders must understand the likely growth and profit trajectory of the social purpose enterprise. Businesses often experience early losses and require multiple years of funding to grow. Again and again, practitioners emphasize the need for access to capital over sufficient time to give the business a chance to succeed. Even though these needs may be laid out in the plan for the business, funders who are not used to investing in businesses will benefit from additional explanations.

"You really need to find a funder who will 'stick it out with you' as long it makes sense."

Carrie Portis
DIRECTOR OF ENTERPRISE DEVELOPMENT, RUBICON PROGRAMS

The nonprofit's willingness to invest its own funds in the venture is likely to be a compelling factor for potential investors. For-profit investors typically expect entrepreneurs to invest most, if not all, of their personal assets in a venture before they will contribute. Social purpose enterprise investors are usually less demanding of individuals, but nonetheless want to be sure that the organization is at least as financially committed to the business' success as they are.

Survival

The Survival stage in the growth trajectory of businesses is very aptly named – very few for-profit businesses ever make it past this phase. Social purpose enterprises suggest three strategies for surviving its traumas: retaining strong managers, analyzing and continuously learning from running the business and maintaining a long-term perspective.

Retaining strong managers

Management burnout characterizes social purpose enterprises during the Survival stage of growth. The already burdensome challenges of forming a viable, even profitable business are exacerbated by the additional difficulty of simultaneously accomplishing a social mission. At the same time, managers who self-select a position at a social purpose enterprise are often willing and expected to "give their all" to make the business succeed.

"Supervisors and board members must consciously monitor venture managers for burn-out. The managers usually won't complain even when they should and they're so busy serving others and working to achieve their goals that it may take their boss to make them slow down."

Carrie Portis
DIRECTOR OF ENTERPRISE DEVELOPMENT, RUBICON PROGRAMS

Senior management should consider tactics such as clearly recognizing managers' efforts, letting them know that the responsibility for the entire organization does not rest solely on their shoulders and emphasizing the importance of 'fun' in the workplace. Ensuring managers have sufficient resources can also be critical to minimizing burnout. The best managers often identify ways to save money or resources in the name of "the mission" but may actually need more support than they realize. If they try to run too thin, both the manager and the business suffer. Likewise, stretching even a superb resource in too many directions can be counterproductive.

"We've now separated two roles that never should have been combined – graphic design and office management. It was a combination out of necessity but it was taking its toll on both the individual and the company."

Marc Coudeyre
ENTERPRISE DIRECTOR, ASHBURY IMAGES

At the same time, leaders must continue to build commitment to the organization and its mission. Without this commitment, it is difficult to maintain the same sense of ownership that underlies most successful small businesses.

> *"It's a real challenge retaining managers and keeping them motivated in this business. They need to have faith there's a payoff for all their hard work – and they know it won't be a share of the company…."*
>
> Laura McLatchy
>
> EXECUTIVE DIRECTOR, YOUTH INDUSTRY

Adding the right managers can go a long way toward both restoring that faith and reducing burnout. Identifying the one or two skill sets that the organization needs to take the next step and carefully hiring those one or two individuals can give the rest of the management team the boost it needs to propel the business to the next stage of growth – even though it may hurt the short-term bottomline.

Learning from the business

Successful managers are constantly analyzing the key drivers of their business and using that information to improve its results. As a venture moves beyond the model of the one manager who guides the company by intuition, the organization must develop systems to monitor its performance and resources. These systems must reflect the key drivers of the business (gross margin,sales per hour, percent of inventory returned, etc.), rather than simply generate the reports traditionally used by the parent nonprofit.

> *"We worked to set up systems and very good management reports so that we now can watch our expense and sales numbers very carefully."*
>
> Diane Flannery
>
> CEO, JUMA VENTURES

Other practitioners echo the effectiveness of good management reporting and forecasting which can be used to evaluate performance and guide the business. However, these practitioners not only monitor "the numbers, " they learn from them.

> *"As the numbers come in, we are constantly revisiting our projections so that we can identify problems and respond to them. We're always asking "What's happening in each business?" and the more important question, "Why?"*
>
> Michele Tatos
>
> DIRECTOR OF BUSINESS AND FINANCE, CVE

> *"We've created a culture that says it's ok to make mistakes, as long as you learn from them. We've developed a practice of quickly letting go of our original ideas and adjusting our actions to achieve the results that we want."*
>
> Diane Flannery
>
> CEO, JUMA VENTURES

> *"I like to call it the "scientific method". We knew that we needed to increase our sales rapidly, so I tried the classic retail levers one by one until something started to work."* -
>
> Kristin Majeska
>
> FORMER ENTERPRISE DIRECTOR, THE CITY STORE

> *"We emphasize learning across the organization as the best way to improve our business and indeed to improve anything that we do."*
>
> boona cheema
>
> EXECUTIVE DIRECTOR, BOSS ENTERPRISES

This continual learning is critical to an organization's long-term success.[6] The skills and strategies that get a business well into the Survival stage are often not the same skills and strategies it will take to propel the business to the next level. Accordingly, social purpose enterprises must constantly question their way of doing things and continually look for new insights into the business, the mission and how the strategies of both are executed. Part of this questioning includes taking a hard, self-analytical look at whether the current management team has all of the skills and experience it needs to meet sales, profits or employment objectives. As an organization grows and makes decisions with greater and greater financial ramifications, a consistent group of managers learning by trial and error can be much more risky than bringing in experienced voices at key points.

Often, learning about the business includes a revision of expectations, particularly with regard to the social mission. Several social purpose enterprises have scaled down their first expectations of the role their clients would play in the organization. For example, Ashbury Images hoped that its clients who began as screen-printers would develop to fill all of the management spots in the organization, including areas such as sales. Although Ashbury's clients currently have leadership roles in graphic design and administration, the company believes it must also consider management candidates from outside this pool in order to grow the business. In another example, Juma Ventures initially projected that it would cover 100% of its social costs with business revenue. In more recent years Juma has set a lower threshold for how much the company should be able to contribute to the social costs of working with disadvantaged youth.

A long-term perspective

The ability to make decisions based on a longer-term outlook has contributed to a number of social purpose enterprises' ability to move past the Survival stage. In addition to securing the capital necessary to move beyond the start-up of the company, successful social purpose enterprises have created environments in which their managers, Board members and decision-makers share a long-term perspective.

Ideally, managers use the business plan's budgets to help guide their decision-making and to keep focused on the ultimate goal of creating a healthy venture that fulfills its mission, rather than focusing on very short-term results.

> *"Having leaders and funders who share your long-term goals means you are less likely to cut the very spending you desperately need to grow the business. The City Store learned the hard way that the only way for us to stop losing money was to spend more. We needed to invest in a professional store manager and increase our inventory to be able to reach our sales and profitability goals."*
>
> Kristin Majeska
> FORMER ENTERPRISE DIRECTOR, THE CITY STORE

When Board members support the venture's long-term mission, they facilitate its success. Social purpose enterprise's Boards must walk a fine line, focusing primarily on policy, but also fulfilling their responsibility to ensure the financial and programmatic health of the organization. The Board should chart the organization's course and strategy and should make major decisions in function of its long-term goals. Board members should involve the Executive Director and relevant managers in honest and frank discussions in which potential policy alternatives are seriously critiqued and considered, rather than simply approved. An open and honest relationship between the staff and Board makes this possible.

> *"It's very useful to have a strong and long-term relationship between the Board and the staff. When Board members trust the staff, they spend their time at the policy level, not trying to run the day-to-day business."*
>
> Maurice Lim Miller
> EXECUTIVE DIRECTOR, AND

A nonprofit Board's legal responsibility for overseeing its organization is unequivocal. Unfortunately, in the face of competing pressures to raise funds, it is easy for volunteer Boards to fall into the habit of simply nodding in support of a competent Executive Director. This habit puts the organization, its programs and its clients, as well as the Board members themselves, at risk, a risk that is greatly augmented when a nonprofit launches an inherently tricky business enterprise. Board members support the long-term objectives of their organization by being engaged in its present and immediate future, as well as the longer horizon. The Board should thoughtfully set up key metrics which accurately capture each venture's well-being and progress against its goals.

Like any good supervisor, the Board should question and challenge management in a positive and constructive manner. Rather than hesitating to push an Executive Director, Board members should remember they are "on the same side" and that their tactful interventions will help create the best possible organization. Similarly, when the Executive Director can use particular expertise or guidance from Board members, he or she should not hesitate to ask for additional support.

Shared goals and a plan vetted by major stakeholders create fair parameters for judging a venture's long-term success – and for deciding whether to call it quits. If the venture does not meet its targets in the agreed upon time frame, the stakeholders must consider acting on the exit strategy. As described earlier, the existence of the exit strategy enables the venture to invest resources, monetary and human, up to a certain point but no further and helps shield the parent nonprofit from jeopardizing other programs with unmanageable business losses.

> *"Having a clear exit strategy gives you time to let a business establish itself without panicking because it might not work."*
>
> Laura McLatchy
>
> Executive Director, Youth Industry

Growth

For social purpose enterprises that have already established themselves as businesses and are eager to grow further, practitioners suggest staying focused on the business aspects of the venture, developing a growth strategy tailored to the business' existing strengths and recognizing the additional management resources that may be required.

A business focus

When they reach a point of clear financial viability, social purpose enterprises may unwittingly slow down their growth by returning to focus on their original social mission.

> *"Because the leaders of most social purpose enterprises care deeply about their social mission, they are often tempted to shift their attention to improving the program side of the venture once the business feels stable."*
>
> Carrie Portis
>
> Director of Enterprise Development
>
> Rubicon Programs

While admirable, and often very productive, dedicating significant management time to efforts such as improving non-job-specific training or placement efforts distracts managers from what must be their primary job: running the business. The competitive nature of business means that even a momentary distraction not only slows down growth, but also can result in the loss of the business' current position.

> *"It's a real danger if we sit back and focus on what feel like more compelling social needs. We have to stay competitive to stay in business."*
>
> Diane Flannery
>
> CEO, Juma Ventures

Rather than ignoring the opportunity to improve the venture's program side, leaders should consciously allocate resources both to this effort and to aggressively running the business. For example, this juncture may highlight the need for a professional manager with industry experience to take over the day-to-day running of the business in order to free up a manager who is more personally interested in ensuring the desired social outcomes take place within the successful business.

A growth strategy based on the venture's strengths

Without an explicit plan to guide the growth of its venture to a new level, it is easy for an organization to fall into the traditional nonprofit modus operandi of creating only as many jobs as its budget will allow. A social purpose enterprise must consciously choose to continue to grow once it is sustainable.

> *"You need to actively get in the mindset of growth to avoid the trap of simply 'chugging along' at the survival level, constrained by funding limits rather than potential for the business."*
>
> Carrie Portis
>
> Director of Enterprise Development
>
> Rubicon Programs

A strong blueprint for growth starts with clear objectives and a strategy that is grounded in the business' existing strengths and understanding of true market demand.

"Our business expansions have always been a natural outgrowth of our network and our skills. We want to keep doing things that we're good at."

Maurice Lim Miller
EXECUTIVE DIRECTOR, AND

Growing based on businesses' proven strengths can take any number of different forms. Social purpose enterprises in the REDF portfolio have taken routes ranging from new sales strategies, new customer segments, new locations, new channels and expanding into related businesses, to name a few.

"In order to grow we had to develop a very tactical sales strategy – in contrast to the scatter shot sales efforts of our early days. We have identified high likelihood and profitable customers and are methodically qualifying and going after them."

Marc Coudeyre
ENTERPRISE DIRECTOR, ASHBURY IMAGES

"We really thought about the timing of our growth strategy. First we built a brand and reputation by entering the retail distribution market. Now we're using that brand to get in the door and get volume in the wholesale market."

Carrie Portis
DIRECTOR OF ENTERPRISE DEVELOPMENT
RUBICON PROGRAMS

"NU2U has been a great business for us from both the financial and the mission perspective – the economics are good and the kids like to work there. So, when we wanted to grow, the first thing we did was assess the demand and availability of supply for a second store – and we've opened NU2U2."

Laura McLatchy
EXECUTIVE DIRECTOR, YOUTH INDUSTRY

"Our website was a response to interest from tourists who would come into our store and want a catalogue so they could order from home. It's an alternative channel to reach the non-local market for our merchandise."

Kristin Majeska
FORMER ENTERPRISE DIRECTOR, THE CITY STORE

"We have grown both by moving into a related business – from an ice cream shop to selling ice-cream at the ballpark – and by opportunistically expanding our product line – selling coffee as well as ice cream at the stadium."

Diane Flannery
CEO, JUMA VENTURES

Growing management resources

Like every other stage of a business' development, a push for substantial growth has implications for the management team.[7] First, existing managers may need coaching and guidance to take this next step.

"There's an important process of educating all of the management staff about how to look at the bigger picture and how to develop a vision of where we want to be – it's the only way we'll move our thinking sufficiently beyond where we are today."

Diane Flannery
CEO, JUMA VENTURES

Second, the venture may need additional skills to complement the existing management team or may simply need more depth to back up the managers of each area. Substantial growth also usually means coming up against more sophisticated competitors with more resources at their disposal. In these cases, social purpose enterprises must have leaders of similar caliber on hand.

"You can not grow aggressively without focused and experienced leaders in each of your key management positions."

Marc Coudeyre
ENTERPRISE DIRECTOR, ASHBURY IMAGES

In addition, the complexities of a larger business mean its individual employees must be able to work together. At this stage in growth, like for-profit businesses, social purpose enterprises need to create a "great management team" as well as great individuals.

The Imperative to Grow

In 1999 the social purpose enterprise movement is still so young that "growth" is almost a mantra, a consistent goal. So few ventures feel they have achieved "scale" and "significant social impact" that the objective of growth appears obvious and paramount among other potential objectives. When asked, "When is [profitable] growth the goal of a social purpose enterprise?" practitioners responded with either surprise at someone even asking the question or gave very strong responses such as, "Growth is always good." The only caveat they offered was the benefit of controlled, rather than unchecked, growth. Today's social entrepreneurs grow their ventures in the name of both financial viability and social impact.

Financial viability

Economies of scale play the same role in driving the growth of social purpose enterprises as they do in the for-profit sector. Simply put, economies of scale mean that as the number of units produced increases,the average unit cost decreases. For example, the same number of employees may be needed to screen print 50 t-shirts as to print 100 t-shirts on the same presses. If so, the average cost per shirt printed is lower on a day when the shop prints 100 shirts. Similarly, if only one truck and driver is needed to pick-up and drop-off anywhere from one to four landscaping teams in a single day, the average transportation cost for each team goes down as the number of teams increases (up to four.) Because of high fixed overhead costs associated with supporting their employees,social purpose enterprises may be even more eager than many private sector companies to spread their costs over a large volume of sales.

Depending on their business, practitioners also cite other typical for-profit factors such as the need to achieve high volume because of low industry profit margins or the need for critical mass to achieve visibility in the market as rationales for growth.

Social purpose enterprises also frequently make reference to their nonprofit origins in their desire to achieve financial viability.

> *"It's unlikely that we will ever be able to stop growing. Because we need to cover about 15% of our total organization's costs through fundraising, we must be able to come up with something "new" and intriguing to funders every year."*
>
> Laura McLatchy
> EXECUTIVE DIRECTOR, YOUTH INDUSTRY

> *"So much has been invested in this effort to help the community and create jobs that we must leverage that investment as much as possible. It's our responsibility."*
>
> Carrie Portis
> DIRECTOR OF ENTERPRISE DEVELOPMENT, RUBICON PROGRAMS

> *"We will keep growing as long as we can achieve our target margins. We want a cash cow that will fund our training programs and other fledgling social businesses".*
>
> Michele Tatos
> DIRECTOR OF BUSINESS AND FINANCE, CVE, INC.

Social impact

Social purpose enterprises are equally motivated to grow by a desire to realize their social goals. As long as their businesses are meeting pressing needs in their target population, the leaders of these ventures will fight to grow in order to create more jobs.

> *"We're determined to grow our business because its potential is too great to resist. We can visualize our success in creating quality jobs and we know that economic development must be an integral part of our organization if we are to strengthen our community."*
>
> boona cheema
> EXECUTIVE DIRECTOR, BOSS ENTERPRISES

The concept of the Social Return On Investment (SROI) also pervades many of the social purpose enterprises.[8] Scale arguments can be as effective when describing positive social outcomes as when describing 'profit after taxes.' Organizations recognize the value of creating fifty rather than ten jobs from the same initial capital investment and appreciate the value of leveraging ongoing investments of management time and dedication.

Indeed, at least one organization is motivated by a vision of social impact even larger than the direct impact of the business itself or the jobs its creates.

> *"Our goal is bigger than economic development, it's fighting poverty on all fronts. Our business is valuable to us because it gives a higher profile and consequently a much greater ability to influence the discussion on how to combat poverty."*
>
> Maurice Lim Miller
> EXECUTIVE DIRECTOR, AND

Limits of growth

Social purpose enterprise leaders remain remarkably consistent to their origins. Growth is only questioned when it jeopardizes or no longer furthers the organization's social mission. For example, social purpose enterprise leaders may ask themselves whether they are really meeting their stated goals of "moving youth to their highest potential" or whether their venture simply creates entry-level jobs.[9]

However, growth does present very real dangers to all business enterprises and particular hazards for social purpose enterprises. The lack of key success factors described in the Birth, Survival, and Growth stages can mean suicide when a company continues to grow. As counter-intuitive as it may sound, increasing sales can actually drive down profits. Finally, expanding into new markets and businesses can be very risky.

For-profit and nonprofit businesses alike are often able to "sneak by" and continue to grow for a time without adequate infrastructure. Unfortunately, as a venture grows, each of these problems gets magnified and any one of them can drive a company quickly to bankruptcy. Accounting and financial systems are the most common Achilles' heel of social purpose enterprises, often made even more challenging by accounting processes connected to a parent nonprofit organization. Operational processes that "evolved" to meet the needs of a small start-up business are often cumbersome, expensive and ineffective in a larger organization. And inferior technology that was annoying yet viable on a smaller scale can create real problems as a company grows. Similarly, a manager who "did okay" managing $1 million of sales per year may not have the skills needed to handle a company three times as big and five times as complex.

The single largest concern of ventures planning aggressive growth should be having the cash flow to see them through this stage. As mentioned earlier, insufficient cash flow during a phase of growth is the most common cause of bankruptcy in new businesses. Nonprofits often have experience managing cash flow crunches, but usually rely on the relatively predictable timing of grants and reimbursements and know that a brief reduction in delivery of services, although never desirable, will typically not mean the end to the organization. Business ventures, on the other hand, must typically pay for their raw materials/goods and often other expenses long before they receive the revenues for selling their product or services so must have the cash on hand to bridge this less predictable gap. Refusing to spend the requisite amount in inventory can cost the company loyal customers as well as individual sales. Yet because of their nonprofit origins and status, social purpose enterprises rarely have access to all of the financing mechanisms used by their for-profit counterparts.[10] Growth without careful cash flow planning can have severe ramifications.

Growing revenues is relatively easy. Additional profits are much harder to come by. Social purpose enterprises eager to expand must take care that their additional sales add to the bottom line rather than subtract from it. Each business must understand what it costs to serve its current markets and customer segments, then analyze the cost of selling to any proposed new markets and customers. Factors such as a high cost to acquire each new customer, high variable costs of transportation or high customer service usage can actually mean even selling a product or service at the standard price will lead to lower profits. Similarly, a strategy to go after a new customer segment by offering a lower priced product will mean overall reduced margins if the costs to sell this product are not lower as well.

At the same time, growing sales often means expanding the business' production or sales capacity. However, these kind of fixed costs, such as a new production facility, machine or storefront, can rarely be added in the exact increments as needed. Rather, the business pays the cost for total new capacity even when it may be ready to sell only a few additional units - a risky proposition unless it is sure it can fill the capacity to at least the point where total costs drop down to their pre-expansion levels. Depending on the venture's ability to fill its capacity, such growth can reduce profits and quickly lead to dramatic losses.

Finally, growth often means exploring uncharted territory – new markets, new channels, new customer segments, new products or new businesses. Even with the best of planning and analysis, anytime any organization takes on something new, there is a larger element of risk and less predictability in its success. Social purpose enterprises are no exception. Despite perceived pressure from certain kinds of funders to "do something new," when they attempt to grow by trying new strategies, ventures run the risk of jeopardizing the health of what they have already established.

Conclusion

Social purpose enterprises should be encouraged to collect and learn from best practices in the social purpose enterprise world, as well as from the environment in which they are competing. Interviews with a small sample of businesses suggests that there are common experiences, learnings and tenets that can help guide a venture from the visionary stage through to a stage focused on expansion and growth. At that point, as established viable businesses, social purpose enterprises can decide from a position of strength how and if they want to continue to grow – there is no one-size-fits-all definition of when an enterprise has reached its optimal size.

Footnotes:

1 Maureen Bennett, Managing Growth. (New York: Nichols Publishing, 1989) p. 2.

2 An additional framework for understanding financing aspects related to the development of nonprofit organizations and social purpose enterprises is presented in "The U.S. Nonprofit Capital Market: An Introductory Overview," in the companion book to this volume, *Investor Perspectives.*

3 Modified using Bennet's description as a starting point. Bennet. p. 2.

4 *New Social Entrepreneurs: The Success, Challenge and Lessons of Nonprofit Enterprise Creation.* Jed Emerson and Fay Twersky, eds. (San Francisco: The Roberts Foundation,1996) p. 12.

5 Emerson and Twersky, p. 14.

6 See Chapter 9: The Social Purpose Enterprise as a Learning Organization in this book for a more in-depth discussion of this concept and how it has been employed in a social purpose enterprise.

7 See Chapter 7: Cultivating the Next Generation of Leaders for a discussion of this topic.

8 See "Social Return on Investment" in the companion book to this volume, *Investor Perspectives* for a full explanation of the SROI concept.

9 The question of "Should we create more jobs or concentrate on fewer jobs with more intense programmatic support?" has barely been addressed by social purpose enterprises to date and has certainly not been resolved.

10 See "The U.S. Nonprofit Capital Market" in the companion book to this volume, *Investor Perspectives* for more on the financing options available to social purpose enterprises.