

NEW SOCIAL ENTREPRENEURS:

The Success, Challenge and Lessons of Non-Profit Enterprise Creation



A Progress Report on the Planning and Start-up of Non-Profit Businesses
from

THE ROBERTS FOUNDATION
HOMELESS ECONOMIC DEVELOPMENT FUND

September, 1996

NEW SOCIAL ENTREPRENEURS:

The Success, Challenge and Lessons of Non-Profit Enterprise Creation

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A women of color-owned business

“How selfish soever man may be supposed, there are certainly some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing except pleasure from seeing it.”¹

— Adam Smith

This book is dedicated to
those very low-income people who seek
to realize their dream of economic self-determination

and to

the New Social Entrepreneurs who,
while they “derive nothing except pleasure from seeing it,”
spend their lives creating economic opportunity for others
to the greater benefit of us all.

¹Ian Simpson Ross, *The Life of Adam Smith*, (New York: Oxford University Press, 1995), p. 418.

September, 1996

*D*ear Colleague:

All those involved in the field of philanthropy are concerned with how best to support the excellent work taking place within the non-profit community. In 1988, the three of us met to discuss various options for reorganizing The Roberts Foundation, which had been established two years earlier. The original grantmaking priorities had been very broad and we felt a need to focus the Foundation's resources. After several conversations, two key interests emerged: animal welfare and what we called "homeless economic development."

Realizing the enormity of the homeless issue and its related challenges, we sought not to change the face of poverty in America, but to have a significant impact on a targeted group of individuals and support organizations that could continue work in this area into the future.

Pacific Foundation Services, a management firm assisting family foundations in the San Francisco Bay Area, received the primary charge of identifying an individual who, working with the board, could develop the Foundation's strategy to implement economic development projects enabling homeless individuals to become more fully involved and contributing members of society.

In mid-1989, PFS hired Jed Emerson to manage our work and collaborate with those non-profit organizations sharing our vision of a "free enterprise" approach to homelessness. Their story of success and challenge follows. This report is the third document published by The Roberts Foundation and presents our cumulative experience in working with non-profit organizations over the past six years to expand economic opportunity for homeless people.

It is our hope the reader will find in this material an open and honest assessment of the real problems and opportunities found in non-profit enterprise development. In this report you will not find any claims of how our staff and grantees have helped the nation finally "turn the corner" on poverty or discovered the perfect "model" to be replicated nationwide. Our presentation is significantly more modest. While we are extremely proud of the great effort made by our grantees, program participants, and others involved in this work, we remain aware of how difficult it is to harness the forces of the marketplace to address social problems. We hope you will appreciate our efforts to honestly assess our experience.

When we first established the Homeless Economic Development Fund in 1990, many said that engaging in economic development with homeless Americans was impossible. We thank those in the foundation and non-profit communities whose support we have enjoyed over the past years. We also welcome the increasing number of organizations now rediscovering the power of an approach to poverty which is based upon social purpose enterprise creation and individual economic self-determination. As we prepare to enter the 21st century, we look forward to continuing to learn from and with each of you as we participate in what is rapidly becoming a central strategy for addressing social problems in our nation.

Sincerely,

Leanne Roberts

LEANNE ROBERTS
President
The Roberts Foundation

George Roberts

GEORGE ROBERTS
Vice-President
The Roberts Foundation



LYMAN CASEY
President
Pacific Foundation Services

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ABOUT THIS BOOK

OUR PURPOSE:

This book was written to provide an up-to-date report to the growing number of people interested in non-profit business development. It is not intended as a definitive statement, but as a “report from the trenches.” It is offered in contribution to what is fast becoming a major national dialogue.

OUR AUDIENCE:

This book was written for three primary audiences—
The Non-Profit Community
The Foundation Community, and
The Business Community

While the interests and philosophies of these three audiences are not identical, it is our hope the material presented herein will challenge equal percentages of individuals in each of the above communities. The work of the New Social Entrepreneur is, by definition, a provocative blend of social, philanthropic, and business values. The times they are a-changin’ and a new worldview is called for. Non-profit business development, while still finding its place in the world, is a part of the future we are creating. If we enter this process of positive change with open minds and a friendly attitude, perhaps we will find these communities share more in common than we might first think.

OUR DEFINITIONS:

New Social Entrepreneur— A non-profit manager with a background in social work, community development, or business, who pursues a vision of economic empowerment through the creation of social purpose businesses intended to provide expanded opportunity for those on the margins of our nation’s economic mainstream.

Non-Profit Enterprise— A revenue-generating venture founded to create jobs or training opportunities for very low-income individuals, while simultaneously operating with reference to the financial bottom-line. Non-profit enterprises are variously known as social purpose businesses, community-based businesses, community wealth enterprises, and any number of other spiffy titles the human mind can propose. These titles are all used by various writers in chapters throughout this book and in the field as a whole.

OUR FRIENDLY SUGGESTION:

This book is the end product of six years of work and reflection. While we hope you read every word, we know many will only have time to “review” certain parts which catch one’s eye. There are obviously some areas of overlap; however, on the whole the key findings of the executive summary do not repeat, but expand upon the lessons learned (presented at the end of each case statement) and the “concluding thoughts” (presented in the book’s final chapter). Therefore, for those unable to read the entire book, it is suggested you focus on the executive summary, flip through the lessons learned, and read the conclusion. This is, of course, simply a suggestion!

OUR SUMMARY:

For those without the time to even follow our friendly suggestion, here’s the bottom-line:

Non-profit business development has enjoyed modest and growing success in planning and start-up over recent years; it holds great promise for the future, but is very difficult to pursue and may not be for everyone. Which is one reason we like it—to succeed at it you have to think outside the box!

Executive Summary



-Invent./Curr.Liab.
 Inventory Turnover (Sales/Inventory):
 Sales Outstand. (Rec./Avr.DlySales):
 Ratio (Total Debt/Total Assets):
 Net Income/Assets):
 Net Income/RE):
 n Sales (Net Income/Sales):
 Margin (Gross Profit/Sales):

olidated Organ. Financial Ratio
 nt Ratio (Curr.Asts/Curr.Liab.):
 Ratio (Curr.Asts-Invent./Curr.Liab.):
 Inventory Turnover (Sales/Inventory):

EXECUTIVE SUMMARY

This book is the story of social service practitioners acting to address the lack of economic opportunity available to their program participants. It is the story of groups, primarily homeless organizations of one type or another, responding to the needs of very low- or no-income individuals in a world which seems to offer fewer and fewer avenues out of poverty. The individuals whose experiences appear in the following pages do not come out of the traditional, community development network; they are social workers, community organizers, and socially concerned business people. While their work is informed by those who have lead the way over the past 30 years of anti-poverty efforts, their approach is in many ways new, their skill base one representing a synthesis of business and social service techniques. Their success to date, while modest, speaks to the future awaiting those in the non-profit arena willing to move beyond the traditional boundaries separating business and social work. This is the story of the New Social Entrepreneur.

The Starting Point: 1989 and the Homeless Economic Development Fund

The basic strategies for addressing the issue of homelessness in the United States have progressed from emergency shelter to affordable housing to housing with support services to housing with services and access to jobs. It is now hard to believe that many of those involved in this work used to feel the answer to homelessness was simply “housing, housing, housing,” given that at this point it is clear any effort to assist formerly homeless individuals in moving into the mainstream must rest upon what many of us have for years referred to as the “three legs of a stool,” namely, housing, services, and jobs.

In 1989, when The Roberts Foundation first began work in the area of what it called “homeless economic development,” a large number of individuals felt the very phrase to be an oxymoron. While great success had been achieved in the non-profit affordable housing industry, community economic development efforts focusing upon job creation by non-profit organizations had what many felt was an extremely poor track record. In researching the feasibility of supporting job creation efforts with homeless people, foundation staff were consistently reminded of this reality and encouraged to place any new resources into supported job placement programs and related strategies.

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***New Social
Entrepreneurs
have their roots in
the history of
community
service and
development.
This history of
commitment to
social justice and
economic
empowerment is
what feeds their
passion for the
creation of social
purpose business
ventures.***

.....

During this same research period, however, it also became apparent that existing policies and structures did not begin to address the employment and training needs of homeless Americans. Programs funded through the Job Training Partnership Act (JTPA) were largely inaccessible to homeless people. Traditional homeless job referral organizations could help a person find a job, but did not have the resources to provide either training or after placement follow-up. And in the San Francisco Bay Area, most of those involved in the practice of community economic development defined their primary concern as one of increasing the stock of affordable housing available to poor people; for the most part, they did not have the interest or expertise to engage in the creation of permanent or transitional employment opportunities for poor people, much less homeless individuals.

In the course of the foundation's research, other efforts were identified which, while too limited to draw significant attention, seemed to hold the promise of an answer to the problem of expanded economic opportunity for homeless people. In investigating this lack of employment options, foundation staff found a number of human service organizations were engaging in small business predevelopment. With virtually no funding and little in-house expertise, these groups were moving to fill the gap between the needs of their program participants and the offerings of the public and private system of human service and housing support. Despite the fact it seemed to make no sense, and although non-profit organizations had spent many years and millions of dollars learning that they should not operate for-profit enterprises, these individuals and organizations had started to address the demands of homeless people for employment through the creation of small businesses.

Based upon the vision shared by the foundation and these few groups, at the conclusion of a five-month research effort in January 1990, the Roberts Foundation established the Homeless Economic Development Fund in order to support the work of these New Social Entrepreneurs and explore the potential of non-profit enterprise creation.

Responding to Changes in the Market

As we approach the new millennium, the truth of an old saying perseveres: Nothing is constant but change. The ability to transform ourselves to survive in the world is a cornerstone of humanity's survival. In the business community, the ability to be "market-directed," to respond to external forces and adjust one's position accordingly, and the capacity to change the terms of engagement constitute the difference between success or annihilation in an increasingly competitive global economy.

Over the past 30 years, small, community-based, non-profit organizations have also proven themselves able to adjust to the market's shifting demands. In the past, however, most social service non-profits have responded to changes in the "public" markets, which are made up of grant sources and categorical funding streams. Many of these groups are finding those markets no longer a primary source of support. While some level of public funding will more than likely always be with us, the amount of available funding and the channels through which it is allocated are rapidly changing. Today, these sources are for the most part decreasing, and are either being redirected to other public priorities or eliminated entirely.

While some members of the social service community have responded to these changes in traditional ways, others are searching for a new approach to the funding issue as a whole. Like mammals scurrying around the feet of dinosaurs, a new breed of non-profit managers, among them the New Social Entrepreneur, is evolving, learning, and adapting to a new political, economic, and social environment. New Social Entrepreneurs have their roots in the history of community service and development.

This history of commitment to social justice and economic empowerment is what feeds their passion for the creation of social purpose business ventures. This commitment to community is strengthened by an equally profound commitment to using the power of free enterprise to redirect economic control back to individuals and organizations which, for the most part, have relied on outside sources for funding and support.

This commitment to a “double bottom-line” is at the heart of the New Social Entrepreneur. It forces the non-profit manager to live within a dynamic tension of what makes good business sense and what fulfills the organization’s social mission. It is a practice which is clearly evolving and, when integrated with the strategies of the “old” breed, harnesses the potential power of economic self-determination for the benefit of all.

The dominant approaches to non-profit management and service delivery are in a state of flux. In the same way that the economic vitality of our nation’s future relies upon our ability to translate innovation from idea to business practice, the future vitality of the non-profit community rests on our ability to transform non-profit organizations into the vehicles which will take our communities and program participants into the future.

Much of the current national discussion focuses on how to respond to impending cut-backs in funding of support services, and on the “need” to help client groups organize against such cutbacks in order to save those programs. Yes, we need support services; and yes, we need to protect children and the weakest members of our communities; but we also need to expand our understanding of the tools we may wield in our work. We cannot escape from the fact that you do not service people out of poverty. At its core, the ability to exit poverty is a question of employment, asset accumulation, and wealth creation. The time has come for broader endorsement of new paradigms for and approaches to our communities’ efforts at economic development, job creation, and access to markets.

Responding to Deficiencies of the Market

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We cannot escape from the fact that you do not service people out of poverty. At its core, the ability to exit poverty is a question of employment, asset accumulation, and wealth creation.

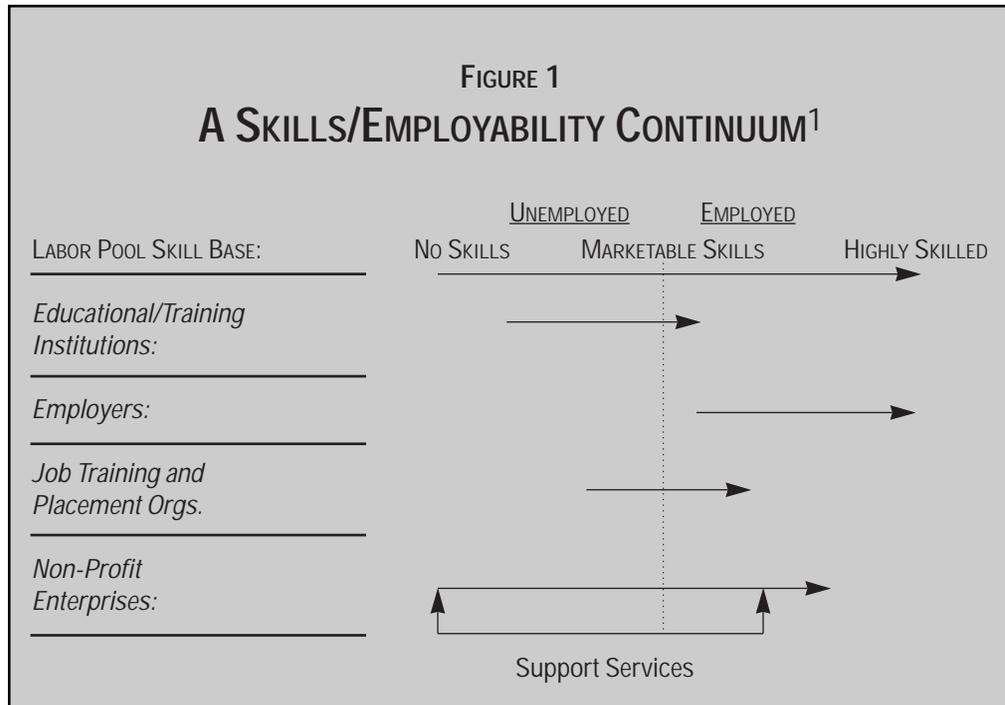
.....

This book documents the experience of a wide variety of non-profit organizations which came to understand that their program participants simply could not survive in today’s competitive labor market. In many cases there is, quite simply, a major disconnect between their ability and skills, and those increasingly required for permanent employment. Furthermore, non-profit managers saw how traditional training and service organizations were unable to adequately address the needs of homeless people. JTPA programs and traditional job referral agencies simply did not respond to the needs of formerly homeless people for supported and transitional employment.

Non-profit enterprises have evolved to fill a gap in what could be called the “Skills/Employability Continuum.” The continuum is shown in Figure 1.

Many books have been written on the relative characteristics and qualities of each type of organization presented below. Our intent is not to enter into a lengthy evaluation of these organizations. For the purposes of this discussion, the groups could each be said to have the following basic characteristics:

- ➡ Traditional **EDUCATION AND TRAINING INSTITUTIONS** take people with minimal skills and provide them with the specific training or credentialed education necessary for securing a job. These institutions frequently do not provide longer-term support once the course is completed. Job training programs often provide a period of focused classroom-based training before moving the candidate into the job market. While there are examples of exemplary training programs, the overall national experience with training and placement programs is not known for its broad-based success.



- **EMPLOYERS** often take individuals who are already employed in their business and provide them with opportunities to upgrade their skills. This is viewed as an investment in pre-existing human capital.
- **JOB PLACEMENT PROGRAMS** seek to identify unemployed individuals who, with a minimal amount of support, are thought to be able to secure independent employment during a relatively short period.
- **NON-PROFIT ENTERPRISES**, on the other hand, bridge the world of unemployment and employment in a manner that employers, educational/training institutions, and job placement programs cannot. These enterprises target individuals who are further back on the skills continuum, provide stabilization services and supported training, and then offer a longer period of employment augmented with social services or other support. These efforts provide formerly homeless and other low-income individuals who otherwise would not make it in the traditional labor market with the skills, support, and opportunity ultimately necessary to succeed in a mainstream business environment.

Many of those involved in the field of employment and economic development have concluded that the central issue for the American workforce is not simply one of accessing marginal jobs for folks and then hoping they will move up the ranks. Increasingly, the focus is upon the creation of workforce development strategies which provide opportunities for retraining and development which in turn will enable workers to constantly upgrade their skills and abilities in response to the changing needs of the labor market. While homeless economic development or social purpose ventures may be viewed as a first step in this process, the creation of a long-term system of workforce development is less central to our discussion than the question of how to best provide individuals with basic linkages out of homelessness and emotional/substance abuse and into a stable

¹This continuum is an expansion on a concept presented by Gary Mulhair, President, Pioneer Human Services.

employment setting from which they can then move into the workforce. Once they have joined the mainstream workforce, they may make use of retraining and continuing development opportunities during future transition periods. The competitive advantage given formerly homeless people through employment in a non-profit enterprise is in the form of experience gained in a supportive work setting. Many have no or limited work histories, and do not possess the fundamentals needed to maintain employment. By experiencing successful employment, they become positioned for transition to full-time, permanent employment in the mainstream labor market.

Four Sides of a Coin

Four concepts regarding strategies of practice may help in understanding how non-profit enterprise fits within the continuum of workforce and economic development. At a recent meeting of the Neighborhood Funders Group, a national affinity group for foundations involved in supporting employment and economic development efforts, an issue discussed in great depth was the distinction between two sets of separate, though complementary, strategies:

- Supply Side (increasing the supply of a quality workforce through training, job placement, and related programs)

versus

- Demand Side (increasing the demand for labor through the pursuit of strategies for job creation and general community economic development)

and those that focus upon

- Soft Skill Development (job readiness, ability to contribute to work setting, etc.)

versus

- Hard Skill Development (specific knowledge of computer programs, assembly techniques, business operations, etc.).

These are useful distinctions. Organizations involved in efforts to expand economic opportunity should be clear about where their strategy falls within these categories. Many groups view themselves as following one or the other of the strategies presented above and identify as either a job placement program or employment training center and so forth.

However, it appears that other groups are actually engaged in a blending of these four elements and the reader will note that this document examines a variety of organizations which, in fact, are pursuing all four of these strategies within one organization. Just as those involved in social entrepreneurship are neither fully social service nor fully business, they also do not singularly pursue job training, creation, readiness or placement goals. The practice of the New Social Entrepreneur represents an integrated approach.

While it may lack the unified focus of a job creation effort or a job placement program, and whereas the potential for failure and difficulty in achieving its goals may increase due to a blending of approaches and techniques, engaging in true social entrepreneurship

provides organizations and program participants with a diverse range of opportunities not found within a single-purpose approach. As reflected in the case statements which follow, this blend is not without its tensions and conflicts. The practice is obviously evolving and moving toward greater understanding of the dual goals of job creation and supported training, as well as the enhancement of both soft and hard skills. But it is clear from the stories told on the following pages, that a holistic approach is emerging that holds great promise for program participants and enterprise managers alike.

Five Types of Non-Profit Enterprise

The businesses which have evolved under the Homeless Economic Development Fund may be categorized as five general types of business ventures:²

➤ SHELTERED:

Rubicon Building and Grounds
SoMa Steam Clean (1993)
BOSS Graffiti Removal (1994)

➤ OPEN MARKET:

Ashbury Images
SF City Store
Espresso Thymself
Nu2u (Thrift Store)
SoMa Steam Clean (1995)
Rubicon Bakery
Thrift Store Solicitation
Pedal Revolution
Zerolith Printing
InnVision—Project Restore
Homeless Garden Projects

➤ FRANCHISE:

Larkin Business Ventures Ben & Jerry's Partnership

➤ PROGRAM-BASED:

Central City Hospitality House
Berkeley Ecumenical Chaplaincy to the Homeless

➤ COOPERATIVE:

MANOS Cooperative
Oakland Workers Cooperative Painting Project

² This list is not exhaustive, nor does it reflect the wide scope of programs and strategies supported by the HEDF since 1990. The businesses listed are simply examples of non-profit enterprises.

These may be described as follows:

A **SHELTERED** enterprise is one that benefits from formal contracting priorities of federal or local government. In the case of Rubicon Building and Grounds, the organization's ability to qualify for the NISH Program (described at length in their case statement) allowed it to secure landscaping contracts within a "sheltered market." This is not to say that the quality of the service provided under those contracts is any lower than one would find in a traditional contracting relationship, but simply that NISH qualification or other public

contracting awards which give added weight to the bidder being a non-profit, allow the non-profit organization to gain a foothold in the marketplace through “anchor” contracts.

An **OPEN MARKET** enterprise is one which receives no preference or priority in the award of contracts or in customer sales. Most of the non-profit enterprises in which the HEDF is involved fall into this category. The reader should be careful not to assume that an organization’s non-profit status will bring any great advantage in the open marketplace. In the HEDF’s experience, the fact that a business is being run by a non-profit often works against an enterprise, since many customers and vendors believe non-profits are generally not well-managed, or that efforts to employ homeless individuals will put their product or service at a lower quality level or make it susceptible to other perceived risk. Furthermore, the “cause-related marketing” benefit of non-profit status has consistently ranked as fourth or fifth in customer buying surveys (after quality, price and service) that rank the primary reasons for doing business with HEDF grantee enterprises. And, as described at length in several chapters of this document, access to “free” capital through grants and waivers from corporate taxes simply does not guarantee a non-profit enterprise will meet with success.

A **FRANCHISE** enterprise is one established through the granting of a franchise from another, usually nationally active, corporation. It is easy to assume franchise operations present non-profits with a “cookie-cutter” approach to business development, but that is not the case. While the non-profit franchisee will no doubt benefit from its relationship with a major corporate franchisor, without significant predevelopment support the non-profit will be in a poor position to successfully manage the enterprise. As described in the review of Larkin Business Ventures’ relationship with Ben & Jerry’s Ice Cream, many non-profits find the core issues related to sound business practice cannot be circumvented simply through affiliation with a franchisor. The experience of the HEDF and other such efforts has underscored this reality.

A **PROGRAM-BASED** enterprise is one which is grown directly out of the program activities of a social service organization. The best examples from the pool of HEDF grantees are Central City Hospitality House and the Berkeley Ecumenical Chaplaincy. In both cases, the organizations were engaging in programs (primarily arts-related) which they then tried to convert into revenue-generating businesses. In the case of the Berkeley Ecumenical Chaplaincy, the transition was not successful. In the case of Central City Hospitality House, the effort has not been initially successful, but may succeed in the long run. The central challenge of such efforts is to determine whether the activity has or can cultivate a market within the for-profit arena. While many organizations engage in programmatic activities of value to their client populations, many of these groups find that such activities cannot be transferred to the consumer market.

A **COOPERATIVE** is a commonly owned corporation wherein workers control a share of the business and maintain voting and other rights while also receiving wages for work performed. The majority of the experiences of the HEDF have involved business start-ups launched by agencies or individuals as opposed to cooperative organizations.

The general lessons and findings which follow are based upon the experience of those non-profits presented in the case statement section of this book. That experience was gained through the operation of these businesses, as well as through other supported programs.

Looking At The Numbers

In evaluating the quality of enterprise development reports we have reviewed over the past six years, we have been struck by the lack of adequate financial and other information upon which to assess the true costs and degree of subsidy involved in this field. The reader in search of the “real bottom-line” will find no lack of numbers in this document.

With regard to financial data, profit/loss statements for 14 enterprises operated by seven different non-profits are presented for analysis. Annual revenue for these businesses in 1995 was modest, ranging from a low of \$75,000 to a high of \$3,250,000. Dipping into the red (as all small business initiatives do), our “loss leader” came in at a negative (\$85,000). Of the 14 enterprises, eight no longer receive subsidies, 10 have achieved break-even or are within 10% of doing so, and eight are generating profits, albeit on a limited basis.

The organizations which run these businesses and provide support services to the trainees or employees, do receive subsidy in the form of foundation or government funding. The reader will also find these figures broken out in separate parts of the profit/loss statements in order to facilitate analysis of levels of subsidy and “in-kind” support provided by the non-profit.

A natural question which rises in this work is that of whether the investment of already limited foundation or other support is justified, given the start-up costs involved in non-profit enterprise. Therefore, we include a cost/benefit analysis of Rubicon Programs, an HEDF grantee for the entire five-year project period and one which is operating both profitable and “non”-profitable enterprises. The independent evaluation was conducted by CALResearch, of Richmond, CA. In their analysis, they determined that over a ten-year period (in our case, 1990 to 2000), total costs, defined as the cost of subsidy, incurred by Rubicon’s businesses are projected to be nearly \$8.4 million. During that same time period, the businesses are projected to generate benefits amounting to more than \$14.2 million. Only during the first two years do the total costs outweigh the total benefits, resulting in net costs of approximately \$209,600 and \$137,000 respectively. Thereafter, the benefits increase each year while costs remain relatively constant. As a result of these trends, the project “breaks even” during the fifth year, achieving a cumulative net benefit of about \$436,500 over the first five-year period, and amasses almost \$5.4 million in net benefits during the next five years. While these benefits represent savings to “the system” and do not accrue to the Foundation, we feel this cost/benefit analysis argues for the justification of the use of charitable dollars for the support of business creation efforts by non-profit organizations. We encourage you to critique the assumptions and costs provided by us so you may reach your own independent conclusions regarding the relative value of this social investment.

Our first challenge in undertaking this initiative has been to develop the organizational capacity needed to manage the ventures and then to demonstrate they could, in fact, be managed at break-even or better. This document presents an evaluation of a representative number of the organizations and businesses with which the HEDF has been involved. The second challenge is to assess how many individuals are employed and what number of training and permanent positions were created. We have documented these figures to the best of our ability and present them for your review in each case study and in the case summaries where possible. The number of training positions created ranges from three to 54. The number of jobs created ranges from two to 71.

More specifically, we may report the following:

JUMA VENTURES:	38 Part-time positions created
RUBICON PROGRAMS:	71 Full-time positions 54 Trainee positions
HOSPITALITY HOUSE:	3 Full-time positions 2 Part-time 13 Temporary
YOUTH INDUSTRY:	12 Full-Time
Oak Street House	9 Full-time 7 Part-time
COMMUNITY HOUSING PARTNERSHIP:	18 Part-time/Temp. (Senator Hotel) 25 Part-time/Temp. (Cristina)
Manos Home Health Care	30 Full-time positions 30 Part-Time 30 Temporary
CONARD HOUSE:	26 Training Positions
SANTA CRUZ HOMELESS GARDEN PT.:	120 Part-time/Temp. (since 1990)
INNVISION:	16 Part-Time/Temp.
SANTA CLARA UNIFIED SCHOOLS:	81 Job placements
SOMA STEAM CLEAN:	3 Full-time 4 Part-time

The Fund was successful in its primary goal of tracking organizational and business development issues. However, as presented in the chapter on program evaluation, neither the grantees or the Foundation were satisfied with our ability to measure specific client outcomes. Given that the organizations involved in this report do not represent the total number of HEDF grantees and due to inconsistencies in tracking duplicated and unduplicated counts, it is difficult to say at this time what total number of individuals received training and placement during the past five years, however based upon what data was gathered by the grantees during this period the figure may be set at over one thousand. Again, reported client counts and other figures related to individual evaluation are provided for the reader's review in each case study. As we move to the next stage of the development process and build upon the base now established, a formal tracking and follow-up system will be in place to assess long-term, individual outcomes more accurately.

Lessons Learned

The Homeless Economic Development Fund of The Roberts Foundation has engaged in six years of funding with a wide array of non-profit organizations. The goal of this funding has been the expansion of economic opportunity for homeless people. As such, a wide variety of business planning, general program, capitalization, and other grants have been awarded by the Fund. Given this diversity, attempts to gather and list the various learnings are difficult, but valuable. The rest of this document is structured in a way we hope makes our lessons as accessible as possible to the reader.

In **Part One** of this book, each case statement (both case summaries and case studies) concludes with a section titled, "Lessons Learned." The reader may read the case in its entirety, or simply flip to the last page of each case statement to review the key lessons taken from that experience.

The case statements selected for inclusion in this book represent an intentional effort to draw upon both positive and not-so-positive experiences. Therefore, instead of simply profiling our "star" efforts, we have included profiles of organizations which have had problems, and one enterprise that closed. Even in the presentation of those efforts which we feel have been extremely positive, we have sought to honestly present the challenges encountered and ultimately overcome by those organizations.

We do all this out of a belief that there is little to be learned from a simple recitation of how "successful" or "great" our experience has been (though we do feel it has been both successful *and* great). To really understand the task before us all, the reader should also know where we feel we went astray or did not perform up to expectations. Our experience in reviewing many foundation reports and program evaluations has been that, overall, there seems to be a tendency to highlight the strong points and soft-sell the problems. We are extremely enthusiastic about the practice of non-profit business development and the promise it holds for the future of community development and social work. However, this enthusiasm has been tempered by an extremely strong dose of reality and a good deal of headbanging. We have made an honest effort to share both the good and the bad. We hope the reader understands and appreciates the risks we have taken by doing so.

In **Part Two**, the reader will find a collection of chapters which present some of the broader issues related to non-profit enterprise creation. Part Two concludes with a chapter on what we found were "cross-cutting" issues for the field of non-profit enterprise creation. The editors of this document chose not to simply copy each lesson learned into the executive summary, in order to minimize duplication and maximize the opportunity to present the key findings of the HEDF experience.

In **Part Three**, the reader will find a number of appendices presenting additional information which may be of use and interest.

Key Findings

Based upon the lessons of the HEDF experience, the following conclusions may be stated:

THE SUCCESSFUL NON-PROFIT BUSINESS ENTERPRISE:

1. NON-PROFIT ORGANIZATIONS HAVE THE POTENTIAL TO PLAN, CREATE, AND MANAGE PROFITABLE BUSINESS VENTURES.

When the HEDF was launched, the fundamental question was: Could community-based, non-profit, human service organizations successfully plan, launch, and manage small businesses? In our experience, when provided with the proper financial and technical assistance resources, non-profit organizations can successfully engage in the creation of social purpose business ventures. *But caution is warranted!!* Non-profit business development is extremely difficult. And enterprise creation is not for the faint of heart. In the same way that not all mainstream employees are ready to launch their own business, not all non-profit organizations are ready to start small, for-profit enterprises. However, those groups and individual managers with the proper degree of interest and commitment can, in fact, succeed in such an undertaking to a greater degree than initially thought.

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If housing and economic development were one and the same, a wide variety of non-profit businesses would already exist, and we would not be witnessing a renewed interest on the part of social workers in non-profit entrepreneurship or on the part of affordable housing developers in launching business ventures.

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2. IN ORDER TO REALIZE THIS POTENTIAL FOR ENTERPRISE CREATION, THE NON-PROFIT MUST HAVE ACCESS TO THE TECHNICAL EXPERTISE AND CAPITAL RESOURCES NECESSARY TO SUPPORT AN EFFECTIVE BUSINESS PLANNING AND ENTERPRISE START-UP PROCESS.

A number of the organizations involved with the HEDF over the past years had operated various revenue-generating enterprises of one sort or another prior to becoming involved in this initiative. Only after receiving adequate predevelopment support, however, were these groups able to move their "experimentation" to the next stage of development. The size of HEDF grants and their multi-year support allowed the groups to focus on the goal of enterprise creation and gave them the financial resources necessary to effectively pursue such a goal. Even with the capital resources in place, in those instances where the organization did not have the technical expertise required (either in the form of a consultant or on staff), they were not as successful as those with such technical support.

3. SUCCESSFUL JOB CREATION EFFORTS MUST BE EFFECTIVELY LINKED WITH THE PROVISION OF HOUSING AND SUPPORT SERVICES.

While it should be self-evident, we must stress that individuals attempting to move from homelessness to employment must have access to a coordinated system of housing and support services. In the words of one staff person, "... getting a homeless person a job isn't all that hard. Keeping them employed is." The practice of social entrepreneurship presented in this book represents the experience of those who, coming primarily from a background in social services, realized there was a critical need for employment and training opportunities for homeless people. By the same token, employment and training opportunities will not be successful without housing, support services, and other resources necessary to allow any person to excel in a work setting. Many non-profit enterprises strive to blend these elements together as part of a continuum of support. And there are a variety of ways these services may be provided, such as through on-site service delivery, referrals or other means.

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It is critical for groups considering involvement in for-profit venturing to invest adequate time and resources to explore their capacity for such an undertaking.
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4. WHILE ECONOMIC DEVELOPMENT IN THE FORM OF ENTERPRISE CREATION IS IN MANY WAYS ROOTED IN A HISTORY OF COMMUNITY ECONOMIC DEVELOPMENT, AND WHEREAS JOB CREATION EFFORTS MUST BE PURSUED AS PART OF A CONTINUUM OF HOUSING AND SUPPORT SERVICES, THE PRACTICE OF SOCIAL ENTREPRENEURSHIP CONSTITUTES A NEW EVOLUTION OF THOUGHT AND TECHNIQUE. SIMPLY BECAUSE ONE IS ENGAGED IN THE CREATION OF AFFORDABLE HOUSING OR THE PROVISION OF SUPPORT SERVICES DOES NOT MEAN ONE HAS THE SKILLS REQUIRED FOR BUSINESS DEVELOPMENT.

In one sense, New Social Entrepreneurship is simply the “old ways” revisited and made relevant to a new point in human history. At the same time, the business acumen and skill set commanded by these managers represents an evolution of thought and practice which moves significantly beyond that of the past. It is popular in some quarters to refer to “affordable housing as economic development,” and while there are surely elements of non-profit housing which involve economic development, the two are quite simply not the same. The markets are different, as are the financing vehicles and required management expertise; certainly, the demonstrated histories of success are different. If housing and economic development were one and the same, a wide variety of non-profit businesses would already exist, and we would not be witnessing a renewed interest on the part of social workers in non-profit entrepreneurship or on the part of affordable housing developers in launching business ventures. The pursuit of a social/business “double bottom-line” necessitates the ability to function equally well on both sides of the balance sheet in an integrated manner. Today’s non-profit managers come from both the business and non-profit arenas. As such, the conceptual and practice frameworks they are creating represent a new way of being in the world and a new understanding of the potential for harnessing capital, asset, and employment opportunities in the name of greater economic self-determination. The New Social Entrepreneurs learn from the experiences of social workers, community development practitioners, and business people in order to create a new integrated conceptual and practice framework effective in the business markets within which they operate.

5. A KEY FACTOR IN THE CREATION OF SUCCESSFUL NON-PROFIT ENTERPRISES IS THE PRESENCE OF A NEW SOCIAL ENTREPRENEUR.

Without a single “champion” within the organization, many of the successful ventures described in this document would not have been launched or effectively managed. Assigning an already overextended staff person the task of managing an enterprise is not an effective strategy for engaging in business development. Not only should a single staff person be charged with managing such an effort, but that person must also have the prerequisite skills and passion required of an entrepreneur. In some cases appearing in this book, existing managers were supported in their efforts to expand their business skill base. In other cases, individuals with business training or backgrounds were brought into the organization. In every case, the presence of significant, traditional business skills on the part of the social entrepreneur has been of critical importance.

6. NON-PROFITS SHOULD BE SUPPORTED IN THEIR EFFORTS TO EXPLORE THEIR POTENTIAL FOR ENGAGING IN SOCIAL PURPOSE VENTURING; HOWEVER, ALL THOSE INVOLVED IN SUCH A PROCESS MUST RECOGNIZE THAT GETTING TO NO MAY BE MORE IMPORTANT THAN GETTING TO YES.

Many who work in non-profits may honestly believe that the creation of a business enterprise is consistent with the organization’s mission and purpose. Many may also feel the organization is well-positioned to engage in such an activity. In fact, upon closer examination, not a few non-profits will find they lack one or more elements which make for successful business venturing. It is critical that groups considering involvement in for-profit venturing invest adequate time and resources to explore their capacity for such

an undertaking. More importantly, those involved in the process must be open to the very real possibility that deeper investigation may reveal that engaging in business development at this time may be inappropriate for a variety of reasons. And despite the expenditure of planning or feasibility funding, the decision may be made not to proceed. In the experience of the HEDF, it is important to celebrate such decisions as strongly as those which result in the creation of an enterprise. A planning process which results in a non-profit's decision not to spend the significant time and resources necessary to start a business is a good planning process and does not represent the "wrong" answer! Organizational momentum or individual enthusiasm should not be allowed to override the data or committee decision.

THE RELATIONSHIP BETWEEN BUSINESS AND SOCIAL GOALS:

7. PROGRAM PARTICIPANTS WANT TO PLAY A CRITICAL ROLE IN CONTRIBUTING TO THE SUCCESS OF SOCIAL PURPOSE VENTURES.

The process of creating and managing successful non-profit enterprises should not be exclusively left to business experts, board members, and staff who chart a course and guide an organization's pursuit of that course. In many of the cases presented in this document, program participants played significant roles in selecting the enterprises to be created and in helping establish those enterprises. As is true of most businesses, the managers and employee/trainees of the social enterprises presented in the following pages are continually learning how to best draw from the experience and knowledge of each other. There are certainly practices from the mainstream business community from which we may learn; however, the "best" way to fully integrate transitional employees into the management mix of a non-profit business has not been discovered. As these ventures move from start-up to stability, there is no consensus on how to assure full and complete involvement of all program participants in the ongoing management of the enterprise. It is clear from our experience to date that the maximum participation of all players can only benefit the social enterprise as a whole and improve upon its chances for success.

8. NON-PROFITS MANAGING SOCIAL PURPOSE VENTURES FIND THEMSELVES NATURALLY PULLED TOWARD THE CREATION OF PERMANENT, RATHER THAN TRAINING OR TEMPORARY, EMPLOYMENT OPPORTUNITIES.

Inevitably, the non-profit attempting to decrease costs, improve productivity, and increase revenue will find itself drawn toward efforts to stabilize its employee pool. This often means a move away from the provision of training or transitional employment (both of which increase costs and decrease productivity within a business context). This does not mean non-profit organizations cannot create supported employment opportunities; it simply means managers of non-profit enterprises must anticipate this healthy tension and creatively respond to it. Among other things, such a response may include hiring formerly homeless individuals as "permanent" or "core" personnel, while augmenting those employees with a larger number of "trainee" positions. Depending upon the specifics of the enterprise in question, this issue has been successfully addressed in a variety of ways.

9. WHILE IN THE PAST A NON-PROFIT'S SOCIAL MISSION OFTEN SQUEEZED OUT SOUND BUSINESS PRACTICE, OUR EXPERIENCE HAS BEEN THAT, WHEN MANAGED APPROPRIATELY, SOUND BUSINESS PRACTICE CAN HELP DRIVE THE REALIZATION OF THE ORGANIZATION'S SOCIAL MISSION.

In the past, most efforts at non-profit business venturing burdened a single enterprise with a variety of social goals and outcome expectations in addition to profitability. More

recently, it has been found that by focusing on the challenge of successful small business development, one may then be in the position to realize other social goals, such as the creation of transitional or supported employment. If the business itself is a failure, there will be neither a business nor training/employment opportunities. Clearly, a balance must be achieved between the pursuit of these two goals and, while it is difficult, it is possible to pursue sound small business management practice which also results in the expansion of economic opportunity for people formerly on the margin.

10. THE PRACTICE OF NON-PROFIT ENTERPRISE CREATION DOES NOT CONSTITUTE UNFAIR COMPETITION WITH MAINSTREAM, FOR-PROFIT BUSINESSES.

Generally speaking, those who oppose non-profit enterprises do so for two reasons: First, they claim, non-profits unfairly undermine market-level pricing structures through the “benefits” of their status as charitable organizations; and, second, they would have us believe the very presence of non-profit enterprises in the general market simply adds to existing competition, making it more difficult for for-profit entities to survive. With regard to the first concern, while one may be able to find a non-profit business presently operating somewhere in this country which attempts to gain market share through aggressive pricing practices made possible, at least in part, by its non-profit status, none of the businesses in which the HEDF has been involved engage in such practices for one very simple reason: the cost structures under which these enterprises function are simply too great to support such a strategy. As presented in great detail in the financial analysis section of this document, non-profits incur substantial cost penalties as a result of their commitments to hiring “marginal” employees. These costs are not carried by the mainstream, for-profit business and place the non-profit enterprise at a critical disadvantage in the marketplace. With regard to the second concern, it is our position that while increasing the level of competition in the market may inconvenience some existing enterprises, the expansion of competition works to the advantage of the consumer by helping keep prices down and service/quality up.

11. NON-PROFITS ENGAGING IN SOCIAL ENTERPRISE CREATION MUST UNDERSTAND THE PROFOUND ORGANIZATIONAL, PERSONAL, AND PROFESSIONAL CHANGES ENTAILED IN THE PRACTICE OF THE NEW SOCIAL ENTREPRENEURSHIP.

In the words of one executive director, “If you like your board, staff, and clients, don’t do this, because they will all change!” What appears in this document are not cases of non-profits “adding” business development to their offerings in the same way they “add” a new, grant supported program or activity to an existing organizational structure. The pursuit of non-profit enterprise creation presents serious challenges to the conceptual and practice frameworks of all those involved. Social entrepreneurship is not social work, community economic development, or business development. It is the integration of all three and therefore requires those involved to modify, expand, or cast off old ways of analysis and practice. In this process, some players, whether board, staff or client, will inevitably decide they prefer the old way of doing things and talking about issues. Such individuals may choose to leave or may stay and attempt to recreate the past reality. In either case, the pursuit of social entrepreneurship will become a force for change. Those involved in this process should be fully aware of the degree of profound change which will accompany this practice.

12. THERE IS AN ONGOING TENSION BETWEEN THE DESIRE TO PAY A LIVABLE WAGE AND WHAT THE ACTUAL MARKET WILL SUPPORT.

The non-profit enterprise is caught between two worlds; few aspects of the organiza-

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tion reflect this more than that of wages. Many industries available for entry by many non-profit organizations are, almost by definition, low-wage/low-value-added industries with relatively low barriers to entry. This makes it possible for the non-profit enterprise to gain a toe-hold, but makes it extremely difficult for management to “leverage up” the wages offered program participants and employees. In the case of ArtStart, the business initially paid artists a 50% royalty on each card sold in the belief that artists should make as much money as possible off their designs. The industry standard, however, is 10% and the business was simply unable to support the higher fee structure. At Ashbury Images, wages are \$6 per hour in order to assist individuals transitioning to independence from residential treatment programs and supported housing; however, the wage scale of most silk-screen businesses runs below that, allowing them to undercut AI’s labor costs and submit lower bids in order to secure orders. Larkin Business Ventures pays “only” \$5.25 per hour for part-time youth employees, but also wants those employees to earn enough to transition on to other opportunities. And Rubicon Programs actually pays above the market wage rate for many of its positions. The dilemma is that the non-profit entrepreneur is attempting to fulfill the social and community values of the enterprise, while simultaneously meeting the market definition of remaining competitive. The original rationale that assumed such “market disconnects” could be made to work was simply that an organization not returning profits to an owner would be able to divert those profits to line staff salaries. The reality is that in virtually all start-up situations, every penny of available cash flow is drawn into supporting the enterprise itself. Very limited, if any, funds are available to support any “dividend payout,” whether to an owner or to support a non-profit mission. As documented in this report, each organization must confront this reality in one form or another.

IF THERE WAS A “MODEL” FOR DOING THIS, EVERYBODY WOULD

13. THERE IS NO “MODEL” FOR CREATING SUCCESSFUL NON-PROFIT ENTERPRISES. THERE ARE ONLY BEST PRACTICES.

While there are certainly common lessons learned, issues confronted, and experiences shared by the organizations profiled in this document, the reader will find no models for successfully pursuing non-profit enterprise creation. It is popular in the private, non-profit world to attempt to “frame” an approach or develop a model for replication in other situations and environments. A critical finding of the HEDF has been that there is no singular model in this work. Each market is different, constituting unique resources, players, capacity, and historical opportunities. The challenge is not to agree upon “lighthouse models” for the field, but to develop on the part of practitioners and others the ability to draw upon a variety of best practices to most effectively respond to a particular enterprise’s circumstances. This understanding of the field recognizes the glorious anarchy of both the for- and non-profit markets, and at the same time maximizes the capacity of future managers to successfully grow enterprises in an ever-changing community and global context.

14. GIVEN THERE IS NO SINGLE “MODEL” FOR THE CORRECT PRACTICE OF NON-PROFIT ENTERPRISE CREATION, THE FIELD ENCOMPASSES MANY SEEMING CONTRADICTIONS.

Since true social entrepreneurship arises from the anarchy of the market and the vision of the individual located within community, it is only natural that the field of non-profit enterprise encompasses a wide diversity of organizations successfully managing a variety of enterprises in divergent markets with different approaches. This diversity gives rise to an array of experience and opinions, as well as contradictions, which are present

throughout this document. One manager will state that the goal of social entrepreneurship is to completely support all program costs of the organization, while another will frame the goal as one of diversifying the revenue base and that a 50% subsidy is valid. Some practitioners feel the business should only attempt to create transitional employment, while others advocate a mix of transitional and permanent. As a reflection of these contradictions, one will find the lessons learned from one experience may conflict with the lessons learned from another. To paraphrase F. Scott Fitzgerald, the ability to hold two opposing thoughts in one's mind is the sign of an intelligent being.³ If this is true, then New Social Entrepreneurs must be truly gifted.

15. BIGGER IS NOT NECESSARILY BETTER.

Naturally, the tendency is for us to seek one, large solution to the challenge of employing those not presently working. As Americans, we tend to prefer the Big Promise to the small acorn of truth. What we must remember is that the "big" solutions to our problems often started as small, local efforts. Pioneer Human Services⁴ and a few other large-scale successes across the country were not launched as organizations of large scale, but began as small non-profits. Their present success is the product of 30 years of work. The non-profit enterprises presented in this book have been in operation for less than five years. It is only appropriate their outcomes be measured in terms consistent with their stage of development. For these emerging efforts at non-profit enterprise, the first measure of success is the ability to manage an enterprise on a break-even basis. The second measure is the ability of the non-profit to provide transitional and permanent employment to individuals on the margin of the economic mainstream. The third measure is the ability of the business venture to generate surplus revenue to support the program costs of the sponsoring organization. And the final measure of success is the scale of the venture, meaning the total number of positions created. Certainly, the purpose of non-profit business development is the provision of transitional and permanent employment to as many people as possible, but if the first three goals are not attained, the fourth will never be realized.

³For the full quote and reference, please see the final section of the chapter, "The Positioning of Non-Profit Enterprise in the Global Economy."

⁴Pioneer Human Services, located in Seattle, Washington, operates seven businesses employing over 500 formerly homeless and low-income people. Pioneer receives virtually no public or private grant support, and serves over 3,000 clients per year in its various programs. It is a very happening organization.

FUNDING NON-PROFIT ENTERPRISE CREATION

16. EFFECTIVE FUNDING OF NON-PROFIT ENTERPRISE, WHILE OFTEN DISBURSED IN INCREMENTS, MUST BE PART OF A SIGNIFICANT, LONG-TERM COMMITMENT ON THE PART OF THOSE FUNDERS SUPPORTING SUCH EFFORTS.

As is detailed in the following chapters, the ventures which experienced the greatest success were those that could rely upon the HEDF for significant, multi-year support in the form of both grant funds and staffing assistance. The process of establishing a start-up small business can average between three to five years in the traditional, for-profit context. In the non-profit environment, where one is attempting both organizational change as well as business start-up, it will take at least that long and possibly longer. Organizations will not be successful without the presence and involvement of funding partners able to fully comprehend their challenge and make a long-term contribution to it.

17. THE TRADITIONAL, "GENERALIST" APPROACH TO GRANTMAKING IS NOT DIRECTLY TRANSFERABLE TO THE SUCCESSFUL FUNDING OF SOCIAL PURPOSE ENTERPRISES.

The commonly practiced "generalist" approach to foundation work has proven extremely effective in providing grant support to a wide variety of non-profit organizations. While this track record is laudable, it will not make for successful funding of non-profit business development. The effective foundation staff person must understand, in

addition to such fundamentals as financial analysis and marketing, the intricacies of tax credit policy, debt financing, and a host of other issues. If the funder is to make informed, intelligent investments in what is arguably one of the most “high-risk” arenas of philanthropy, it is critical he fully comprehend the “deals” in which he is involved. Foundations without such expertise should consider collaborative funding, “piggy-back” investments (made based on the groundwork laid by another foundation), or general support funding (provided to an enterprise organization to assist in their overall activities, but not necessarily targeting a particular project or investment opportunity). We are not suggesting that a generalist practice has no place in enterprise creation, but that the limitations of such funding practice must be understood in advance in order to make full use of the skill set presented by the generalist and assure an appropriate level of risk exposure is maintained.

LOOKING TOWARD THE FUTURE

18. WHILE IT IS IMPORTANT THAT NON-PROFIT ORGANIZATIONS INVOLVED IN PREDEVELOPMENT AND START-UP HAVE ACCESS TO GRANT SUPPORT, ORGANIZATIONS ALREADY OPERATING OR EXPANDING EXISTING SOCIAL PURPOSE VENTURES WILL INCREASINGLY REQUIRE ACCESS TO MORE DIVERSE FORMS OF CAPITAL, INCLUDING DEBT AND EQUITY.

As a part of the long-term commitment to funding in the area of enterprise creation, it is becoming clear that the requirement of existing non-profit enterprises is increasingly less an issue of access to one-time grants than that of access to long-term debt and equity investments. To be sure, organizations in start-up or predevelopment are not in a position to receive or make adequate use of equity instruments. However, those groups which are encountering some level of success in the for-profit arena must be able to continue their growth, learning, and movement toward greater profitability through the presence of patient, long-term capital support. Certain modifications may be needed if foundation and private, for-profit capital is going to meet the legal and operational needs of a non-profit business. Nonetheless, those involved in community-based, non-profit enterprise creation will need to move beyond traditional tools of grants and toward expanding the use of Program Related Investments and equity-type investments in order to create new, more effective financing instruments for the next stage of capital diversification.

19. FOR EXISTING NON-PROFIT ENTERPRISES, A CRITICAL FACTOR IN THEIR FUTURE SUCCESS WILL BE THEIR ABILITY TO IDENTIFY AND ENTER NEW MARKETS.

A number of non-profit enterprises, both locally and nationally, have successfully passed through their initial start-up and capacity building stages. These ventures are poised to grow and expand the number of employment opportunities they provide program participants. A central barrier to this growth is the fact that, for the most part, many enterprise managers are outside the “loop” when deals are made and contracts signed. The networks upon which the competent non-profit social services manager relies are primarily made up of government, funding, and peer contacts. If social purpose businesses are going to achieve their potential, they will have to meet, network with, and understand the daily world of the mainstream business community. Only in this way will they be able to fully enter and compete in new markets.

20. ADDITIONAL WORK IS NEEDED TO ESTABLISH COMMON PROGRAMMATIC AND FISCAL EVALUATION STANDARDS FOR NON-PROFIT ENTERPRISES.

While certainly not a new issue, the evaluation of non-profits in general and non-profit

enterprise in particular remains a very real challenge. Over the past years, HEDF staff have heard a variety of claims regarding the success and profitability of any number of community-based enterprises operating across the U.S. Upon further investigation, though, we have discovered that only by virtue of hidden subsidies and transfer costs could a given enterprise be charitably referred to as “profitable.” (A related problem arises when enterprises estimate their job creation outcomes. Often organizations will claim 10 jobs created, when in fact the FTE will be a more modest four.) In this document we have included a significant amount of financial information and accounting frameworks which we hope will assist others in assessing our experience and evaluating their own activities. Although the numbers presented have not been audited, they were taken directly from management charts of account and, to our knowledge, represent the first effort on the part of such an initiative to provide full financial disclosure. In addition to the challenge of evaluating the financial side of the organization, it can be just as difficult to assess the individual impact of such enterprises. As discussed in a separate chapter, the ability to track and receive information on program graduates (to say nothing of those who leave the organization unsuccessfully) requires more resources and focus than many policy, funder, and practitioner organizations provide. Additional work is clearly required in this area and it is our intent to pursue the issue of evaluating individual impact more comprehensively in the years to come.

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*While the door
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.....

21. THE PRACTICE OF NEW SOCIAL ENTREPRENEURSHIP IS CLEARLY NOT A POVERTY PANACEA, NOR IS IT SOMETHING EVERY PROFESSIONAL OR ORGANIZATION SHOULD PURSUE. REGARDLESS, IT REPRESENTS A POWERFUL RESPONSE TO SHIFTING PUBLIC POLICIES IN A CHANGING WORLD.

It could easily be argued that the present shifts in this nation’s approach to social and public policy represent the most profound changes witnessed by our country since many of the existing programs were devised over 30 years ago. Accordingly, we must clearly understand the very real threat to those who presently rely upon these programs for sustenance as the policies and programs are gutted, modified or abandoned. In addition to creating new ways of combating poverty in the United States, we must all fight to assure that these shifts, if they are to be made, are pursued with both compassion and support for those whose lives will be most directly affected.

Ironically, this is also a time of great opportunity. While the door of traditional social welfare policy closes upon us, windows are opening which look out to a new world. Economic development and the practice of social entrepreneurship represent one ladder available to us to climb down from those windows and enter into a new garden below, where we will find great potential for community, economic, and spiritual growth. This new world stands outside the old paradigm and practice of both community development and social services. To survive in this new world, we must learn to “think outside the box” and recapture the notion of what it means to be truly “radical.”

What some call “devolution” may actually represent an opportunity for positive change based upon our common experience of attempts to confront poverty, forcing us to do what many have long acknowledged is needed: consolidation of multiple levels of government bureaucracy, a re-examination of basic assumptions, collaboration across program lines, elimination of categorical funding, and any number of other steps we may take over the months and years to come. In this process we must cultivate a new understanding of the role government is to play in the distribution and use of federal funds. It is just as naive to think there will be no role for federal government as it is to sincerely believe each state will go its own way. We are a diverse nation of many values and beliefs, the combined power of which give us our strength. We must understand that at least one element of this transformation, the tension between states rights and federal governance, is not new to this time, but is rooted in the Civil War and before. We must work to see that the transfer of power and resources to the states does not simply stop at that level, but continues on down to the communities of which we are all a part.

There will be new roles to be played by all. In the same way we expect those on the margin of today's economy to take their rightful place in the workforce, it is also appropriate for us to provide opportunities for America's business community to move beyond annual charity drives toward taking a proactive stance with us in our communities as we fight against poverty. Corporations are in the position to bring more than donations of money, but may also create opportunities which enable their employees to donate their talents or invite non-profit businesses to the bidding table.

As program participants, social workers, business people, funders, public sector employees, union members, and many, many more, coming together for the common good, we can create our own success. As individuals and separate groups, we don't stand a chance. There are definite risks and new evils yet to be confronted. But just as in times past, it is surely within our power to determine how we will respond to such risks and overcome such dangers.

New Social Entrepreneurs represent an integrated way of thinking and being in the world. They bring critical tools to assist in the pursuit of economic justice. While the practice is not completely new nor unique, the learnings of those creating non-profit enterprises are more important now than at perhaps any other time in our history. We hope the success, challenges, and lessons included in this report will contribute to the victories which await us all in our shared future.

A handwritten signature in black ink that reads "Jed Emerson". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

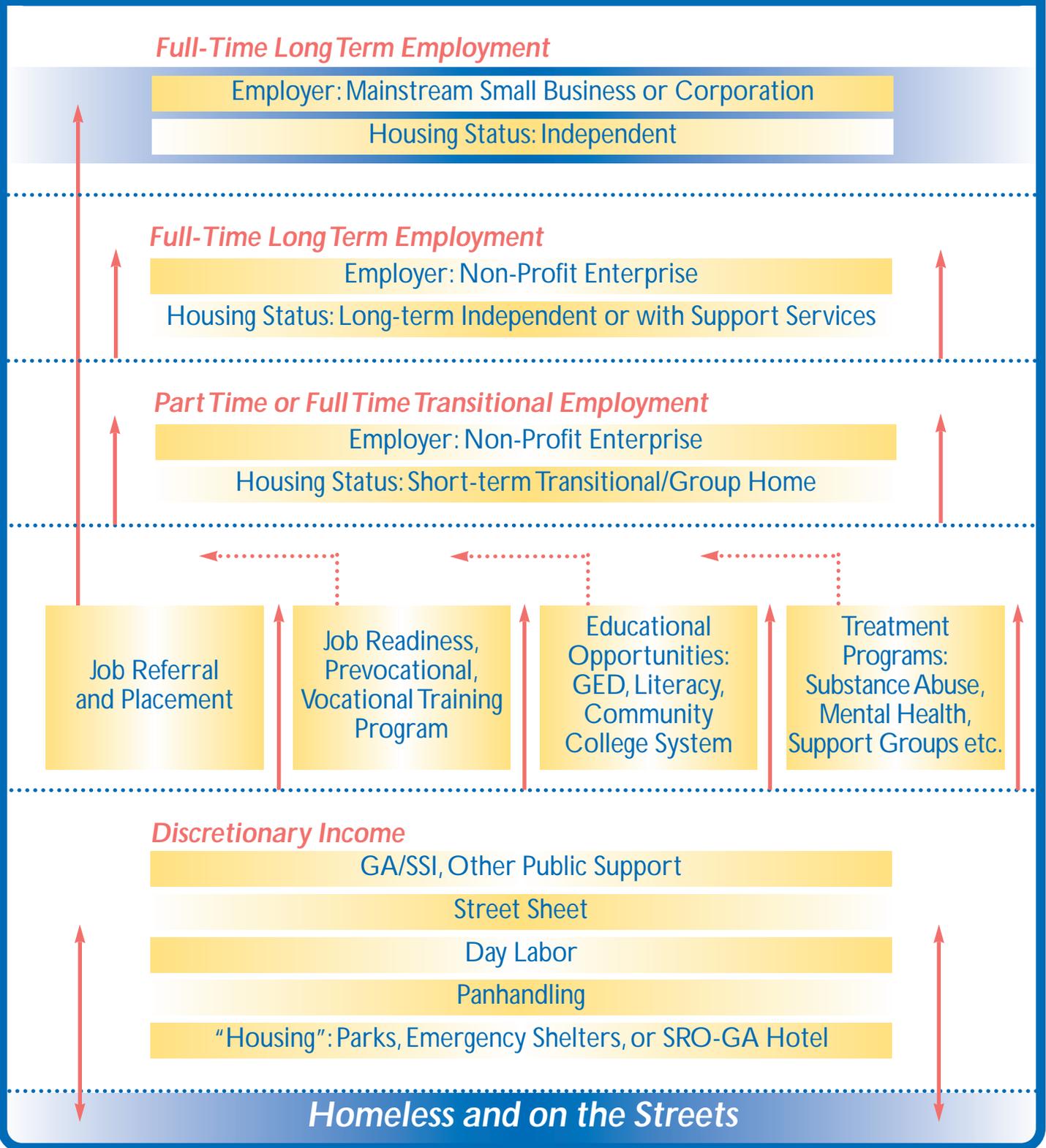
JED EMERSON, MSW, MBA

Director

HOMELESS ECONOMIC DEVELOPMENT FUND

SAN FRANCISCO, CALIFORNIA

A Continuum of Economic Opportunities for Homeless and Formerly Homeless Individuals



This diagram describes the process by which very low-income and homeless people move from homelessness to supported living, employment, and independence. Some individuals move back and forth between the street and various forms of "at-risk" living. Others move from the street to any of several service programs, and then to immediate employment. Still others move

from the street to supported housing and from there into various levels of transitional employment, ultimately becoming fully employed in the labor market. The "right" process is different for each individual; however, any successful approach to employment of formerly homeless and low-income people must be built upon a continuum offering an array of exits from the street.