The Social Enterprise Institute is a not-for-profit organization which offers social sector leaders opportunities to develop and access the unique skills, networks and experiences needed for implementing successful social enterprises.

www.se-institute.org
The Problem –
Long Term Sustainability

Increased cost of raising money – both financial and staff-related

• Constantly changing focus of traditional funders, including government

• Funders demand for quantified results

• Donor fatigue – endless cycles of giving
Challenging Trends

More competition every year

• Statewide 70,000 new not-for-profits between 1999 and 2006
• NP Executives spend 60% of their time fundraising

The big are getting bigger

• 6% of nonprofits controlling 86% of the revenue locally. (Hospitals, colleges, universities )
Earned Income

Earned income can come from revenues generated from the sale of products and/or services, or a strategic alliance between a for-profit company and a not-for-profit.
Examples

✓ Fees for service provided-what you already do
✓ Revenue from direct product sales
✓ Payment for services purchased- from new markets
✓ Course fees/tuition, reimbursements, vouchers
✓ Consulting contracts, honorariums
✓ Books, tapes, CD’s, software packages, training aids
✓ Subscriptions to newsletters and journals
✓ Rent or leases from equipment or buildings
The Ideal Earned Income Venture

- Related to the mission
- Responding to a genuine need in the market
- Builds on strengths & assets – core competencies
- Energizes Board members, senior managers, staff and stakeholders
- Makes enough money to achieve realistic financial goals
It is legal to earn a profit so long as the profits go back to the nonprofit entity to support the mission.
Opportunities for new businesses/services/products

Risk increases as you move away from your core competencies and traditional customer groups.
THE OPPORTUNITY

Convergence of SE and SR

Sustainability

Social Enterprise

Social Responsibility

Corporations and Businesses

“The potential for cross-fertilization between social enterprise and mainstream business is huge – it’s utterly revolutionary.”

~ Sara Olsen, Social Venture Technology Group
Private Investors (equity funds) have billions to invest in ventures that create market-based solutions to social problems.

If the social sector doesn’t create these businesses, the “for profits” will!
Private Sector Looking to become More Involved

*McKinsey Study 2007:*

- 84% of corporate executives believe business should contribute to solving social problems
- 70% say they don’t know how to proceed
- Employees want to be associated with socially-responsible organizations
Funders

The Case Foundation values entrepreneurial business models that can generate a recurring revenue stream to reduce nonprofits' reliance on grants.

We also seek opportunities to invest in nonprofits that want to expand by supplementing grants with earned income, and we are also interested in the emerging category of "not-only-for-profits" -- businesses that seek to grow profitably and in a sustainable way, while satisfying important societal goals.
Why Foundations Care about Social Enterprise…

- Maximizes philanthropic investments
- Build non-profit entrepreneurial capacity
- Increases long-term sustainability of nonprofits
- Results in unrestricted dollars
- Simultaneously advances mission
- Increases public awareness of the non-profit
- Can expand services to more clients
- Improved management of resources
- Creates employment - keeps jobs in depressed markets

…and Ways Funders Support Social Enterprise Development

- Technical Assistance, Training, Planning, Market Research, Marketing Plans
- Grants for start-up and implementation, hiring “champion”
- On-going assistance to expand enterprise
- Program Related Investments (PRI’s)
- Evaluation of impact, testing new ideas
Mission Investing – A New Breed

Private and Institutional Investors

- Calvert Social Enterprise Fund
- Funk Ventures
- Pension Funds
- CDFIs, Facilities Funds

Program Related Investments

- CA Community Foundation

Investors Circle

Social Venture Partners
Getting Started

1. Evaluate existing earned income strategies and determine if opportunity exists to grow revenue.

2. Identify assets, core competencies, capabilities and constituencies.

3. Narrow down ideas; feasibility testing

**With Whom?**

- Board discussion
- Social Enterprise Task Force or Committee
- Staff brainstorming session
- Participate in Social Enterprise Institute Programs
First 5 LA Social Enterprise Academy

• Provides 6 months of coaching
  – *How to plan and present a new venture*
  – *How to communicate to potential constituents and investors*

• Increases awareness about social enterprise

• Provides recognition, prizes and access to growth capital

• Everyone can benefit even if an organization already has successful products or services
Social Enterprise Leadership Forum

- Draws on proven for-profit models—Vistage and YPO
- Meets once a month for four full hours
- 12 – 15 social sector leaders per Forum group
- 3 – 4 private sector leaders
- Professionally facilitated by an experienced entrepreneur
- Customized for/with group members
- Presentations on business principles that grow your business
- Specific, practical, confidential problem solving
- Peer to peer collaboration and commitment—everyone has something to give and get