

SOCIAL ENTERPRISE IN GEORGIA



A PROFILE OF THE FIELD AND STRATEGIES AT WORK

BY

THE GEORGIA CENTER FOR NONPROFITS
WITH SUPPORT FROM THE HOME DEPOT FOUNDATION



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Social Enterprise in Georgia - Introduction

The Georgia Center for Nonprofits (GCN) issued a survey instrument to assess the state of social enterprise in Georgia. The survey effort, funded by The Home Depot Foundation, identified trends among those organizations engaged in social business ventures, to attempt to understand the prevalence of and interest in this type of endeavor within the nonprofit sector and to identify challenges and opportunities in order to advance the field, inform investors, and further GCN's work as capacity builders to the sector.

For the purpose of the survey, "social enterprise" was defined in accordance with the Social Enterprise Alliance's definition: "An organization or venture (within an organization) that advances a social mission through market-based strategies. These strategies include receiving earned income in direct exchange for a product, service or privilege."

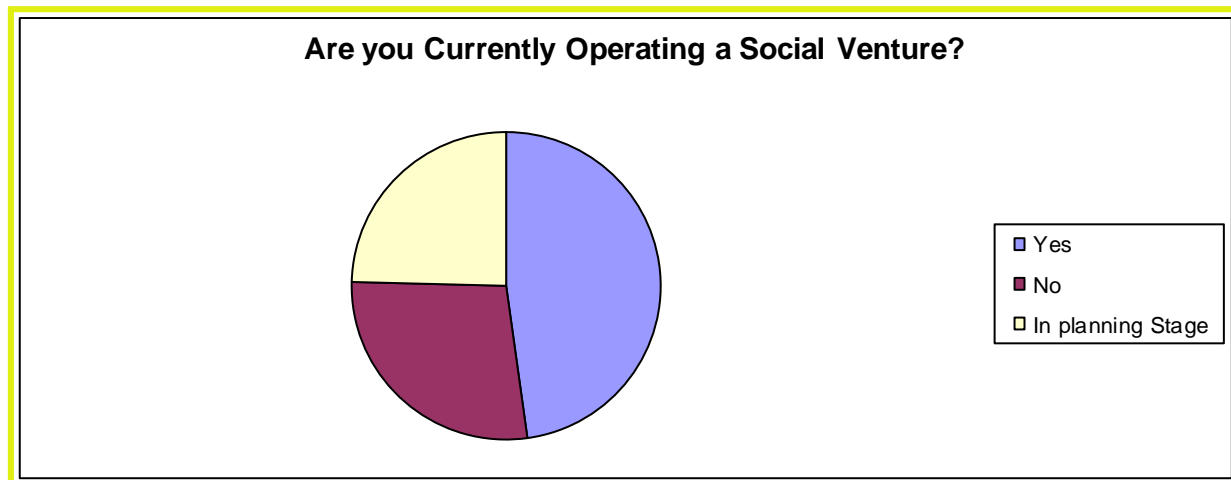
Survey respondents were identified by GCN from multiple sources including an extensive database of reporting charities in the state, along with multiple partner databases throughout the state representing a broad spectrum of organizational types, sizes and geographic locations. In total, 765 organizations responded to the survey and 235 completed the entire survey. These groups include those currently operating a social venture, those considering one, and those who were unfamiliar with the concept. While our objective was to understand the landscape as a whole, the majority of the survey was organized to collect data from existing ventures, thus the total number of survey completes versus starts is as expected.

We have included several brief profiles of current nonprofit and for-profit ventures throughout Georgia and US to illustrate the varied nature and players within the field. For those interested in additional information and resources, we have also paired this study with portions of a directed study paper prepared by Bob Sleppy, Executive Director, Nuci's Space for a Master's program at the University of Georgia to offer a general background that we find helpful in contemplating the often confusing terminology associated with social enterprise today. Sleppy's work also includes an introductory discussion of structure, choices, and impact evaluation methodologies.

We deeply appreciate the efforts of those groups who completed the survey and interviews, and with whom we consulted prior to its release. And, we thank The Home Depot Foundation for providing support for the study and its release, and for their support of nonprofits doing important work across the state and country.

Growth of Social Enterprise in Georgia

A clear trend that emerged in the study is that the number of entities considering or operating a social venture has exploded in the past few years. Out of the 765 groups responding to the survey, 188 or 24.6% were in the planning stages, and 47.8% or 366 reported they were actively operating a venture. 27.6% of total respondents were not operating or planning a venture.



Of those respondents operating a venture, the overwhelming majority started the effort in the past ten years.

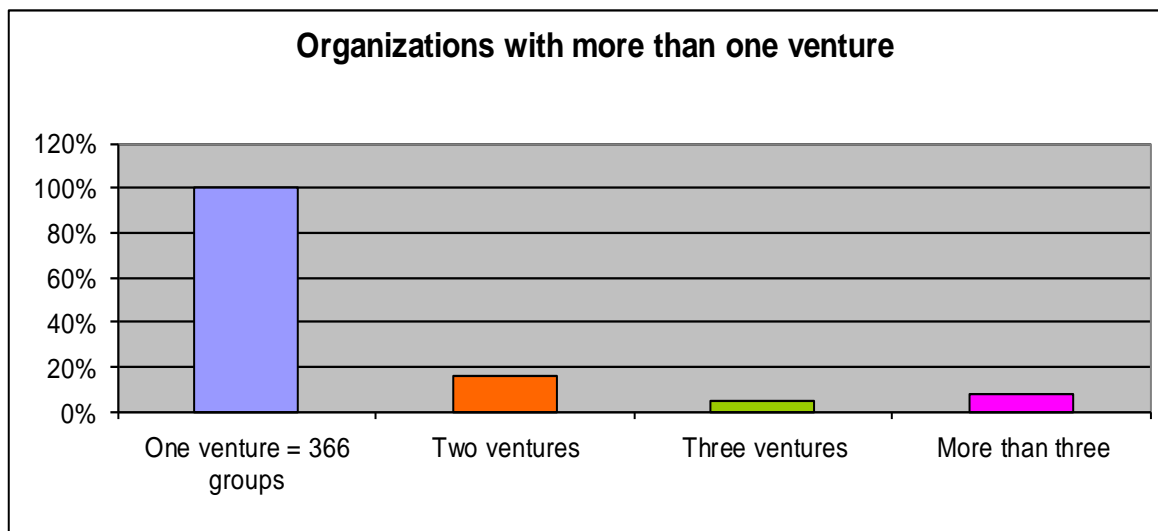
Before 1970	2.8%
1970-1979	2.8%
1980-1989	6.8%
1990-1999	9.0%
2000 - 2009	53.1%
2010	25.4%

The data shows a marked increase in venture launches in 2010 compared to

the period between 1990-1999. 45 ventures were launched among respondents in 2010 alone, versus 94 among respondents in the entire prior decade. Of course, the disparity may be due to the number of ventures launched versus the number that actually can be sustained over a year, much less a decade. There is surely an attrition rate at play in the data, as the fail rate for all small businesses exceeds 80%. Nonetheless, given the current economic climate, this increase in venture starts seems counterintuitive. However, qualitative responses indicate that many groups see some form of revenue generation as essential to the future of their organization, as other funding sources have dwindled or become increasingly difficult to secure. Given the fact that about 25% of our total respondent pool, or 188 respondents, were planning a venture, if even half of these actually launch in 2011, the number of venture starts would have increased by 148% in the first two months of the decade compared to the entirety of the 90's.

Notably, those groups who operate social enterprises are likely to start other ventures.

Out of those currently operating a social business, 366 total respondents, 16% operate two; 4.8% operate three; and 7.4% operate more than three.



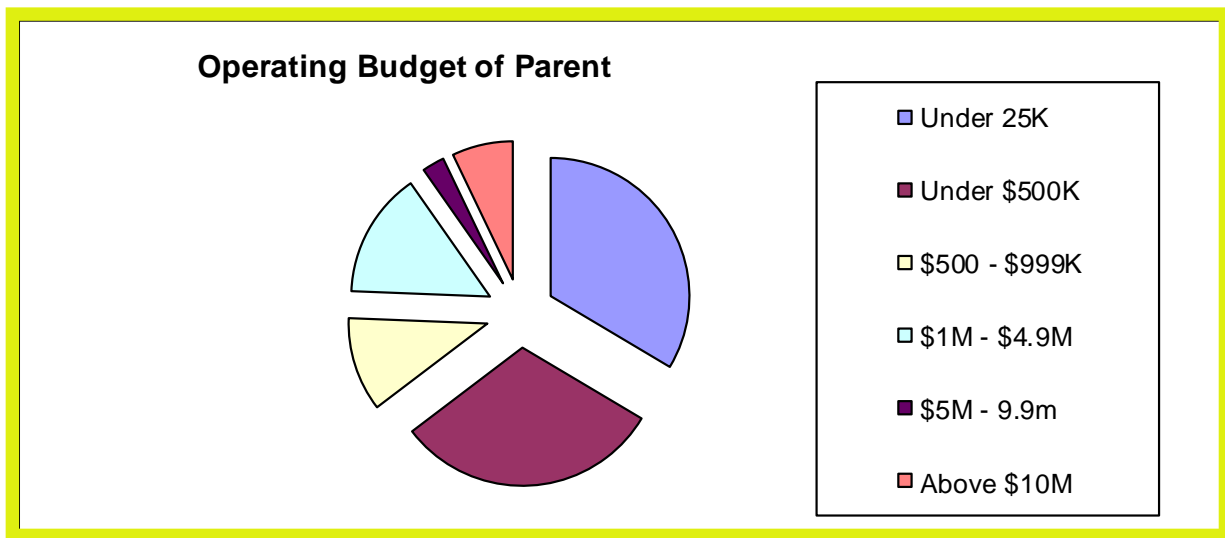
For those respondents currently operating one social business, 41% stated that they anticipate launching a second over the next three years.

The expansion of the number of ventures within, or created by, any one organization is part of the overall expansion trend within the field itself.

Who's Operating Social Enterprises?

By organizational budget

More than 76% of nonprofits in Georgia, and the US, are under \$500K in annual revenue and therefore it is not surprising that these groups represent the largest segment of responses. It is interesting to note that the larger the group, the more likely it was to operate a venture, to operate more than one venture, and to generate some level of net revenue from a venture. Without exception, the ventures producing in excess of \$100K were operated by larger nonprofits (above \$1M in annual revenue).



By nonprofit mission area

There are many types of nonprofits, and respondents to the survey represented almost every conceivable type of mission focus; however the data indicated that Education, Community Economic Development, Human Services, Youth Development and Arts institutions are more likely to operate a social venture than other types of nonprofits.

By number of employees

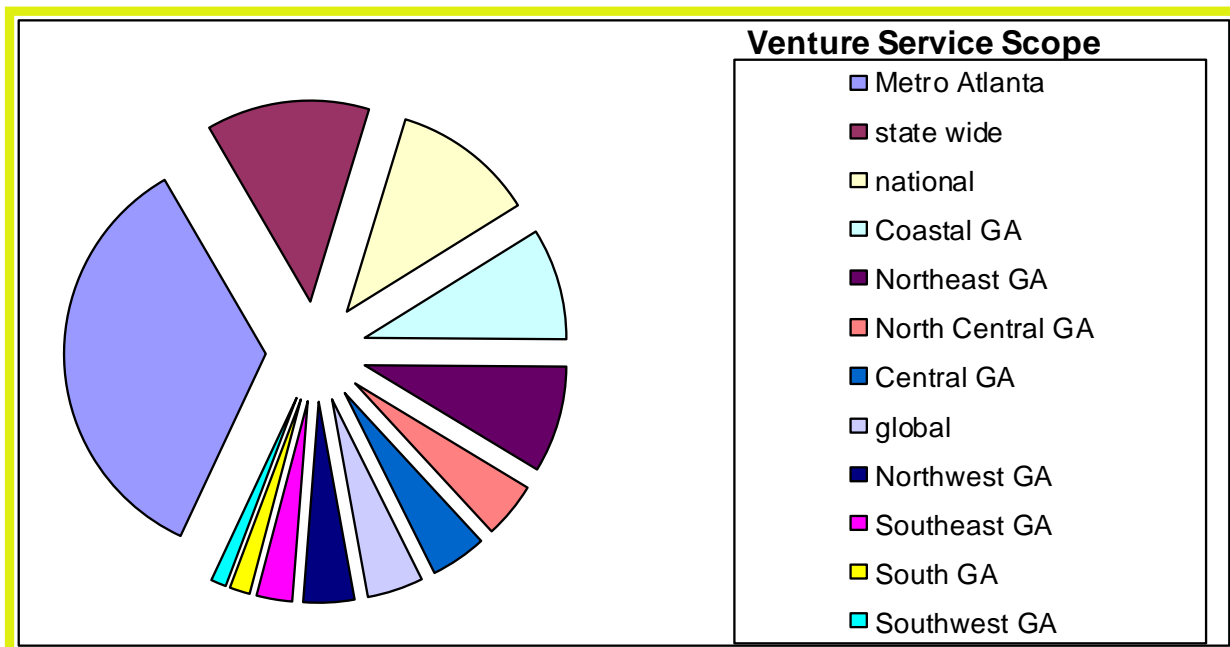
For those groups operating ventures, 14.1% had one employee in the venture, 16.4 % had 2 employees, 7.3% had three, 6.8% had four, and 14.1% had 5-10 employees. There were very few (11 total) that had more than 10 employees in the venture.

Most parent organizations were relatively small with only a total of thirty-four groups containing more than thirty employees; 39% of respondents had a total of 5-30 employees in the organization as a whole, and most employed less than five staff.

By location

This study was limited to Georgia headquartered entities. Within this context, we asked what the scope or service area of the venture was. Most of the ventures, about 35%, were serving one or multiple counties in Metro Atlanta. Approximately 12% of respondents reported a statewide focus and 12% had a national scope. The coast and the Northeastern part of the state, particularly the Athens area had the largest number of operating ventures outside Atlanta, representing 9% of total responses each. The remaining areas of Georgia were equal in the prevalence of ventures totaling about 5% of respondents each, with the exception of South-central and Southwest Georgia, which had the fewest reported ventures (2% each).

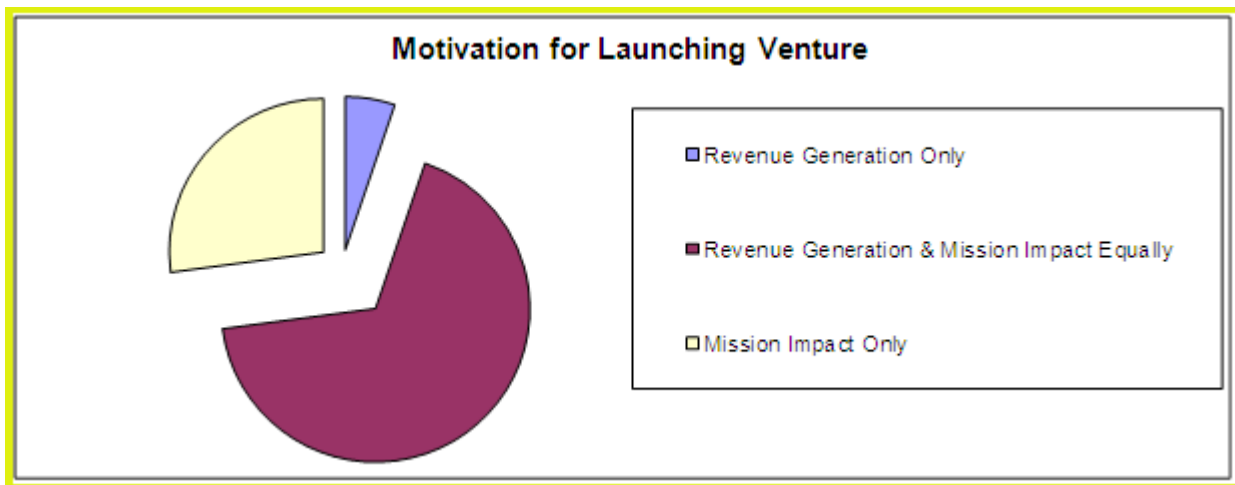
There were approximately 11 organizations with international or global efforts representing about 5% of the total respondents.



Venture Motivations

So what is fueling this increase in social ventures? Purely a drive for revenue? Have nonprofits heeded the call by many charity pundits to “act more like a business”, or, are these efforts a more effective way to reach scale relative to impact?

It would seem that venture leaders are not simply looking for an alternative revenue source, but a mechanism to serve their missions while also supporting them financially.



When asked about their motivations related to launching or running a venture, 67.7% of respondents stated that they wanted to generate revenue and mission impact equally. For 27.1% of respondents, mission alone was the key motivator, while money alone was the driving factor for 5.2% of respondents.

Getting at the roots of the impact equation

Understanding the merged interests (mission/money) of venture leaders does not require extensive research. There are clear patterns that lie at the heart of nonprofit and for-profit structured ventures in the way they were conceptualized and their expected outcomes. Looking at the rationale that lies at the heart of a venture reinforces the importance of mission for most practitioners. We asked respondents how their venture started and how it helps them achieve their mission. Over 210 organizations provided qualitative responses from which we categorized the following patterns.

Reasons for social venture starts

We learned that there are several common reasons why people begin social ventures which are:

- ⇒ Inspired by an event or experience and wanted to share it with others
- ⇒ Inspired by a direct impact of the issue on family or life and want to make a difference
- ⇒ Noticed a gap in available or affordable resources that would otherwise address part of their core mission
- ⇒ Tried something new as a pure service and it caught on
- ⇒ Noticed that other groups wanted to emulate their model or were asking for their knowledge
- ⇒ Did something to help themselves and noticed that others would find value too
- ⇒ Attempting to solve a puzzle or demonstrate a principal which lead to a valued service or product
- ⇒ Effort was a natural organic outgrowth/expansion of a separate business
- ⇒ Copied a successful model from other groups
- ⇒ Attempting to show clients in a different light (able, productive)

Commonly desired venture outcomes

In addition to patterns across start-up rationale, there are common outcomes or mission impact that most ventures seek from their work which are:

- ⇒ Supports costs of operations for core programming or allows funds for scaling programs for bigger impact overall
- ⇒ Puts clients to work, creates wages, or teaches entrepreneurship and career skills
- ⇒ Provides leverage for loans, matching funds for other grants/ government grants
- ⇒ Creates a sustainable model via additional revenue
- ⇒ Helps other nonprofits do their work better or more effectively

- ⇒ Provides a lower cost model for services or products that people or other professionals need
- ⇒ Raises awareness of core programs by widening markets overall or via an expanded channel for increased potential client/customer awareness
- ⇒ Provides money for launching other mission related programs or enhancements similar to research and development funds in companies
- ⇒ Attempts to spur innovation in nonprofits or new business models that might work for struggling professions/issues (such as journalism, homeless populations)
- ⇒ Allows an institution to provide some level of service for free
- ⇒ Provides clients a way of giving back to the organization - a form of repayment if the client works off the value received or provides value back to the larger effort ("pay it forward")

Almost all of these reasons for starting and sustaining a venture are weighted toward mission and not as heavily toward money alone.

Just to be sure, we asked the question another way. We wanted to know if the type of entity producing the venture was an issue. 69.9% of respondents did not care about the legal structure of the entity as long as the effort impacted a cause in a positive way. Clearly, mission or cause impact is the central driving motivation in these efforts, regardless of the organization producing it or who gets the net profits in the end.

However, groups operating social ventures should be cautioned to show absolute impact on a cause. A low articulation of the link between the business and cause impact or an excessive amount of profit making without cause impact in at least equal or greater measure could be disastrous for a brand or effort.

Social Venture Types

We wanted to understand the landscape of business types and have produced a top ten. In the survey, we also include the full list of ventures.

Top ten enterprise types:

1. **Consulting Services**—these include classic business consulting, but they

also include groups who help other, and perhaps less experienced, organizations with specific program related issues, like running child care centers, substance abuse counseling approaches, etc.

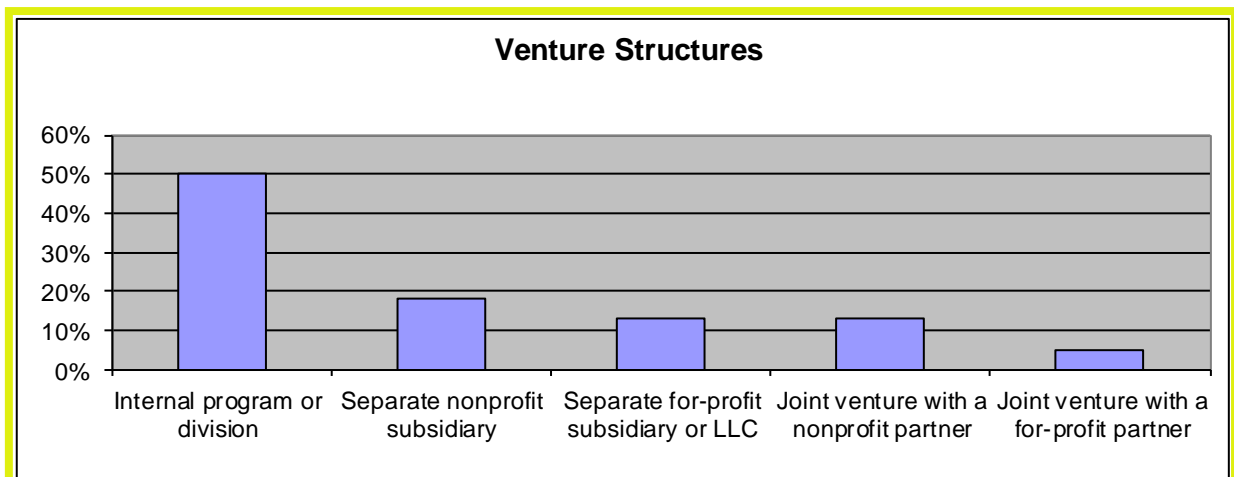
2. **Thrift Stores**—these include the classic clothing and consignment stores, and also include retail outlets that sell home improvement items.
3. **Adult Classes**—these efforts include formal professional certifications, financial planning and photography classes.
4. **Housing**—this area includes a number of efforts arising from the foreclosure crisis geared toward down payment assistance, housing counseling, etc., and also includes multi-tenant rentals and single family development.
5. **Other Retail**—this area includes primarily the creation of products that are then sold in retail establishments like handmade soap for example. But it also includes the re-sale of refurbished computers, toner cartridges and several automotive dealerships.
6. **Farming/Farmers Markets/Fair Trade goods**—this area includes organic farms, growers co-ops, cattle farms, collective markets, and the retailing of fair trade items from other countries.
7. **Personal Counseling or Social Services**—this area is interesting and includes a movement among primarily human services groups to add small components of fee-based work to the general population to offset free or reduced price services to low income groups. It also includes groups who have decided to charge clients a fee where the service was provided freely in the past.
8. **Youth Focused Camps, Schools, Tutoring**—this includes all types of summer camp programs, tuition or fee based instruction, with the exception of childcare.
9. **Art**—this area includes the sale of art or artistic performances.
10. **Multi-service Centers/ Space Rental/ Incubators**—this includes groups who house other organizations and charge rental fees, or who episodically rent their space for events like weddings or conferences. It also includes fiscal agents and/or management service groups who provide accounting or shared office services with other organizations.

Other venture types represented among respondents in order of concentration:

- Restaurant/ food retail/catering
- Online retail
- Staffing services/internships
- Recycling
- Custodial Services
- IT services
- Tours and Exhibitions/Event production
- Sports leagues or instruction
- Call Center/Mail Fulfillment
- Radio production/Video production
- Loan Fund/Financial Services
- Transportation Services
- Fitness/Coaching/Training
- Writing/Journalism
- Light Manufacturing
- Automotive Repair
- Landscaping
- Furniture construction
- Beverage bottling

Venture Structures

A majority of the organizations in the survey, 50%, operate their social enterprises as a division or subsidiary of the larger organization. Other structures are used to a lesser extent, however, as an organization adds multiple ventures, the data suggests that they are more apt to operate second and third ventures outside the more prevalent 'division of the parent' construct.



Note: Franchise and L3C structures represented less than 1% of structures utilized.

A notable data point was that as organizations moved beyond a single venture, they were more likely to structure the second or third venture differently. The use of joint ventures and franchises were slightly more evident among these groups.

There seems to be little evidence of a movement among nonprofits to structure their ventures outside current legal frameworks. However, as the field continues to grow there will almost surely be alternative structures that arise to deal with any number of hurdles, from access to foundation capital to unrelated business income tax or UBIT.

For example, a recent development is the L3C structure and the Certified B Corporation. L3C's are a form of LLC or Limited Liability Company. They run like a regular business however, unlike for profit businesses, the primary motive of the company is not to make money—it is known as a low-profit limited liability company. The structure allows for-profit entities organized under this structure to receive foundation grants as program related investments or PRI's, and they are also allowed to provide a return to investors, which is disallowed within a nonprofit construct. Therefore, the model offers a more flexible capitalization option for the venture. L3C's are not currently allowed in Georgia although there is some movement toward considering legislation to allow them.

The B Corporation, or "Beneficial Corporation", is a for profit entity that uses the power of business to create a public benefit. The structure of these groups is no different than any other for-profit however the company establishes and articulates a social or environmental performance standard.

An example of this type of B-Corp is TOMS Shoes, discussed later in this report, which has committed to providing one pair of shoes to a child in need for every one pair purchased.

Venture Revenues

While mission impact is a big part of the overall equation for most groups operating ventures, profits are definitely important. We wanted to know if the ventures were fulfilling their promise of supporting mission impact via, not just revenue production but, *importantly*, revenue expansion.

Is the venture profitable? n = 177

37.9%	yes
32.2%	no
29.9%	unsure*

**When we dug a little deeper into profit production, the majority of those who were unsure had launched new ventures and had not operated them for a full year which drove that response. For example, one respondent wrote "we won't know until after the first harvest".*

73 groups specifically quantified their profits. Of these, 11 organizations or 15% reported net revenue above \$100K and four reported net revenues of \$1M or more. However, very few groups had net revenues exceeding \$30K.

Among the 366 respondents that were operating social enterprises, only 4 had net revenues of over \$1 million. All of those earning at these levels had begun their ventures prior to 1989 and three of the four began their ventures prior to 1970.

Less than 40 groups discussed net losses specifically, of these about 1/3 reported losses of \$50K or less in a given year.

The gap between planning to generate a profit and actually doing so is wide. About 102 organizations planned to generate net profits from their ventures, and of these 40% planned to be profitable within one year. Only 45 of these groups reported net profits from their ventures.

Estimated Timeframe for Profitability: n=125

14.4%	not a goal
40%	1 year
31.2%	within 3 years
11.2%	3-5 years

For those who were actually profitable (about 45 who answered the question), the time frame for reaching profitability was 1 year for 60%; within 3 years for 22%; 3-5 years for 13%; and in excess of 5 years for 4%)

Sources of Capital (n= 188)

The four most prevalent types or sources for start-up capital were:

1. Self financing
2. Foundation grants
3. Individual donations or investors
4. Government grants

Interestingly, the groups who started ventures prior to 1989 listed foundation and government grants as their primary source of start-up capital. The more recent ventures were more likely to utilize individual investments or donations than other sources in addition to self-financing. Here are some comments from our respondents:

"There is a lot more talk about Social Enterprise than reality. There is relatively little funding directed to it in Georgia, very few foundations do any program related investments in entrepreneurial efforts."

"We should look to the British model of social enterprise. Many of their treatment programs have social enterprise as the major component. The Country provides seed capital and contracts supporting marketing into the private sector. Their Government has an office of social enterprise."

"We think it is the only way we are going to weather the tide and it is probably true for many others. Any help that funders can give to help with these ventures would be great. We are using the adage that if you give a man a fish he eats for a day. If you teach a man to fish he eats for a lifetime. It's the same for us. This is something we can do for ourselves and it is mission related so it's a win-win."

Operating and Expansion Capital

A pervasive challenge of social ventures is operating and expansion capital. These were the number one and two most severe challenges noted by all respondents to the study.

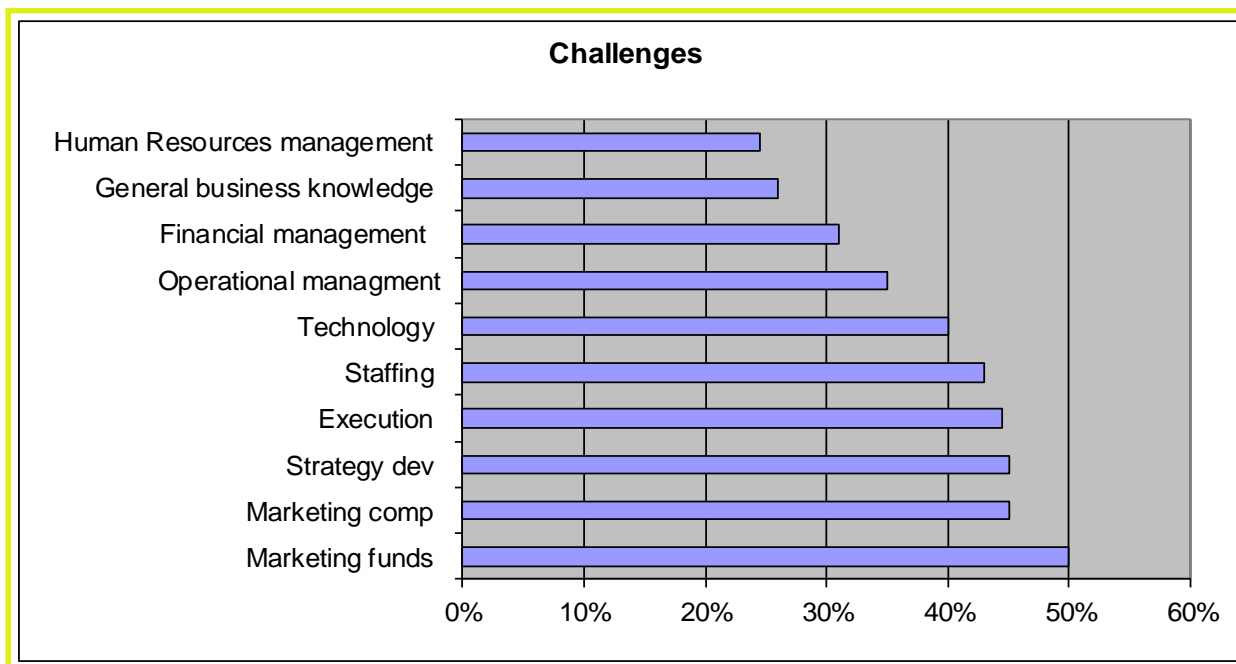
Start-up capital, growth and expansion capital and operating cash were #1 in terms of challenges.

68.2% noted securing operating capital as an extreme challenge

67.6 % noted securing expansion capital as an extreme challenge

Key Challenges Facing Social Ventures

Outside cash and capitalization challenges, we wanted to get a handle on what challenges thwart and slow these efforts. We provided a list and asked respondents to rank each issue as to its severity. The chart below lists the challenges which are ranked as most severe in ascending order.



Clearly, marketing is an issue, and lack of funds to capitalize marketing is the exacerbating factor for this issue. Strategy development and execution are inextricably tied together, so the fact that they were given equal weight in terms of their relative challenge is not surprising. The severity of these challenges might relate to the inherently different nature of a venture versus a classic nonprofit, which supports itself largely through donations. Financing, cost ratios, strategy, marketing and other unfamiliar constructs enter the picture when ROI is an issue. Dealing with these successfully requires skills and knowledge that may be underdeveloped in leaders and managers throughout the nonprofit sector.

Finding capable staff that can balance mission and financial return is also a challenge for many groups.

"The nature of entrepreneurship—i.e. the requirement that one blend "traditional" business skill sets with a nonprofit mindset may prove to be challenging; it may be difficult to retain human resources with the appropriate mix of business skill sets PLUS a desire to try and address social issues (the latter of which sometimes entails a kind of selflessness that is fairly unacceptable in the for profit business space)."

– Survey Respondent

This area may be relieved as baby boomers choose second-life careers rather than classic retirement. Additionally, the trend at many universities is to blend a classic policy, social work or nonprofit management degree with a business degree/MBA. Many of these programs already operate in a cross departmental fashion and, as state budgets tighten, we expect this blended departmental approach or integrative degree to continue to expand. This cross trained graduate will be indispensable in ventures where nonprofit-centric but business savvy approaches are required.

We expect technology to continue to be a struggle for cash strapped ventures. They need all the efficiencies that technology can garner, but sources of capital are far and few between. Some companies, like IBM, are addressing this through innovative skilled-volunteerism deployment. Other nonprofits are organizing around SharePoint platforms in an attempt to provide standardized back-office platforms that can provide the majority of a venture's needs related to communication, data management, and financial tracking among other items.

The Future and Opportunities for Social Enterprise

Most respondents agree that the future is bright for social enterprise. They note key opportunities as:

- ⇒ An influx of talented young professionals and baby boom echo-careers;
- ⇒ The awakening of funders to the field;
- ⇒ New legislatively approved constructs that offer more flexible capitalization structures;
- ⇒ The advancement of technology to help with administrative and marketing needs

Here are some comments from our respondents:

"The expansion of this field of practice is very important as most nonprofits need some source of earned income. Social entrepreneurship appears to be a way to attract some new players to the nonprofit field. There are lots of opportunities for exploration and discussion."

"We have been at this for a long time and it finally feels as though there is movement and energy around social ventures"

"It makes sense to encourage nonprofits with a mission to become independent in terms of producing their own funding instead of being dependent on handouts"

"I think we are at a stage in the field where there will be limited impact for nonprofits that don't have social enterprises. I think the field is ripe for 'project oriented' ventures to pay for themselves."

"I think nonprofit/profit hybrid structures will significant expand the sources of capital available to start-up companies or existing companies with a socially beneficial purpose. Bring on the L3C."

"We believe that the opportunities will grow....and believe that exploring some of these alternative funding streams is essential for us to be able to continue to serve our core customers."

"Opportunities are growing everyday as are the needs of the public. Citizens and organizations realize that relying solely on governments for answers is a double edged sword. Innovate—so much can be done if we look beyond what was done before."

Conclusion and Considerations

Entrepreneurship among nonprofits is increasing at a rapid pace. Concurrently, businesses are also joining in on the opportunities being uncovered by addressing social and environmental problems. These dynamics are driving toward one another, and fueling the blurring lines of charitable activity and intention in the US. There is no doubt that enterprise, from cookie sales at the Girl Scouts to Thrift Store revenues at the Salvation Army to the provision of janitorial services at Goodwill, is producing mission impact and revenue to continue to expand that impact. Once the domain of large institutions, we are witnessing the integration of these revenue models into the tiniest of organizations because it offers a mechanism to stabilize and sustain programs and indeed entire organizations. The expansion of these efforts, and the entre' of for-profits into domains once considered entirely charitable, will almost certainly bring increased regulation and public scrutiny to the field. Thus, some key issues to consider are as follows:

1. **Ventures by their nature require leaders, managers and boards to possess a specific set of skills and knowledge so that they can produce gains**, and not bleed precious operating funds from the organization. Prior to launching a venture, the board and leadership must assess the skills required for success and ensure that staffing and leadership is in place to run and provide assessments for the governance team.
2. **Ventures require stewardship**. They require time to manage and time to govern. They require specific types of planning, such as marketing plans, brand development, etc., that may not be the norm for a nonprofit. These efforts and management requirements can be distracting from a core mission if the staffing and oversight is not adequate.
3. **Many groups considering ventures begin with too much weight on mission and money and not enough on feasibility** as a driver for decision making in choosing and expanding ventures. Groups should consider 'fit' in terms of type of venture, mission alignment and skill requirements. Additionally, risks, market differentiation and market focus should be key decision filters.
4. **Mission articulation and proof of impact are critical to sustaining and expanding energy for ventures**. More importantly, those groups who do not focus on this, risk angering peers and the public.

5. New forms of **evaluation will be necessary** as regulation and public scrutiny escalate with the development of the field. Starting off a venture with a focus on dash boarding its impact and financial returns is advisable.
6. **Funders should pay attention to the rising dynamics within the field now** before it escalates beyond their ability to be impact players. Investing in capacity efforts around marketing, financial management, supportive IT platforms, business planning needs, etc. is an immediate need. Concurrently, developing revolving loan funds, investment pools and other capitalization mechanisms would progress the field.
7. **Research on successful capital models, legal structures, evaluation mechanisms and other key developmental issues for the field needs to occur.** Donor and perhaps government can assist with efforts to bring better insight into practices that work.
8. **Government entities would be advised to both pay attention to the field** in terms of bringing transparency to claims of impact by all sides, and to legislative constructs that might progress the field through the creation of flexible legal structures; thinking more critically about how contracts are awarded and managed through staffing internal offices of social enterprise and innovation or at least by providing a more effective partnership conduit with social ventures and nonprofits through specific and accountable points of contact/management.
9. **Nonprofit leaders should engage in dialogue** about the impact of legislation, such as L3C's on the charitable sector. Leaders should proactively explore the advantages and disadvantages of these concepts on their work, on the field of philanthropy, on the public's understanding and view of philanthropic endeavor and on the future of the sector itself.

SOCIAL ENTERPRISE IN GEORGIA



Venture Profiles

Southface Energy Institute

Georgia Justice Project's New Horizon Landscape Company

Project Open Hand's Good Measure Meals

TOMS Shoes

Nuci's Space

Social Venture Profiles: Southface Energy Institute

Southface is a nonprofit organization that, for more than 30 years, has promoted energy, water and resource efficient workplaces, homes and communities throughout the Southeast.

The EarthCraft green building certification programs were first developed in 1999 as a partnership between the Greater Atlanta Home Builders Association and Southface to address the challenging energy, water and climate conditions of the Southeast.

EarthCraft certification helps to ensure that buildings and communities in the region meet strict criteria for saving energy and water, ensuring high indoor air quality, and protecting land and natural resources. To achieve an EarthCraft certification, a building is required to undergo independent third-party verification by a qualified technical advisor to confirm it meets program requirements. The EarthCraft programs include:

- EarthCraft House - achieves a 28% reduction in energy costs compared to a typical home.
- EarthCraft Renovation - provides clear guidelines for renovations or additions to existing homes.
- EarthCraft Communities – assists land developers and local government agencies to create sustainable, market-rate and affordable housing communities with emphasis on energy and water efficiency, low impact development, walkable design, and community connectivity.
- EarthCraft Multi-family – the first multifamily specific, green building program in the nation for new developments and renovations.
- EarthCraft Light Commercial - a sustainable building strategy for commercial buildings of 15,000 sq feet or less.

Profile:	Southface Energy's <i>Earth Craft Home</i> certification
Headquarters:	Atlanta, GA
Business Focus:	Certifying Builders and Subcontractors to build environmentally efficient homes
Year Established	1999
Total Annual Revenues	\$500K or less
Legal Operating Structure:	Division of larger organization
Social Enterprise Employees:	Under 10

Challenges

Early on, a key challenge was how to scale the effort. Southface chose to utilize a distributor model whereby they would train a lead who would then perform elements of the assessments in the field. This model allowed for wider expansion than that of a centrally controlled model. However, the model also created some risk in terms of ensuring that the lead assessors remain neutral in implementing the standards in a rigorous manner.

The housing crisis was, and will continue to be, a major challenge to Southface. The most established component of the venture is the EarthCraft Home, which is geared toward new construction. The dramatic decline in new housing starts has impacted the program as a whole.

A secondary challenge for the venture is competition. When EarthCraft began, it was the first certification program of its type in the country. As the environmental movement has gained traction, other certifying entities, for example the federal government, have entered the market. This presents a double edged sword. While competitors help promote Southface's mission to expand the number of efficient homes on the market, they also cut into part of the market share.

Opportunities

The housing crisis has underscored a major opportunity for Southface, which is to develop an EarthCraft product geared toward the renovation industry. The market for renovation is exponentially larger than the new construction market. Not only does Southface have an opportunity to build its revenue, it has a bigger mission impact potential within this market segment.

Social Venture Profiles: The Georgia Justice Project's New Horizons Landscape Company

The Georgia Justice Project (GJP) is an unlikely mix of lawyers, social workers and a landscape company. GJP provides justice, opportunity and hope to poor people accused of crimes through the provision of legal assistance, supportive services, and employment opportunities geared to rebuild their lives. The core purpose of GJP's work is to break the cycle of poverty and crime. GJP started in 1986 and as the organization grew, an area of constant struggle for clients with arrest and conviction records was employment. In an effort to break the cycle of recidivism, GJP started a landscaping company - New Horizons Landscaping.

New Horizons Landscaping (NHL) provides an opportunity for clients to acquire the skills necessary to progress from their current situations and assimilate into the work force. The daily operations of the business, whether routing trucks or selling, reinforce skills that equip clients as they grow with NHL or pursue other endeavors with a different employer.

With a management team of landscape professionals, the mechanics of operating a business are modeled for the employee-clients. In addition, fellowship and mentoring is provided by managers and supervisors—some of whom are former clients themselves.

Profile:	New Horizons Landscaping
Headquarters:	Atlanta, GA
Business Focus:	Providing ex-offenders with gainful employment
Year Established	1993
Total Annual Revenues	\$500K or less
Legal Operating Structure:	Division of larger organization
Social Enterprise Employees:	Less than 10

Challenges

A key challenge for the landscaping company is when overall sales are impacted, during drought seasons or within the current economic climate, for example, and the venture effort does not achieved a breakeven status. This

puts a strain on GJP's operating capital, but the mission centric aspect of the landscaping company trumps financial concerns, and leadership consistently decides to retain NHL staff while raising philanthropic dollars to offset the losses. NHL is currently in a breakeven status.

Ensuring capital to replace equipment and expand is a second challenge, addressed through the generosity of a local funder who created a self-managed loan fund for the organization. When GJP needs capital for NHL equipment or other capital needs, the organization has the ability loan itself money and repay it over time.

A third challenge is staffing both management and a regular workforce. By the nature of NHL's operations, employee-clients are transitional which makes training an ongoing issue. The management staff is stable; however they fill many roles: mentor and social worker, as well as landscaping manager/business leader. This dual role is a challenge to staff in terms of competency-sets, as it is far more demanding than a straight-forward management role.

Opportunities

New Horizons Landscaping has growing opportunities to pursue contracts with commercial entities. This type of contract is more efficient than individual homeowner lawn services in terms of routing trucks and staff, and it is performed at a higher price point. Thus far, the business has been successful in securing contracts with technical school campuses, and other small to mid-sized commercial properties.

Social Venture Profiles: Project Open Hand's

Good Measure Meals

Michael Edwards-Pruitt began Project Open Hand in 1988, when he and a few neighbors cooked meals for 14 friends suffering from AIDS who were too sick to cook for themselves. It was truly an act of love, and very much a "project" – a small, grassroots group committed to making a difference, however small, in the community. Today, Open Hand prepares and delivers over 4,500 meals a day, employs a full-time staff, provides nutrition education from licensed dietitians, and is consistently recognized as one of the most innovative, visionary and fiscally responsible nonprofit organizations in the country.

In 2004, an opportunity arose for Open Hand. A local restaurant owner was addressing his elderly mother's health condition in part by creating meals for a specifically formulated diet. He saw an opportunity to assist others with chronic diseases that could potentially be partially managed through nutrition. The effort grew and the restaurant owner offered Open Hand the opportunity to make this operation a part of their organization – thus creating Good Measure Meals.

Good Measure Meals (GMM) provides good nutrition in ready-to-eat, healthy, gourmet meal plans. GMM has helped thousands of people achieve weight loss, manage chronic health conditions like diabetes and hypertension, or just eat in a healthy way without all the time required to plan, shop and cook.

Profile:	Good Measure Meals
Headquarters:	Atlanta, GA
Business Focus:	Provides nutrition services for lifestyle and medical management
Year Established	2004
Total Annual Revenues	\$1M+
Legal Operating Structure:	Division of larger organization
Social Enterprise Employees:	More than 10

Challenges

Managing rapid growth is a challenge for GMM. Staff is constantly challenged to hone everything from menu development to shipping strategies. Marketing

and sales is also a challenge, particularly pinpointing a channel strategy that develops volume. Some early thoughts are to work with employee assistance programs and benefit administrators within the corporate arena.

Facility expansion has also been a challenge that GMM and Open Hand have addressed. This year the organization will continue to work toward a \$4.3 million dollar capital campaign for expansion.

Open Hand sees fresh local sourcing as a core component of its nutritional strategy and values. Fresh food is more costly than processed foods used by some of its competitors. As GMM grows, this element can work against the program from a competitive standpoint or for the program from a differentiation standpoint.

Opportunities

Because preventable chronic disease affects 20% of the US population and much of this epidemic is food-dependent, GMM has a substantial opportunity to market into a segment of this growing group of potential customers.

New healthcare reform legislation presents one of the largest opportunities for GMM. Healthcare policy will likely direct a major focus to prevention oriented activities; and prevention is what Open Hand and Comprehensive Nutrition Care (CNC) are all about. Comprehensive Nutrition Care is Open Hand's bridge, linking nutrition to primary healthcare and it is the direction for the future of the organization. Open Hand is breaking ground on this bridge through GMM and connecting our service to prevention focused medicine.

Social Venture Profiles: TOMS Shoes

In 2006 an American traveler, Blake Mycoskie, befriended children in Argentina and found they had no shoes to protect their feet. Wanting to help, he created TOMS Shoes, a company that would match every pair of shoes purchased with a pair of new shoes given to a child in need. One for One. Blake returned to Argentina with a group of family, friends and staff later that year with 10,000 pairs of shoes made possible by caring TOMS customers.

Many children in developing countries grow up barefoot. Whether at play, doing chores or going to school, these children are at risk:

- A leading cause of disease in developing countries is soil-transmitted diseases, which can penetrate the skin through bare feet. Wearing shoes can help prevent these diseases, and the long-term physical and cognitive harm they cause.
- Wearing shoes also prevents feet from getting cuts and sores. Not only are these injuries painful, they also are dangerous when wounds become infected.
- Many times children can't attend school barefoot because shoes are a required part of their uniform. If they don't have shoes, they don't go to school. If they don't receive an education, they don't have the opportunity to realize their potential

Profile:	TOMS Shoes
Headquarters:	Santa Monica, CA
Business Focus:	Provides shoes for needy children
Year Established	2006
Total Annual Revenues	\$10M+
Legal Operating Structure:	Privately-held, For-profit Company
Social Enterprise Employees:	More than 100

Challenges

A key issue for TOMS Shoes is the ability for the company to expand without additional investor capital. Blake Mycoskie has provided all of the capital for the company to reach their current level of success. Currently, orders for shoes are processed as they come in, allowing TOMS to carry very limited inventory. Orders are made, the shoes are then manufactured, the product is delivered and TOMS gets paid 30 – 60 days later. Blake's long-term relationship with a small Texas bank allows him access to credit when

necessary.

The challenge that TOMS may have in the future, especially with the current state of the banking and lending industries, is the ability to get capital when significant expansion is needed. However, the control that Blake possesses because of his ownership allows him to make decisions that are based upon his value system, not other investors. Bringing in outside investors may impose a more financially-based corporate focus and threaten the very culture that makes TOMS shoes so valuable.

Opportunities

Cause conscious youth and young adults are looking for opportunities to connect a purchase with bettering the world.

TOMS has the ability to transform its customers into activists for global issues. It operates a nonprofit subsidiary Friends of TOM to raise additional funds for the mission concept and that also evangelize the products, thus providing a free fly-wheel marketing effect for the company. Expanding the engagement of its customers in the mission will produce an exponentially more loyal and vocal customer base that will propel the brand.

Social Venture Profiles: Nuci's Space

In 1999, the Phillips family of Atlanta formed the Nuci Phillips Memorial Foundation in memory of their 22-year-old son and brother Nuci, a talented musician and a promising student at the University of Georgia, who lost a long battle with major depression in 1996. In his memory, the family wanted to support obstacle free, user-friendly ways of treating and supporting those suffering from depression and similar disorders.

With a focus on Nuci's fellow musicians, the Foundation created Nuci's Space, a support/resource center dedicated to promoting the emotional, physical and occupational well-being of the music community. With a staff of musicians, the Space provides a stable caring environment as well as access to mental health professionals. Individuals seeking treatment are referred to affordable, off-site, licensed professional therapists. Musicians who use Nuci's Space are asked to pay a nominal fee for therapists and psychiatrists, and Nuci's Space pays the balance. A physician volunteer also services uninsured musicians with minor ailments twice a month.

Nuci's Space provides four soundproof practice rooms, a performance area, a library and a coffee bar. The Space conducts career and health workshops and provides various support groups with meetings space. The Space also assists musicians by subsidizing professional grade earplugs and eyeglasses.

Nuci's Space utilizes an earned income strategy to assist in raising funds for the organization's many programs and services. The organization has four rehearsal rooms available to the public for rent at a low hourly rate. The organization also hosts benefit concerts on-site and rents performance rooms for community events to raise funds. Currently, earned income makes up 22% of the annual budget.

Profile:	Nuci's Space
Headquarters:	Athens, GA
Business Focus:	Providing obstacle free, mental health treatment for musicians and assist in their emotional, physical and professional well-being
Year Established	1999
Total Annual Revenues	22% of annual budget
Legal Operating Structure:	Nonprofit
Social Enterprise Employees:	Less than 5

Challenges

Nuci's Space currently faces issues related to the organization's plans for expansion. There is a need for increased mental health services, but the organization is struggling to find expansion capital.

Opportunities

Athens, GA has a very rich music and arts scene that is populated by a mixture of internationally recognized recording artists and musicians just starting their careers. Athens is also recognized locally and in the media as a great place for artists to live and create. This stream of customers for event and recording space is positive in terms of providing revenues for further mission services.

Appendix:

Defining Social Enterprise

By Bob Sleppy

THE OBAMA ADMINISTRATION & SOCIAL ENTREPRENEURSHIP

On April 16th, 2009 White House spokesman, Shin Inouye, confirmed Sonal Shah, former head of global development at Google.org, the search-engine company's philanthropic arm, as head of the new White House Office of Social Innovation and Civic Participation (SICP). Following the election of President Barack Obama in November 2008, members of the President's transition team proposed creating an Office of Social Innovation to promote government efforts to help innovative nonprofit groups and social entrepreneurs expand successful approaches to tackling pressing social problems. According to the SCIP website, the Office is focused on doing business differently by promoting service as a solution and a way to develop community leadership; increasing investment in innovative community solutions that demonstrate results; and developing new models of partnership. These three mission areas together comprise SICP's community solutions agenda. The creation of the Office of Social Innovation, housed within the Domestic Policy Council, and the initiatives the office will be advocating for is a defining moment for advocates and practitioners of the widely discussed, but often confusing, field of Social Entrepreneurship.

CONCEPT AND ORIGIN OF SOCIAL ENTREPRENEURSHIP

During a lecture about Social Entrepreneurship at the 2009 MBA Footprints Conference at Duke University, Dr. Gregory Dees shared with listeners that the term 'Social Entrepreneur' has its origins in two distinct schools of thought; social innovation and social enterprise. Dr. Dees is co-founder of the Center for the Advancement of Social Entrepreneurship at Duke University's Fuqua School of Business and a noted academic pioneer in the field. Social innovation can be defined as establishing new and better ways of creating and sustaining social value, while social enterprise is focused on generating earned income for a social purpose.

The Social Innovation School

The concept of social innovation was developed by Bill Drayton. Drayton believed there was a need for non-governmental solutions to social problems

and founded Ashoka in 1980. Ashoka is a nonprofit organization that supports social entrepreneurs and new sources of funding for their work. The Ashoka website proclaims, "Rather than leaving societal needs for the government or business sectors to address, social entrepreneurs are creating innovative solutions, delivering extraordinary results, and improving the lives of millions of people."

To better understand the scope of the 'social entrepreneur' it would be helpful to have a clearer definition of a Social Innovation 'entrepreneur.' Austrian economist, Joseph Schumpeter states in his book, *Capitalism, Socialism and Democracy* that the function of entrepreneurs is to "reform or revolutionize the pattern of production." Inspired by this definition, followers of the Social Innovation model recognize social entrepreneurs as those who reform or revolutionize the pattern for producing social value.

Another important organization in the support and development of the Social Entrepreneurship field is the Skoll Foundation. One time President of Ebay, the popular online auction site, Jeff Skoll created the Skoll Foundation in 1999 to pursue his vision of a sustainable, peaceful and prosperous world. The Skoll Foundation's mission is to drive large-scale change by investing in, connecting and celebrating social entrepreneurs and other innovators dedicated to solving the world's most pressing problems. The foundation sees social entrepreneurs as proven leaders whose approaches and solutions to social problems are helping to better the lives and circumstances of countless underserved or disadvantaged individuals.

In a 2007 article for Stanford's *Social Innovation Review*, the President and CEO of the Skoll Foundation, Sally Osberg (with co-author Roger Martin) wrote "We define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large."

The Social Enterprise School

Ed Skloot, a pioneer in the field of social entrepreneurship, is most identified with the social enterprise school of thought. Using a less theoretical definition than Schumpeter's, an entrepreneur is defined as "a person who organizes, operates, and assumes the risk of a business venture." Therefore, a social entrepreneur organizes and operates a business venture to serve a social purpose."

Social Enterprise advocates are blending sectors and trying to break down the barriers between business and the social sector. They would encourage social entrepreneurs to move closer to purely commercial activities so that their social missions could be sustained by market-based sources of capital and income. Such a move would reduce a reliance on volunteers and create an opportunity to pay market wages. These social ventures would not be dependent on donations from suppliers, allowing them to pay for supplies on an open market. As a proponent of Social Enterprise, Steve Case, co-founder and former CEO of America Online, states "Too many people still act as if the private sector and the social sector should operate on different axes, where one is all about making money and the other about serving society. A better approach is to integrate these missions, with businesses that are "not-only-for-profit" and social service groups with their own earned income all contributing to positive, durable, significant social change."

In their paper, "Framing a Theory of Social Entrepreneurship: Building on Two Schools of Practice and Thought," Gregory Dees and Beth Battle Anderson share four distinguishing characteristics of the Social Enterprise School. These characteristics include 1) a foundational understanding of entrepreneurship as individuals who start their own businesses, 2) focused on the generation of "earner income" to serve a social mission, 3) incorporation of "sector-blending" ideas that blur the lines between the business and social sectors and 4) experimentation with market-based solutions to social problems that seek to align economic and social value creation.

Convergence of Social Innovation and Social Enterprise

It has already been discussed that the practice of social entrepreneurship, regardless of its specific roots, is not a new concept. However, by creating a

framework and developing a common language among its proponents, social entrepreneurship possesses the power to bring about significant change.

According to Dees the current view, social entrepreneurship:

- *conveys the idea of creative, dynamic problem-solving*
- *cuts across old sector boundaries and challenges the old divisions of labor*
- *encourages new ways of thinking about social change*
- *draws private initiative, ingenuity, and investment into the social realm.*

These are not characteristics that the traditional terms 'nonprofit manager' and 'public policy leader' convey. The new terminology and framework for this field of study has the power to draw new leaders into the fold that may feel the entrepreneurial pull.

Although the term 'social entrepreneurship' continues to be used by advocates both Social Innovation and Social Enterprise, there seems to be a convergence at least regarding the role social entrepreneurs play as change agents in the social sector. In his paper, "The Meaning of Social Entrepreneurship," Dees suggests that all social entrepreneurs fulfill this role by:

- *Adopting a mission to create and sustain social value (not just private value),*
- *Recognizing and relentlessly pursuing new opportunities to serve that mission,*
- *Engaging in a process of continuous innovation, adaptation, and learning,*
- *Acting boldly without being limited by resources currently in hand, and*
- *Exhibiting heightened accountability to the constituencies served and for the outcomes created.*

He continues to suggest, "For social entrepreneurs, the social mission is explicit and central. This obviously affects how social entrepreneurs perceive and assess opportunities. Mission-related impact becomes the central criterion, not wealth creation. Wealth is just a means to an end for social entrepreneurs. With business entrepreneurs, wealth creation is a way of measuring value creation. This is because business entrepreneurs are subject to market discipline, which determines in large part whether they are creating value. If they do not shift resources to more economically productive uses, they tend to be driven out of business." The common thread of these two schools of thought is that social entrepreneurs are driven by social value creation first and foremost, with economic motive providing a secondary role.

CHOOSING THE RIGHT ORGANIZATIONAL STRUCTURE

There is a general consensus among researchers, especially in the United States, that social ventures can utilize many different organizational forms to fulfill the social mission of the enterprise. These organizational forms include business corporations, nonprofit corporations, for-profit subsidiaries of nonprofit entities, 'captive' charities created by business corporations, joint ventures, and less formal structures created through financing, shareholder and licensing agreements. With many choices available, social entrepreneurs are likely to be overwhelmed. In a recent poll conducted by the Social Enterprise Alliance, 71% of respondents reported finding the best legal structure for their venture was the single greatest challenge they faced.

Since one of the most identifiable characteristics of social business ventures is the blending of social mission with business activities, the organizational forms available to entrepreneurs can fall anywhere on the continuum between "pure nonprofit" and "pure for-profit." A for-profit structure brings profit pressures and a nonprofit structure brings social mission pressures. In some occasions these pressures can co-exist productively but often they pull an organization in different directions. The aim of social entrepreneurs is to make certain that these goals are not mutually exclusive. The conflicting pressures should not limit our ability to expect for-profit corporations to exhibit good corporate behavior, nor should it prevent us from encouraging nonprofit organizations to engage in commercial activity.

Table 3.1. A Continuum of Organizational Forms

Organizational form	Examples/organizational features
A. Pure nonprofit	All receipts from contributions, not operations
B. Nonprofit operating business conducting charitable activities	Nonprofit health care and education
C. Nonprofit that operates businesses in areas related to its mission	University bookstores, hospital laundries and catering services, job training programs
D. Nonprofits in partnership with for-profit business	Cause-related marketing, corporate sponsorships
E. Nonprofits with active stakes in for-profit businesses	Nonprofits with substantial shares in for-profit affiliates
F. Not-for-profit firms	Organizations legally organized as private businesses or corporations but that distribute everything as wages
G. For-profit businesses contributing pre-announced shares of profits to charity	Ben and Jerry's, Target Stores, Newman's Own
H. For-profits in direct competition with nonprofits	Hospitals, for-profit education providers
I. Pure for-profit business	No outputs defined as education, health, or other product that could also be defined as charitable

As most nonprofit leaders would admit, maintaining stability of a growing program on a foundation of unreliable contributions and grants can be a frightening task. Because of this, the idea of financial sustainability using business practices and earned income strategies is a very attractive proposition. Conversely, the power of “goodwill” the public associates with the nonprofit structure is appealing to for-profits as well. However, if an organization is placed on a continuum between “100% Profit Mission” and “100% Social Mission” a tradeoff must occur. By placing an organization further toward one end of the continuum or the other, a decision is made that will result in doing more on one end and less on the other.

To answer the question, “Which organization form is best suited for a social venture?” another question must precede it – “What is the best way to accomplish the mission?” Nonprofits, which are formed to accomplish a social purpose, have difficulty getting access to capital, and their ability to distribute profits to investors is not allowed. Business corporations on the other hand, which are primarily formed to make a profit for their investors, are limited to how they use shareholders’ money for non-business purposes, such as a social agenda.

The Aspen Institute’s Nonprofit Sector Research Fund recently broached the topic of an emerging “fourth sector,” comprising hybrid entities that incorporate features of traditional nonprofits and for-profits. Although the opinions of the group varied widely about whether or not current legal forms of

organizations were flexible enough to accommodate this development, there was a consensus that distinguishing between business and charity was becoming increasingly difficult.

SOCIAL ENTERPRISE REVENUE & FINANCE

Whether or not a social enterprise is structured as a nonprofit or a for-profit, the most important question that follows "What is your mission?" is the question, "How will you fund it?" This can be quite a complex question if you were dealing with just one of these sectors. However, when researching the options for revenue and financing in both sectors, the task can be quite daunting. First we'll look at the nonprofit sector. For nonprofit social enterprises, start-up costs can be acquired through grant-makers looking for new projects that incorporate innovative strategies. Many foundations often look for opportunities to fund "new" ideas. These funds are often used to catalyze, incubate, launch and operate social enterprises at a small scale. Once operating, nonprofits can incorporate a variety of funding strategies to maintain the focus of the mission. A source of funding that is becoming more popular within the nonprofit sector is earned income. In principle there is nothing wrong with using an earned income strategy. However, nonprofit leaders and board members need to be familiar with the concept of "Unrelated Business Income" (UBIT). An organization can have UBIT but it is usually taxed at the normal corporate rate. For income to be considered UBIT, there is a three-prong test. All three points have to be met for the income to be UBIT. The three points are, the activity has to be a trader business, the activity has to be regularly carried on and it is not substantially related to the organization's exempt purpose. In some cases, nonprofits that earn a significant amount from UBIT will create for-profit subsidiaries. This is most often done as a way to protect the organization's nonprofit status and create a clear line of delineation between profit-focused activities and social mission activities.

For-profit social enterprises are able to access funding from friends and family. Since they balance financial returns with social mission, unlike traditional for-profit businesses, access to private equity investment and debt financing is limited. In some cases, philanthropy-minded investors may lend a financial boost but the risk involved in social ventures often is unattractive to bank lenders and traditional investors.

In regards to social enterprise and social entrepreneurship finance, the biggest problem for the field is expansion capital. The worldwide growth of social

enterprise is threatened by a dearth of capital. In a nonprofit structure, once an organization leaves the start-up phase this signals a period of "breakeven" stability. Because of this, the viability to hold-back retained earnings for growth is unlikely. And as mentioned before, for-profit social ventures are at a disadvantage because expectations of traditional investors are too high to effectively use equity investments.

As Emerson states in his article, *Nothing Ventured, Nothing Gained*, "The venture needs to be able to leverage debt. Lenders should be able to see this capital as a true risk layer, which means it has to be uncollateralized and not put a drain on the cash flows during execution of the business model. And, it has to be patient capital. If it's structured as a liability, then it must have interest and principal payment holidays, and/or be repayable through royalties, revenue or profit only." Most importantly, the purpose is to establish a realistic set of expectations between entrepreneurs and investors. Establishing how social ventures will be funded is a significant obstacle in the continued progression of the field.

EVALUATING THE 'DOUBLE BOTTOM LINE'

The 'double bottom line' is a concept that is closely associated to the field of social enterprise. For entrepreneurs operating socially driven enterprises, value creation must be measured in both economic and social terms – hence, the double bottom line.

Economic value is created by taking a resource or set of inputs, providing additional inputs or processes that increase the value of those inputs, and thereby generate a product or service that has greater market value at the next level of the value chain. Measures of economic value creation have been developed over centuries. Examples include return on investment, debt/equity ratios, price/earnings and market share. These measures, and related indicators, form the basis for analyzing most economic activity in for-profit businesses.

In contrast to most for-profit enterprises, nonprofits are "in-business" to fulfill their social mission. In doing so, nonprofits strive to create social value. Social value is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals or society as a whole. Unfortunately it is at this level that one has the most difficulty measuring the true value created.

Social sector leaders are very familiar with the challenge of measuring the social value of their work. In the wake of the Enron, WorldCom, and United Way scandals, a greater demand for program evaluation resulted. Funders, donors and the general public are demanding more information from nonprofit and social sector programs. They want to know that their money is making a difference.

One problem that exists in the social sector in regard to evaluation is that the only definitive method to show a program is helping more people than not is to use control groups. This process is both expensive and time intensive. The majority of nonprofit leaders admit that they do not have the time, staff or funding available to properly evaluate their programs. Evaluation methods used by many organizations tend to be useless and ineffective.

Another obstacle that social sector leaders face is a lack of agreement among funders on the definitions, methods and measures used in program evaluation. As quoted in Snibbe's article, an executive director of a nonprofit in Northern California stated, "Every single grantor we have has a different evaluation tool or format or criteria they want to use, and we measure all of the." This lack of standardization forces leaders to spend valuable resources that could otherwise be used to further the social mission of the organization.

Can the promise of market discipline and the implementation of systematic performance measures from the for-profit world give social entrepreneurs the edge in solving the world's problems? The assumption that measuring social impact in the nonprofit sector is as quick and easy as is measuring business performance frustrates nonprofit leaders. In reality, the process is not all that easy in business, despite the hundreds of years devoted to its development.

It is extremely important that social entrepreneur's do not adopt the false belief that measuring the full scope of social impact is as simple as calculating a mathematical formula. There is a significant push to define that "one special number" that will confirm whether or not our social objectives are succeeding or failing. As Tuan points out, "The chances that we could come up with a metric that avoids an inevitably subjective process of judgment and choice are infinitely small. It's usually driven by a desire to define 'a bottom line' that will do for philanthropy and public sector management what profit/loss statements do for the private sector."

Because of the difficulty and cost of implementing a successful evaluation method to measure social value, entrepreneurs involved with social ventures

may be tempted to forgo the evaluation process altogether. In the nonprofit sector, most of the pressure to define and prove social value is driven by grant-makers and influential donors. With social ventures that employ an earned income strategy as their source of funding, the pressure to “prove value” is minimized. The problem that exists with evaluation in an earned income setting is that no one person or organization is responsible for looking to see if social value has been created. The earned income strategy transforms the committed donor into a transient customer. From the perspective of the customer, as long as a product or service was received, the customer has received value, albeit personal, not social. In contrast, when a donation or grant is awarded, the receiving organization does not return immediate value to the grantor. Both the grantee and grantor are responsible for following up to ensure that accountability exists and social value was created.

The field of social enterprise and entrepreneurship risks the possibility of allowing marketing to replace the important role of evaluation and accountability. This is especially true for social enterprises that choose to form using a for-profit legal structure, where public access to financial records is not required. Social ventures need to be held to a higher standard than, “We are doing good because we told you that we are doing good.”

The need to define and develop a suitable infrastructure necessary to accurately calculate social value creation should be a priority of the Social Entrepreneurship and Philanthropy fields. The social sector has only begun to measure social outcomes in the last few decades. However, there continues to be no social auditing profession that provides analyses in a uniform manner for the social sector. Until the sector invests a significant amount of time, energy and financial resources into the development of generally accepted methods of evaluation, calculating social value will be inefficient at best.

Outcome Measurements & Integrated Cost

There are a handful of groups within the field of philanthropy that have been building upon the use of outcome measurements and integrated cost approaches to improve decision-making concerning resource allocation, budgeting and assessing economic and social value. There is a very thorough research paper by Melinda Tuan, commissioned by the Bill and Melinda Gates Foundation, that take a close look at some of the leading examples of integrated cost approaches to measuring and estimating social value in the social sector. The paper includes a high level view of eight different methodologies, the technical limitations and large-scale implications that these

methodologies collectively may have on the social sector. Although the full scope of Tuan's paper is too big to discuss here, below is a list of the eight methodologies, including a brief overview.

Cost-Effectiveness Analysis - CEA involves the calculation of a ratio of cost to a non-monetary benefit or outcome (e.g. cost per high school graduate, cost per child cured of malaria). CEA is used in situations when monetizing the benefits of a program or intervention is not possible or appropriate. However, measures of cost-effectiveness can only account for one area of program impact at a time.

Cost-benefit analysis - CBA monetizes the benefits and costs associated with an intervention and then compares them to see which one is greater. CBA is the most demanding approach to analyzing costs and outcomes as it requires a comprehensive measurement of costs and program impacts (e.g. primary and secondary, direct and indirect, tangible and intangible impacts), and the ability to place a dollar value on program impacts across stakeholders.

Social Return on Investment – SROI was created by REDF to demonstrate the social, enterprise, and blended value accrued to society compared to the total investments for each of the social enterprises in its portfolio on an ongoing and retrospective basis. Since 2000, REDF has not released any further SROI reports. It is instead focusing on continuing to measure and report on the social outcomes of the enterprises in terms of an individual's changed life without monetizing the outcomes or comparing these to their associated costs.

Robin Hood Foundation: Benefit-Cost Ratio - Robin Hood developed its Benefit-Cost Ratio methodology in 2003 to capture the best estimate of the collective benefit to poor individuals that Robin Hood grants create per dollar cost to Robin Hood (measured in part by the boost in income of poor individuals due to the grant). The purpose of Robin Hood's Benefit-Cost Ratio is to translate the outcomes of diverse programs into a single, monetized value that measures poverty fighting on an ongoing basis.

William and Flora Hewlett Foundation: Expected Return - The purpose of ER is to help Hewlett program officers ask and answer the right questions for every investment portfolio. Expected Return forces program officers

to test their implicit assumptions and theory of change/logic model against the ER number, quantify high-level tradeoffs between investments within an investment portfolio, and ideally make better prospective funding decisions within their investment portfolios.

Center for High Impact Philanthropy (CHIP) Cost per Impact - Since 2006, CHIP has been developing its Cost per Impact methodology and intends to promote it as a measure critical to high impact giving. CHIP is currently working on its first of several philanthropic sector reports. These reports analyze opportunities for individual philanthropists to have impact and provide exemplary case examples with associated cost per impact estimates. The purpose of Cost per Impact is to provide philanthropists an answer to the question, "How much does change cost?"

Foundation Investment Bubble Chart - Some nonprofits and foundations are using a bubble chart to display comparative information regarding multiple organizations. The purpose of the bubble chart is to illustrate a set of reporting metrics at the organizational or program level that are common across the programs of a nonprofit or a segment of a foundation portfolio. Sample measures include number of people reached with bed nets vs. percentage of bed nets utilized. The bubble chart allows one to assess the individual and relative performance of programs or organizations compared to the program size or foundation investment at a single point in time.

Despite Tuan's extensive research and the significant resources dedicated to perfecting a measurement for social value creation, there is no single methodology has been widely accepted throughout the social sector. We have still yet to find that "one" method. As it is suggested in Tuan's report, organizations that are interested in integrating a cost approach to measuring social impact, there is significant value in employing a single, consistent methodology throughout the organization.

THE FUTURE OF SOCIAL ENTREPRENEURSHIP

In the fall of 2006, the Center for the Advancement of Social Entrepreneurship (CASE) at Duke University, with the support of the Skoll Foundation, launched a project to identify opportunities for building the field of social entrepreneurship, as a field of practice and as an academic field. A product of

this study was a June 2008 report titled "Developing the Field of Social Entrepreneurship."

The report identifies five challenges that the Social Entrepreneurship community must address as the field moves forward. In addition, the report identifies challenges and opportunities for improving the environment in Social Entrepreneurship can thrive. Successful development of the field will require a healthy institutional and social environment to support the practice. The authors refer to this as the "ecosystem of social entrepreneurship." It includes the resources essential for the success of social entrepreneurs, and the environmental conditions that could support or undermine the practice of social entrepreneurship. The findings of "Developing the Field of Social Entrepreneurship" provide a solid framework for discussing the future of Social Entrepreneurship.

Building the Field of Social Entrepreneurship

Without fragmenting the community, find common ground amidst different visions, balance promotion with measurable success, respect the old while highlighting the new and meet the needs of both practitioners and academics.

Clarifying Definitions

Shared and agreed upon definitions will have to be developed from a give and take process among participants and the media outlets that cover this field. First, the CASE report recommends that we clearly distinguish "social entrepreneurship," focused on innovation, from "social enterprise," focused on the use of business methods to generate income. Second, for the foreseeable future, define the community of practice and knowledge to include both social entrepreneurship and social enterprise. Next, develop a vocabulary to distinguish the different forms of socially entrepreneurial behavior. Lastly, recognize the importance and legitimacy of all these forms of entrepreneurial behavior, and acknowledge that they have enough problems, concerns, and passions in common to be part of a shared community of practice and knowledge.

Common Ground Amidst Different Visions

It is possible for different visions of success to be compatible with creating a cohesive and credible community of practice and knowledge, as long as there is enough common ground to build a consensus that holds the community together. Fortunately, there seems to be some overlapping agreement that the field needs innovative approaches to social change and that the status quo is not sufficient. There is also sincere appreciation for the value of socially entrepreneurial behavior and use all available resources to further the public good. Lastly, advocates are interested in drawing on business methods and markets to craft sustainable solutions to social problems. Most of all though, there is a desire to learn more.

Balance Promotion with Measurable Success

The field of social entrepreneurship and social enterprise has already gotten the attention of mainstream media and institutions. This success has created curiosity and excitement. People new to the field are being drawn into the community on a regular basis. Because of the excitement, it is more important than ever to focus on sound theory that explains the role and importance of this field. Research must help to better define field and provide examples of both successes and failures to support continued learning and growth.

Respect the Old While Highlighting the New

Although the practice of social entrepreneurship has been around for quite a long time, the language and framework used to define it as a field of study are new. Using historical precedents, proponents should do what they can to learn from the past and to build on the expertise that has been developed over the years.

Meet the Needs of Both Practitioners and Academics

As practitioners of social entrepreneurship and academic researchers work to define the field, it will be important for the two groups to communicate with one another. To do this, the CASE report suggests that we “create more venues and mechanisms for academics and practitioners to interact as colleagues around the knowledge agenda and research needs, not just venues

where academics teach practitioners.” In addition, proponents must explore methods of knowledge development or co-development and knowledge sharing that combines insights from practice with the critical expertise of academia.

Strengthening the “Ecosystem” for Social Entrepreneurship

As mentioned earlier, successful development of the field will require a healthy institutional and social environment to support the practice. The leaders of the Center for Advancement of Social Entrepreneurship endorse five key areas of concentration to promote the strengthening of the social entrepreneurship “ecosystem.” The five areas include making financial markets more efficient and responsive, refining and standardizing performance measurement tools, helping social entrepreneurs find effective pathways to scale, building new talents pipelines and providing better guidance on effective business models.

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