

Commentary—Social Enterprise: Do Good While Doing Well

By Greg Werkheiser

In the last issue of the Chronicle we launched a column that will explore the challenges and opportunities facing nonprofit corporations serving Northern Virginia and celebrate those organizations led by social entrepreneurs implementing new strategies for improving and sustaining their good work. One survive-and-thrive strategy that tops the list is earned income, or money earned from selling products or services.

Some folks are under the mistaken impression that nonprofit organizations are not permitted to make a lot of money, and must subsist solely on contributions. In fact, some of Virginia's and the nation's largest corporations are nonprofits with incomes in the hundreds of millions of dollars. Hospitals, universities and museums come to mind. The distinction between nonprofit and for-profit corporations is how the income is used. For private corporations, profits can be paid out to investors or shareholders. For nonprofits, all profits must eventually be plowed back into activities related to the organization's mission.

A new generation of nonprofit leaders we call social entrepreneurs are emulating the private business innovators who have devised ideas and gadgets for which people are willing to pay. This approach is not a luxury. With fierce competition for limited dollars from traditional sources such as philanthropists, foundations and government, generating earned income is becoming a necessity. While few organizations fund their entire budgets through this strategy, a little creative effort can go a long way.

Take the example of the Community Business Partnership (CPB, at cbponline.org), a 501(c)(3) located in Springfield. CPB provides training and support to those seeking to build successful small businesses, especially citizens of low income, minorities, women, veterans and the disabled. Founded in 1995 to fill a need identified by a number of partners including George Mason University and Northern Virginia Community College (NVCC), CPB now boasts eight full-time and two part-time staff members. They offer individual counseling sessions and as many as 30 workshops a month; hold several conferences, including this year's 7th Annual Women's Entrepreneur's Expo that drew 430 attendees and offer micro-loans to start-up enterprises. Soon they will partner with NVCC to offer an entrepreneurial certificate program of 26 credit hours.

Almost a quarter of CPB's annual budget of \$750,000 comes from earned income. "A few years ago our income derived from sources other than grants or donors was less than 1 percent. We made earning income a part of our strategic plan," says chief executive officer Kathy Wheeler, who has been with CPB for 10 years. How do they do it? When CPB's small-business students get off the ground and need an office, CPB will rent them space for \$650 a month. Want a mailbox, an address and someone to answer the phones? CPB provides those things as well, for \$30 a month. Add these fees to those paid by companies sponsoring low-income citizens to attend CPB conferences and workshops, and it adds up in a strategy where the very audience assisted by CPB pays it forward to the next round of clients.

Organizations need not limit their social enterprise to activities directly aligned with their mission. Sage Flowers of Springfield (sageflowers.biz) is a full-service flower shop owned by Offender Aid and Restoration (OAR), a nonprofit that has been working since 1974 to help inmates in Northern Virginia facilities prepare for a successful reentry into our community. All of the profits from the sale of flowers goes to support OAR's programs.

The ingredients for successful social enterprise are indistinguishable from those of private enterprise. You need a business plan, executive and board leadership willing to take calculated risk and paying customers. And here is the irony—philanthropists, especially in Northern Virginia, private companies, foundations and government—are increasingly directing their giving to nonprofits that demonstrate innovative independence. The less you need them, the more they want to give.

It is worth noting that the principles of social entrepreneurship are not limited to the nonprofit sector. The next time you enjoy a pint of Ben and Jerry's ice cream, you'll recall that by pursuing a profit motive first and with a high-calorie vengeance, its founders are able to use their profits to effect more change in concerns like environmental stewardship than many environmental nonprofits. Similarly, our state and federal governments should encourage and reward entrepreneurial efforts within government programs, so that tax dollars need not be their sole fuel.

Nonprofits with the courage to pursue social enterprise often explore two additional strategies for sustaining and growing nonprofits in an era of limited resources: partnership and merger. In future columns, we'll profile some of them. If you lead or know of organizations that have recently consolidated or partnered to increase their impact, please e-mail me at Greg@phoenixproject.org.

The Web site of the Phoenix Project is www.phoenixproject.org.