

*Investing in Employment and Hope*

**REDF**



## **Social Enterprise 101**

**Presenters:**

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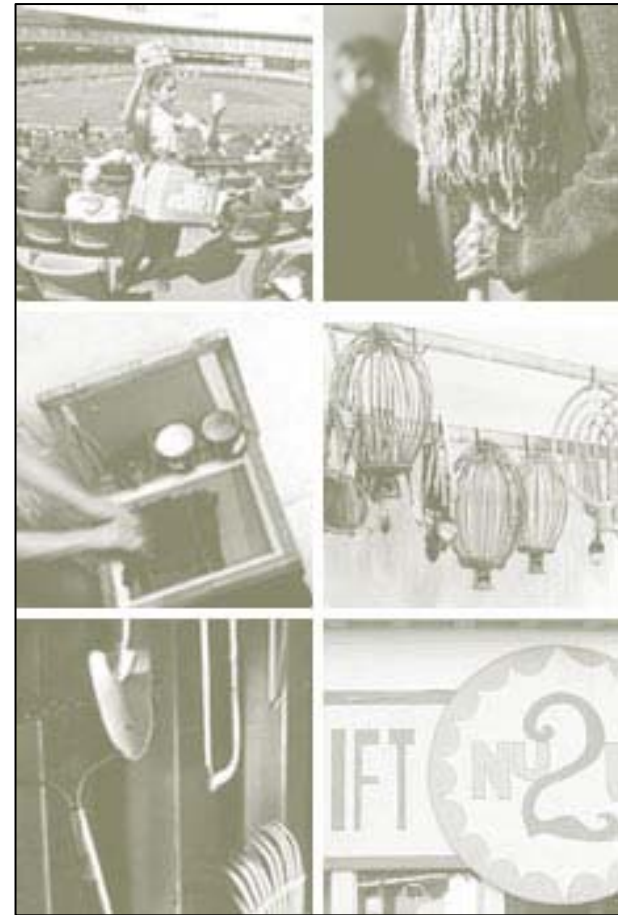
**NTJN Conference April 2008**

# What is REDF?

- Created in **1997** as The **Roberts Enterprise Development Fund**
- A **high engagement grantmaker** that provides **guidance, leadership and investment** to a portfolio of **nonprofit social enterprises**, changing the lives of people who face **poverty, homelessness, mental illness and other barriers to employment.**
- Our work accomplishes three things
  - We help people move out of **poverty**;
  - We increase the organizational ability of nonprofit social enterprises to provide **sustainable, long-term solutions to chronic poverty and homelessness**; and
  - We introduce **new ideas and innovative methods** that enrich the nonprofit community as a whole.
- In all areas of our work, we are deeply committed to **measuring the results** of our efforts

# Our experience with social enterprise

- We have funded and provided assistance to 35 enterprises that represent the following industries:
  - Professional landscaping
  - Production and assembly
  - Clerical and office services
  - Catering, cafés and restaurants
  - Janitorial / Cleaning services
  - Bicycle shop
  - Apparel screen printing and embroidery
  - Ballpark concessions
  - Bakery
- Our enterprises have employed over 3,000 individuals since 1998
- 75% still employed 2 years after hire



### This Session's Plan

1. Welcome and Introductions
2. What is social enterprise?
3. Why are nonprofits considering social enterprise?
4. Developing earned income/social enterprise strategies to fit your organization
5. Applying the lessons REDF has learned
6. Social enterprise planning process
7. Role Play

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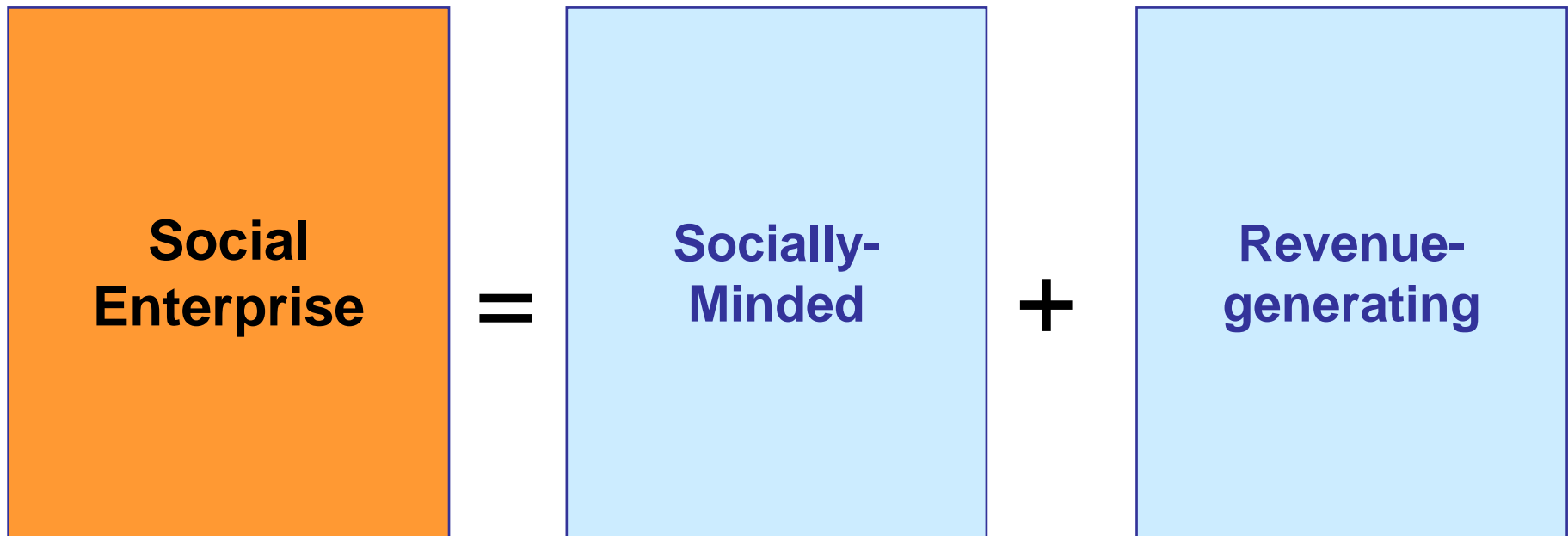
***What is social  
enterprise?***

*...And the answer is...*

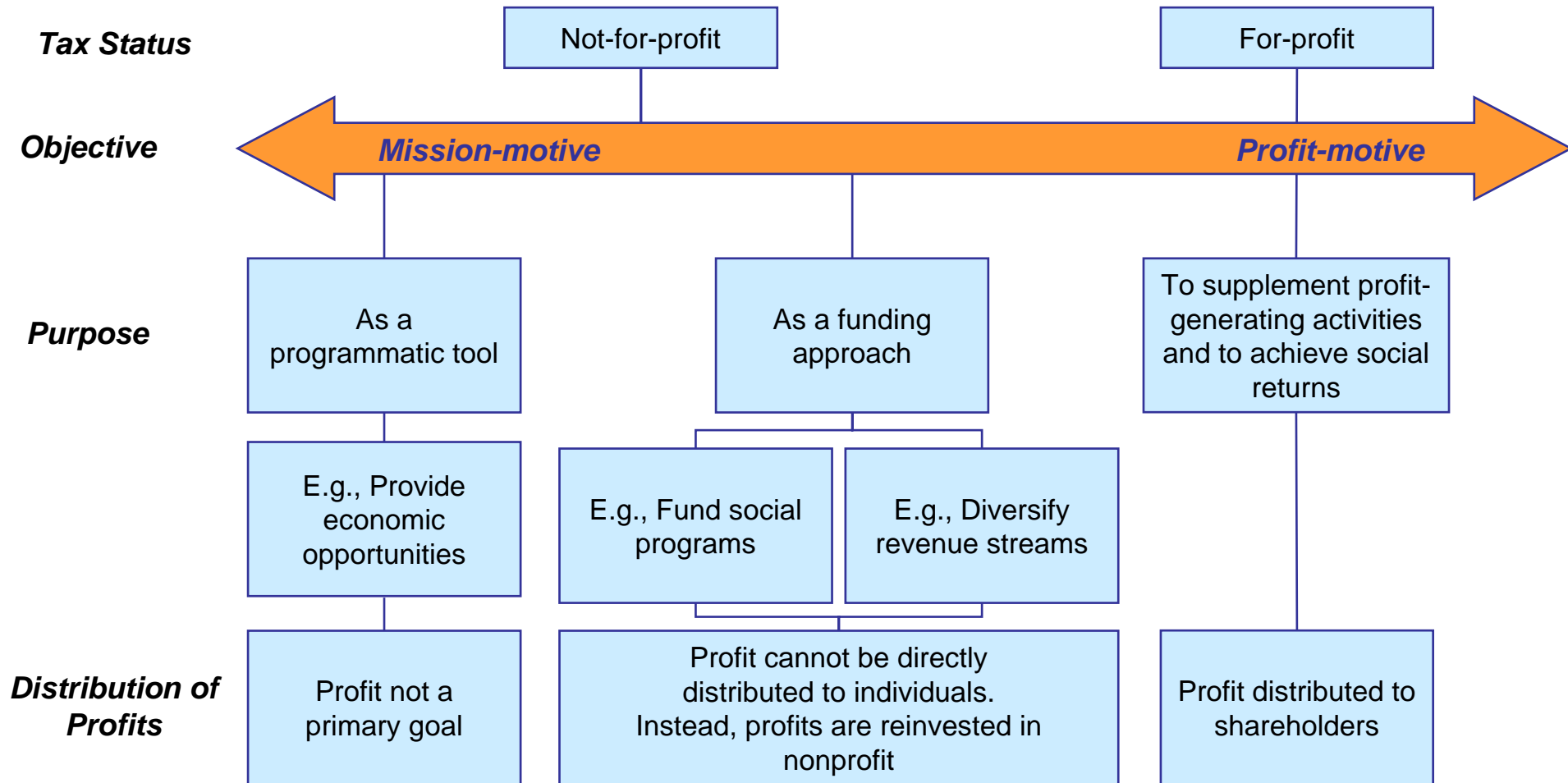
***No single definition of social enterprise is uniformly accepted!***



### ***Key points of agreement among Social Enterprise definitions:***



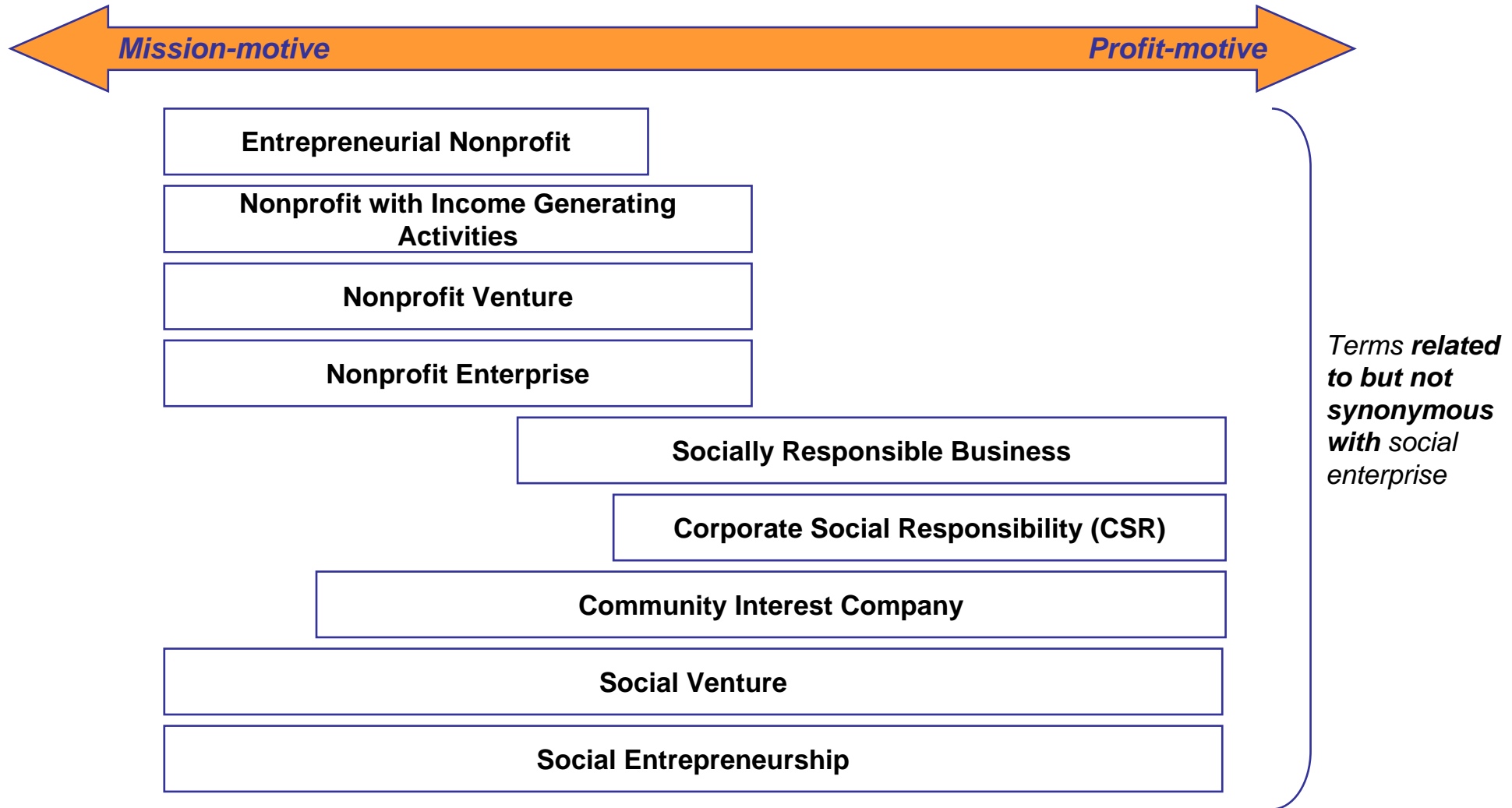
### Key points of difference among Social Enterprise definitions:



Notes: 1) This slide represents the U.S. social enterprise landscape, including U.S. tax status and legalities of return and profit distribution.

## What is Social Enterprise?: Causes of confusion

Numerous approaches to combining social mission and revenue generation are not exactly synonymous with social enterprise.

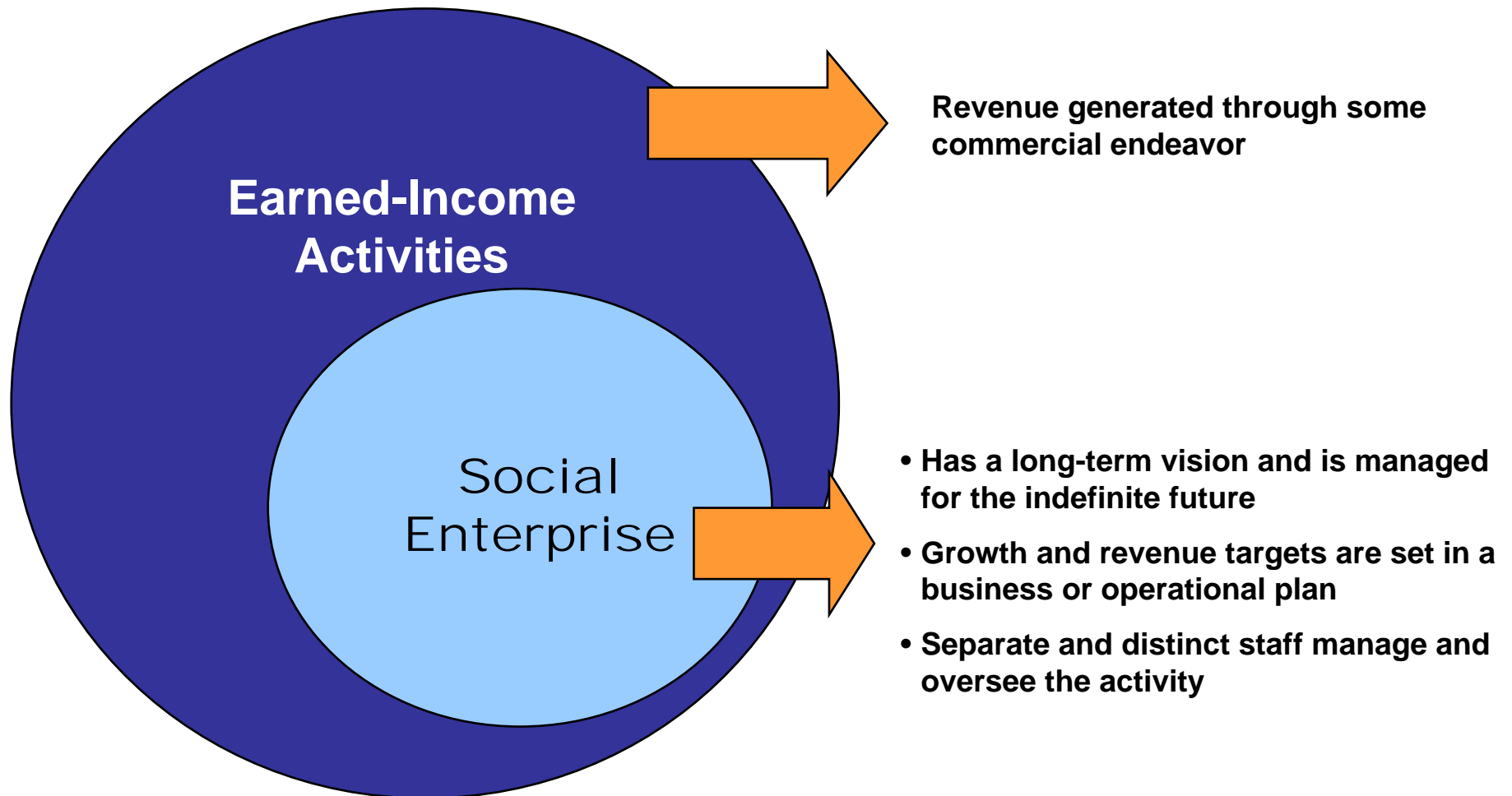


# What is Social Enterprise?: Social enterprise definition for today's session

In order to keep our discussion focused today, we will hone in on one particular definition of social enterprise.



## What distinguishes a social enterprise from other earned-income activities?



### Summary of “What is Social Enterprise?”

- **Nonprofits have long used income generation to support their mission activities**
- **More recently, nonprofits have adopted business approaches to achieve their missions and achieve sustainability through social enterprise**
- **No single definition of social enterprise exists**
- **Social enterprise is considered an earned-income activity that is planned as a business, with distinct resources and a long-term vision**

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# *Why do nonprofits consider social enterprise?*

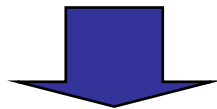


## Why do nonprofits consider social enterprise?

*Mission-motive*

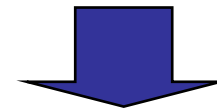
*Profit-motive*

- **To increase the reach of the mission**
  - To create jobs and training opportunities
  - To disseminate information
  - To educate the community
- **To meet needs that the market does not meet on its own**



***What risks might an organization operating a mission-motive social enterprise face?***

- **To create funding opportunities**
  - To generate revenue/profit
  - To diversify revenue streams
  - To create new donor interest (e.g., entrepreneurial community)



***What risks might an organization operating a profit-motive social enterprise face?***

## Social Enterprise Success Stories: In Their Own Words

***“They made me more confident about myself. Helped me to keep a job.”***

**- CVE Employee**

***“I have knowledge of a new field and increased earning potential for when I get another job. The work environment is very supportive.”***

**- GGCI Employee**

***“This was my first job and it lead me to where I am now. I have the confidence and motivation to go somewhere where I can move up.”***

**- Juma Employee**

***“This is the first job I ever had, it keeps me out of trouble. Rubicon gave me a chance when no one else would.”***

**- Rubicon Employee**



## Top Ten Myths about Social Enterprise

- Myth #1** Starting a social enterprise requires minimal investment.
- Myth #2** There's nothing better than free retail space!
- Myth #3** Our staff already has all the skills needed to run a social enterprise.
- Myth #4** People will buy from us because we have such a great cause.
- Myth #5** If it's not working, we'll know.

## Top Ten Myths about Social Enterprise

**Myth #6** We can scale this puppy, no problem!

**Myth #7** This will solve our financial crisis and we'll never have to fundraise again.

**Myth #8** Nonprofits can't make a profit.

**Myth #9** Our program staff and enterprise staff will get along just fine.

**Myth #10** Our board chair is totally behind us, that should be enough!

### Summary of “Why do nonprofits consider social enterprise?”

- **There are two main reasons an organization might pursue nonprofit enterprise:**
  - **To further its social mission**
  - **To create funding opportunities**
- **Social enterprises can create successful outcomes, significantly improving the lives of those affected**
- **Be aware of the myths of creating a social enterprise. Social enterprises require significant planning and resources**

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**Define goals**

**Assess the organization**

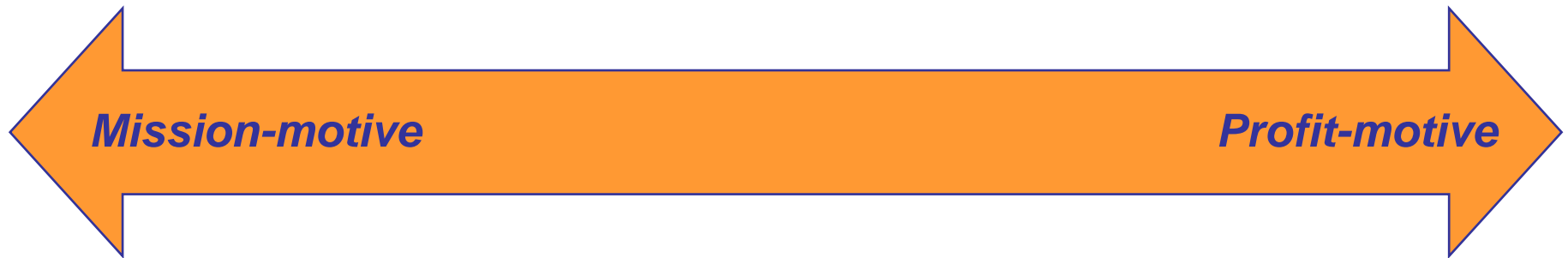
**Social Enterprise Strategy**

- *Is your primary goal mission or profit?*
- *Which current assets and capabilities can you leverage?*

***The answers to these key questions will drive your organization's social enterprise strategy***



## Why is your nonprofit considering social enterprise?



**Is your primary goal to expand the mission?**

- To increase the reach of the mission?
- To meet needs that the market does not meet on its own?

**Is your primary goal to generate income?**

- To generate revenue/profit?
- To diversify revenue streams?
- To create new donor interest (e.g., entrepreneurial community)?





## Assess the Organization: Current assets and capabilities

- **Organization**

- Core mission
- History and leadership
- Effectiveness of agency



**Is your organizational culture entrepreneurial and ready for change?**

- **Current assets**

- Clients? Services? Employees? Intellectual capital? Physical assets?
- Outstanding liabilities?



**Do you possess resources that would be relevant to a business venture?**

- **Capabilities**

- Do you already manage earned-income activities?
- Do leaders possess business experience?
- What "value" or competitive advantage could you bring to the market place?



**Does the organization possess experience that would transfer to managing a business?**

Define goals

Assess the organization

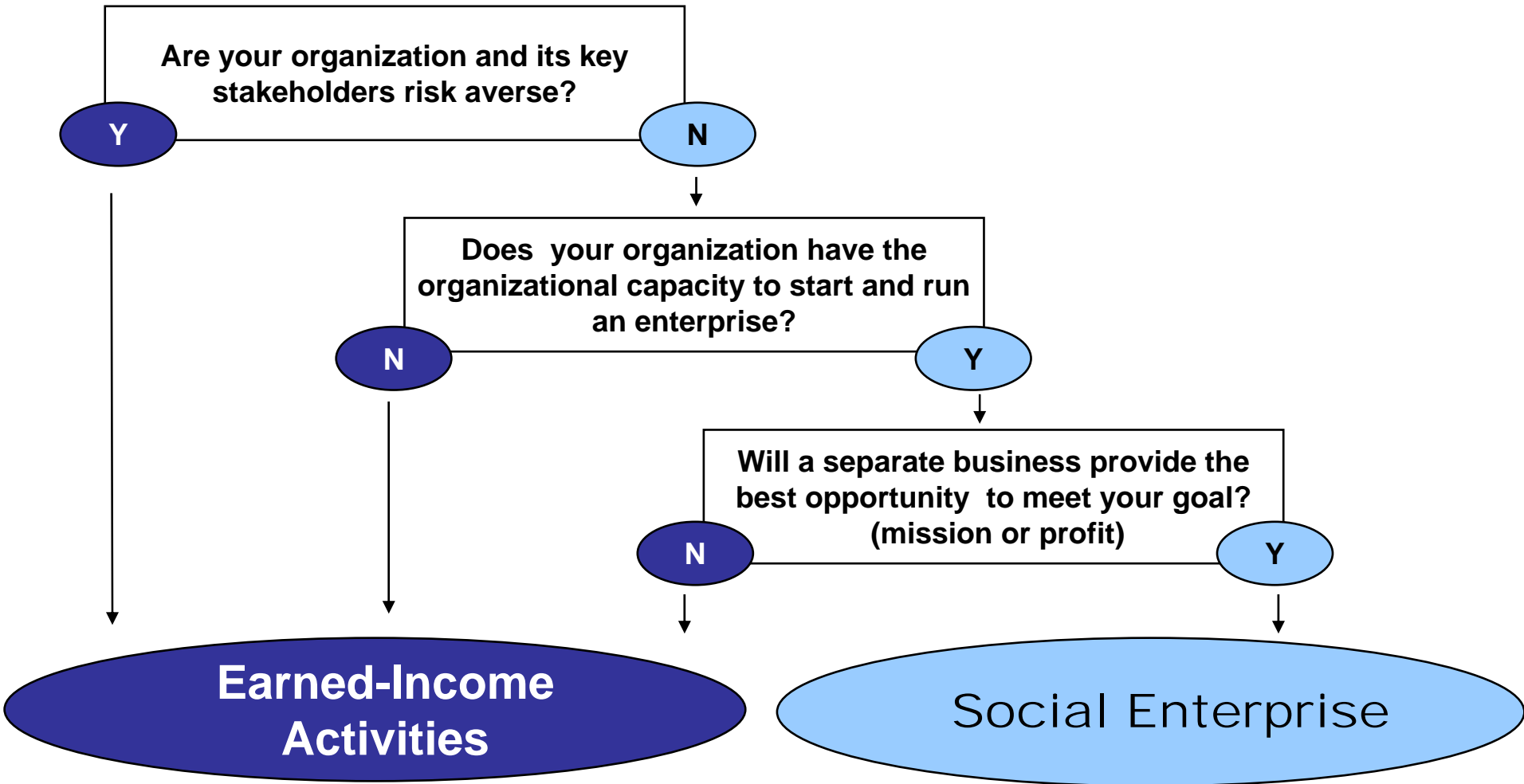
- *Is your primary goal mission or profit?*
- *Which current assets and capabilities can you leverage?*

*The answers to these key questions will drive your organization's social enterprise strategy*

**Social Enterprise Strategy**

- *Should you engage in social enterprise or other earned income activities?*
- *How integrated should your social enterprise be?*
- *Which industries may work?*
- *Should you expand on your existing operations or start something completely new?*

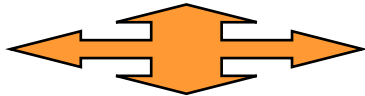
# Should your organization undertake social enterprise or should it consider other earned income activities instead?





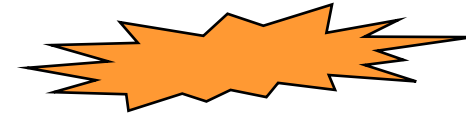
## Two options exist for nonprofits starting social enterprises or earned income ventures

### Expand what you already do



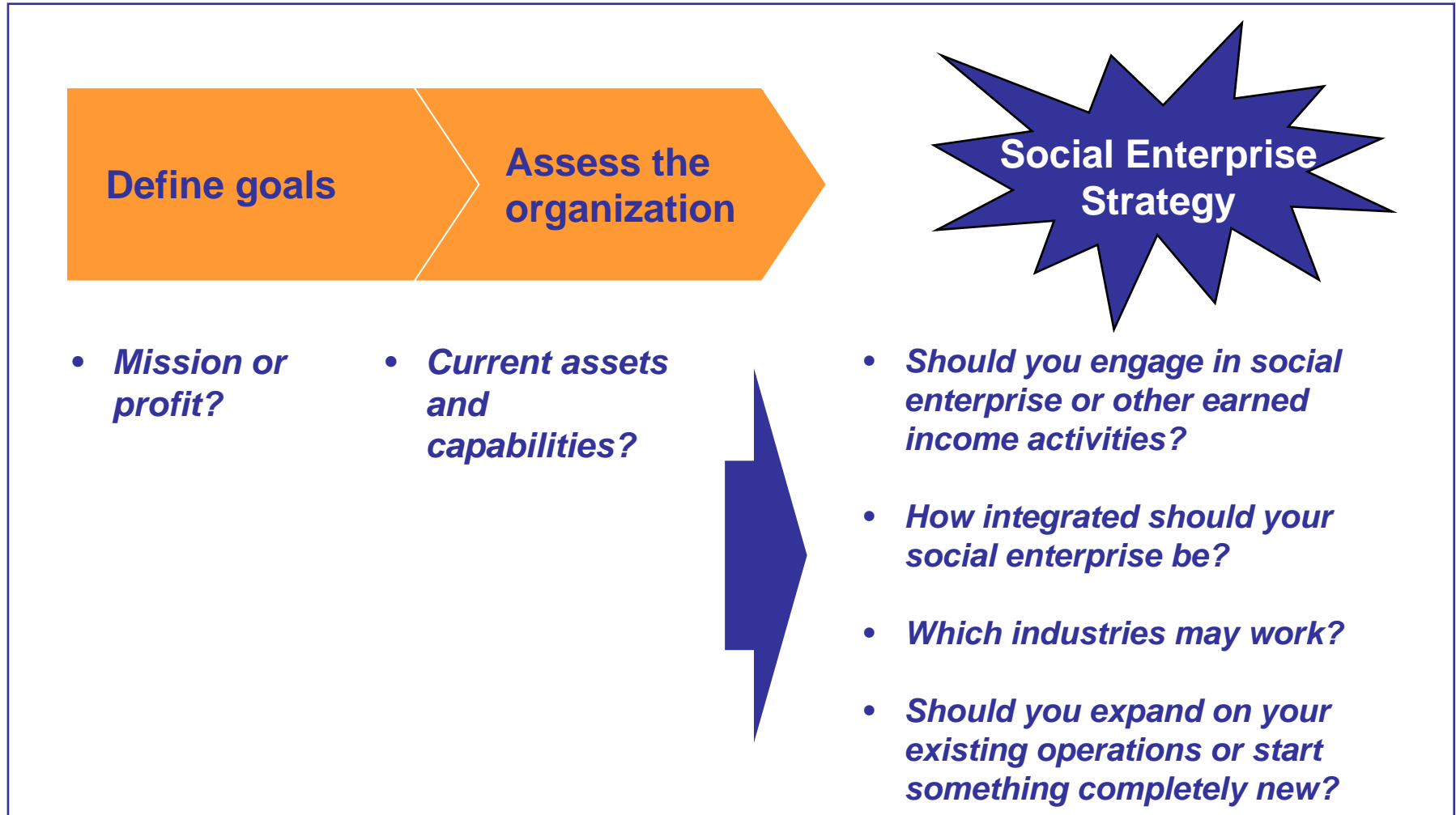
- **Commercialize something your organization already does**
  - E.g., Create a fee for service model with your existing programs
- **Develop a new aspect of something your organization already does**
  - Leverage existing assets
  - Cause related marketing
  - Existing service to new population

### Start something new



- **Create a new commercial product or service for existing customer base**
  - E.g., Direct beneficiaries (who can afford to) pay for new product or service
- **Do something totally new – a new product or service for a new customer base!**
  - Buy a business
  - Start a new business

# Summary of “Developing earned income/social enterprise strategies to fit your organization”



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### Lessons Learned: Critical Social Enterprise Success Factors

- Strong entrepreneurial team
- Supportive and engaged board of directors
- Fit with overall goals and needs
- Comprehensive planning progress
- Compelling and genuine market opportunity
- Unique competitive edge
- Financial controls and tools for planning
- Long-term and adequate financing
- Commitment to sound business practice
- Metrics to assess economic and social impact

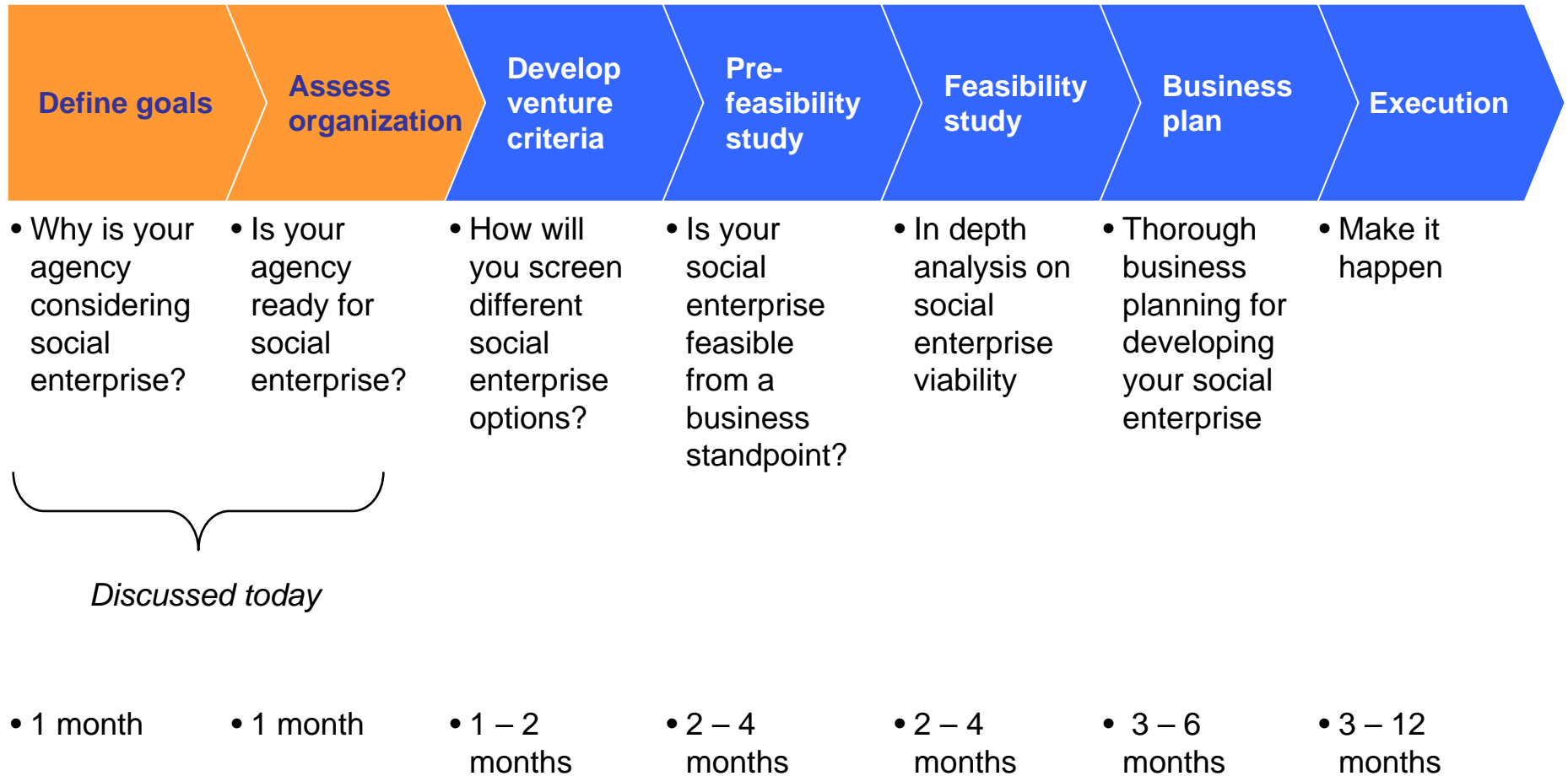
**Lessons Learned:  
Unique Challenges (and Opportunities!) in Social Enterprise**

- **Need to balance dual (social and financial) missions**
- **Organizational structure complicates decision-making/authority**
- **Enterprise management staff need to possess a broader set of skills**
- **Importance and scope of training**
- **Additional social costs**
- **Different funding sources**
- **Social mission outcomes tracking and reporting**



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# Social enterprise planning process



Source: Center for Community Futures, 1999.

## So what are your next steps?

- **What is your view of social enterprise?**
  - If you are the one spearheading the process, determine your own objectives first, then seek input from other key stakeholders
- **Involve the right people**
  - Which key stakeholders should be included?
- **Educate the key stakeholders on social enterprise**
- **Determine what stakeholders' goals are and what your organization's capacity is**
- **Follow the social enterprise planning process**

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