

**EMERGING TOPICS
PAPER SERIES**

WORKING PAPER #20

POWER YOUR MISSION

**A GUIDE TO
SOCIAL ENTERPRISE**

2015

**By
UJA Federation**

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Your Social Enterprise Experts

This emerging topics paper is a publication by UJA Federation for a conference on social enterprise, held in April 2013.

Drew Tulchin from UpSpring, formerly Social Enterprise Associates, helped curate the publication and provided the following contributions to the volume:

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August, 2015

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This handbook is intended as an educational tool only. UJA-Federation neither warrants nor represents that this handbook will provide all relevant information concerning social enterprise or that the information provided in this handbook will apply to or be appropriate for all agencies. UJA-Federation urges each agency to retain independent counsel to review that organization's specific needs and requirements regarding social enterprise, and to advise the organization about creating relevant programs.

POWER YOUR MISSION

A GUIDE TO SOCIAL ENTERPRISE

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FOREWORD

UJA-Federation of New York is committed to supporting a network of organizations that help to actualize our mission: to care for those in need, inspire a passion for Jewish life and learning, and strengthen communities in New York, in Israel, and around the world. As a fundraising organization, we have a responsibility to our donors to ensure that their contributed dollars are spent most effectively.

We understand the pressures of fundraising, and the challenges of nonprofit service delivery. We are challenged by the continued rise of operating costs and depleted reserves. We see diminished governmental support and private giving, growing competition among nonprofit organizations, and increasing demand for service. We are expected to do more with less, while producing better results and greater accountability.

The path toward sustainability is fraught with more obstacles than ever before, and there are no easy answers. Yet there are some practices that might be pursued to help organizations become more self-reliant.

Social enterprise is one such practice. It offers a way for our affiliated agencies to achieve a double bottom line—to pursue their social objectives while generating earned revenue to reduce dependency on charitable contributions and public sector funding.

Many UJA-Federation affiliated agencies use a fee-for-service model as part of a mixed revenue stream and are already looking at the potential to increase earned income. For all agencies, now is the time to assess all their assets—programs and services, brand identity, buildings and property, and intellectual capital—to try to determine even more opportunities to generate earned revenue. Of course, an assessment process is a serious undertaking and should be done with careful deliberation. Even if an agency determines that it is best not to pursue a social enterprise, that agency can benefit by engaging its lay and pro-

fessional leadership in honest appraisal and generative thinking.

This resource guide was published for a UJA-Federation conference on social enterprise called Power Your Mission, held in April 2013. It is intended as a basic guide to social enterprise, with a link to valuable online resources. Social enterprise consultants and practitioners who presented at the conference have contributed the articles. The guide also includes case studies that represent innovation in the UJA-Federation network, which were written with the assistance of pro bono writers Norman Borden, Paul Koreto, and Leonard Sloane. Special thanks go to Drew Tulchin of Social Enterprise Associates for his help in compiling information, and to Marcia Kublanow and Jill Mendelson of UJA-Federation, for editing and publishing this guide. We hope it will be a valuable resource for you.

Marcia Riklis

Chair, Social Enterprise Planning Committee

General Chair, 2013 Annual Campaign

UJA-Federation of New York

IDENTIFYING YOUR SOCIAL ENTERPRISE

John Baker
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Aperio, Inc.

Once an organization has decided to add social enterprise to its program portfolio, the first question is typically which product or service to offer. This list can help identify creative products or services when brainstorming new ideas.

1. **Products and services that directly fulfill the mission**— Earned income can often be generated directly from the value created by your core work.
2. **Existing product serving a new geographic segment**— What you do can be valuable outside your neighborhood, whether offered directly by your organization or through a partner.
3. **Existing product serving a new customer segment**— What you do may have value to other types of customers.
4. **New product leveraging staff resources**—What skills do your staff have that could create something new?
5. **New product leveraging client relationships**—Your clients have value as a customer group; what else might they need from you or a partner?
6. **New product leveraging real estate or hard assets**—Your excess capacity or infrastructure can become a business.
7. **New product leveraging intellectual property or soft assets**— If you've spent money developing a way to serve your clients, other nonprofits or companies may be willing to buy your knowledge.
8. **Unrelated business**—While we don't recommend completely unrelated businesses, it is possible that you have a great business idea in its own right. When you pursue an unrelated business, consider using a partner to reduce your risk.

Our experience with nonprofit and social sector organizations has revealed shared characteristics of successful business ideas.

1. **Is consistent with mission**—Success is highest when an organization can be emotionally motivated. Ensuring that an initiative advances your mission will lead to greater impact.
2. **Meets a significant customer need**—The best ideas address a “pain” for the customer; an identifiable group of customers must want the benefits provided by your product.
3. **Has a competitive advantage**—You can only succeed if your product is better than other alternatives available to customers, such as price, quality, or service. If support of your mission is your only selling point, you will only sell to existing supporters.
4. **Leverages the strengths and assets of the organization**—Operating a business is difficult enough without having to develop new skills; focus on what you do well.
5. **Has realistic assumptions**—The business should have a low breakeven point that makes sense relative to the size of the market and your ability to service that market.
6. **Has a credible business plan**—A strong business will have a realistic business plan that can be implemented with an attractive return on investment.
7. **Risk is managed and a reasonable exit strategy exists**—Risk should be reduced and controlled with clear contingency plans and a limit on potential loss.
8. **Has opportunities for growth**—A strong idea has the potential to build momentum in additional geographic areas, with different customer groups, or through add-on services.
9. **Avoid high upfront costs and low variable costs**—It is very risky and difficult to make money with this cost structure.
10. **Can be piloted on a small scale**—The ability to test and experiment improves the likelihood of long-term success.

Ultimately, a good idea can be defined as one that uniquely meets a large and identifiable customer need at a competitive price above the cost of production.

Like all nonprofits, the 92nd Street Y must create new opportunities for both contributed and earned revenue streams. The vast and growing digital landscape has opened up many opportunities to expand the 92Y brand, create new communities, and think about content in innovative ways.

It has also created opportunities that are in line with our mission: to serve and enlighten humanity every day. The Social Good Summit is about *tikkun olam*, repairing the world.

In 2010, the 92nd Street Y partnered with the widely read technology blog *Mashable* and the United Nations Foundation to present a five-day conference on how technology and new media can address the world's most fundamental challenges. The summit is a curtain-raiser for United Nations Week and takes place each year during the United Nations General Assembly. The conference was watched by more than 100,000 people globally via Livestream and attended by 1,200 at the 92Y uptown facility.

In 2012, its third year, we added two additional partners, the United Nations Development Programme and the Bill & Melinda Gates Foundation. Leveraging the massive combined networks of all partners, we introduced the Global Conversation at Social Good Summit meetups that occurred in 300 communities, in more than 150 countries, and in over 50 languages worldwide. Each meetup addressed the same question: how can technology solve problems in their local community? Many of the meetups sent filmed video content back to us at 92nd Street Y. It was a truly global conversation that expanded the 92Y brand to a vast new audience.

Revenue for the Social Good Summit comes from both contributed and earned streams. Tickets are priced affordably—\$50 a day or \$130 for all three days—and we “credential” 1,000 bloggers and media for free, supplying them with all-day access and food. The Livestream is also free. The intention of the event is to be as open, public, and accessible as possible.

We received funding this year from the Bill & Melinda Gates Foundation; the United Nations Foundation; and our sponsor, Ericsson, in addition to in-kind donations from such companies as KIND and Pepsi. Our costs were covered, and we made more than \$300,000 in combined ticket revenue and sponsorship dollars.

This kind of event is indicative of the road forward for the 92nd Street Y—greater ability for audiences to access our content for free and additional support in contributed revenue for our programs.

CASE

Vintage Thrift Shop

The United Jewish Council of the East Side

“Let Your Old Stuff Do Good Stuff” is the headline of an ad created in 2000 for a new and unknown thrift shop. Twelve years later, with the same ad still appearing in *The Jewish Week*, the United Council of the East Side’s Vintage Thrift Shop at Third Avenue and 23rd Street in Manhattan isn’t just surviving—it’s thriving.

The Vintage Thrift Shop was established in 1999 after the South Manhattan Development Corp (SMDC) thought that a thrift shop downtown could provide an auxiliary revenue stream to benefit Lower East Side residents. They liked the thrift shop idea because it is an efficient recycling mechanism. SMDC turned to the United Jewish Council of the Lower East Side to get start-up financing and loan guarantees, since the council had a lucrative government contract that provided the collateral private lenders required.

Together, SMDC and the United Jewish Council of the East Side established the Vintage Thrift Shop as a 501(c)(3) nonprofit that would allow donations to be tax-deductible; they agreed that the business would contribute funds to the SMDC and the council once it showed a profit. The shop’s secondary mission would be to provide a supportive training program for women, either those returning to the workforce or those who had never worked; the women would also get life skills and other safety net counseling and assistance.

Over the years, the Vintage Thrift Shop has earned a name for itself. Zagat has called it “the best thrift store in NYC” for seven straight years. Executive Director Holly Kaye notes that the shop’s success wouldn’t be possible if not for the high quality of donated merchandise.

The SMDC closed in 2003, which was also when the Vintage Thrift Shop started showing enough profit to begin contributing annually to the United Council of the East Side, beginning with a modest \$500 and since then increasing to the level of more than \$250,000 a year. Holly projects that Vintage Thrift Shop sales will surpass the \$1 million mark for the first time. With an increased volume of high-quality donations and a lack of space, Kaye is now looking to open a second location downtown.

More good stuff for the Lower East Side community.

BUILDING A MODEL FOR SUCCESS

Drew Tulchin
Managing Partner
Social Enterprise Associates

The process of creating a social enterprise may seem intimidating or overwhelming. It doesn't have to be. By organizing manageable steps and sequencing the process of making decisions, we can demystify what is often seen as a black box.

Before launching a social enterprise for your nonprofit, it is best to determine if such an enterprise truly fits into the organization's overarching mission, needs, focus, and goals. The best strategic choice for your organization may be to *not* undertake a new activity. Many efforts fail—80 percent of new businesses fail within their first five years.

When you have established that a new initiative is an appropriate path forward, these steps can provide guidance. Each step in the process recommended by Social Enterprise Associates has associated deliverables that are designed together to be incremental.

1. Internal Organizational Assessment

A first step can be internal and either formal or informal. For this step, your organization takes stock, assessing the risks, stresses, and challenges of a new undertaking. The process includes reviewing existing plans and priorities as well as having frank discussions among management, staff, and the board as to whether the organization can be successful with a new initiative. Methods can include self-tests, program evaluations, and performance audits.

2. Feasibility Study

In this step, a formal review indicates if a specific project is worthwhile. The organization explores the idea further, fleshing out some specifics that include a cost-benefit analysis of both revenue and non-cash-value creation. This step needs to involve financial profes-

sionals in the decision making, with key attention paid to how the idea fits into the organization's mission, strategy, and operational plan. It might turn out that it's not a good idea right now.

3. Market Analysis

This step is external and will develop an understanding of the market landscape and, ideally, customer demand. It involves an investigation into the proposed market and target market segments. The organization determines market size; identifies direct, indirect, and alternative competitors (there is *always* competition); and explores customer interest.

4. Business Plan

If the previous steps determine that the idea is a "go," then the next step is to codify the ideas into a plan. A business plan is a formal document that includes such elements as opportunity, product, market, customers, budget, timeline, and competition. These plans are "living" documents, updated regularly and providing a roadmap to move forward. The process of creating the plan is a valuable tool to establish a unified vision for all stakeholders in the organization. The plan's executive summary can become a marketing and investing document. It doesn't have to be a thick tome, but it should be more than what can fit on the back of an envelope. (*For additional information on business plans, see article on page 16.*)

5. Financial Projections and Budgeting

This step requires the participation of financial and accounting professionals in the organization to document costs, revenues, and the interaction between them. This step can be incorporated into the business plan, but ideally it should also be produced as a stand-alone document. Variance and probability scenarios are important components. Focus on the first 12 months of operations starting with month zero and consider the first three years. It is rarely prudent to project beyond three years.

6. Fundraising and Investment

In most organizations, this step is well under way by the time the business plan is created. The organization identifies appropriate capital sources and establishes communication. Marketing materials and deliverables from the above steps are produced as needed; advanced work and extensive time and dedication are often required. Seed capital may be grants or donations, or the organization might have built-up equity to spend. Special events and PR complement and enhance this step.

To advance on social enterprise or any major new initiative, an organization needs to look deep and hard both into itself and around in the market to ensure and maximize potential for success. New initiatives are difficult but important. Planning and step-by-step progression help advance good ideas — and save an organization from spending lots of time and losing lots of money. “No” might be the best answer.

Forge ahead and do great community work!

CASE

Adaptations Glassware Cooperative The Jewish Community Center in Manhattan

This is an interesting and constructive cautionary tale. Sometimes, even a hardworking social enterprise will fail to reach its goal—as it did for the Jewish Community Center in Manhattan. But failure provides lessons learned and is often a breeding ground for future success. Donors provided \$52,000 to the JCC in Manhattan to establish the Adaptations Glassware Cooperative (AGC), a self-sustaining glassware manufacturer that would train and employ adults with special needs.

AGC started as a one-year pilot program to make eco-friendly drinking glasses from used wine bottles with the glasses sold through a website, JCC events, e-mail lists, and craft fairs. Raw material—in this case, empty wine bottles—would be collected from local bars and restaurants. A partnership with UrbanGlass provided low-cost workspace and machinery as well as access to experienced artists. With a staff of 13 adults with special needs, plus two part-time supervisors, the goal for AGC was to achieve sustainability within a year, moving 1,200 cases of glasses a year for an annual revenue of \$120,000.

Production and sales problems soon became evident. Each glass cost \$15 to make and, in competition against a market price of \$8 a glass, was too costly for sale to bars and restaurants. After 10 months, AGC's total revenues were about \$10,000 against \$52,000 in expenses. Production volume, which at best reached 200 glasses a week, never met the goal of 300. Neither sustainability nor scaling up was considered practical.

Although the pilot did not yield the projected results, the 13 people employed in the program, and involved in every aspect of the business, received invaluable on-the-job training that will help them in gaining future employment. AGC concluded production and has sold off its remaining stock.

A preliminary analysis has resulted in certain conclusions. Broadly, the business plan was overly optimistic; research and development should have been more thorough. More specifically, the efficiency of AGC's employees was inconsistent; any future project of this sort should consider a higher percentage of supervisory personnel, as well as an integrated model of typical staff and staff with special needs. The low-cost, shared machinery available was too slow to build a self-sustaining business. The need for investment in faster machinery with less variability would have potentially cast a different light on the project's viability.

The closing of AGC is, of course, a disappointment to the JCC in Manhattan and AGC's staff and donors. But they are proud of the experience and many skills and strengths demonstrated by the 13 dedicated employees. Indeed, this experience has only reinforced their interest in social enterprises, and it allows them to approach any future project with a deeper understanding of the complexities involved.

CASE

AllSector Technology Group and HR Dynamics FEGS Health & Human Services

FEGS Health & Human Services is one of the largest nonprofit health and human service enterprises in the country, with a \$250 million budget; a workforce of 8,000 staff, interns, and volunteers; 14 affiliate and subsidiary corporations; and 100,000 clients served annually in the areas of health and disabilities, housing, home care, employment and workforce development, education, and youth and families.

In the mid 1990s, concurrent with pursuing a path of considerable growth and expansion of its service delivery network, FEGS established a highly intentional focus on developing the organization's infrastructure, including information technology, human resources, staffing, and other capacity building resources. The goals of this direction were to ensure the organization's future leadership role as a high-performing organization, support the delivery of high-quality services, lower the cost of delivering services, and expand its role as a technical and management assistance provider to the nonprofit sector. Based on the convergence of these goals and recognizing a rapidly changing and competitive landscape, FEGS joined with a long-standing partner, the New York Association of New Americans (NYANA), to form two new for-profit social enterprises: AllSector Technology Group and HR Dynamics.

At the time, both FEGS and NYANA were operating internal IT and HR departments. They had three goals in forming these new companies and outsourcing their operations to the new entities: to attract new, expert industry talent; to build state-of-the-art solutions and infrastructure resources based on an economy of scale model, lowering the cost of delivering services to the parent organizations as well as to other nonprofit clients; and to turn traditional cost centers into profit centers that could distribute profits back to the nonprofit parent companies, enabling them to further invest in and advance their social missions.

FEGS, with the support of its board of directors, eliminated its existing IT and HR operations, pooled its internal investments in both infrastructure areas, and used these dollars to capitalize the new companies, hire new staff, and begin building the companies. AllSector and HR Dynamics were established as for-profit entities with a board of directors independent from the parent corporation.

Today, some 15 years later, both companies have emerged with a significant market presence. AllSector is an industry-leading, full-service technology consulting firm with a staff of more than 80 employees providing a range of IT services to more than 150 clients. This past year, AllSector launched a new healthcare IT consulting practice that will help health and human service organizations operate within the changing healthcare landscape. HR Dynamics is a full-service human resource management consulting, outsourcing, and staffing solutions company; it currently provides services to more than 50 nonprofits.

As social enterprises, AllSector and HR Dynamics are helping many nonprofit organizations access affordable IT and HR services at lower costs than establishing these functions internally, significantly strengthening their infrastructure capacity while generating a new source of revenue back to FEGS for investment in its social mission.

In early 2013, further building on its experience in providing IT support to nonprofits, FEGS, in collaboration with AllSector, is launching Center4, a social enterprise and technology “accelerator.” Center4’s mission is to become New York City’s place of choice for social entrepreneurs; investors; and the public, private, and non-profit sectors to collaborate and accelerate technology innovation and other capacity building strategies that strengthen the nonprofit health and human service sector.

BUSINESS PLANNING FOR A NONPROFIT ENTERPRISE

Cynthia W. Massarsky
President

CWM Marketing Group

In the broadest sense, nonprofit business planning does not differ greatly from for-profit business planning. Both examine the industry and the market for a venture's product or service, spelling out operating and marketing plans, identifying organization and management needs, and translating goals into monetary terms through pro forma financial statements.

However, differences surface when analyzing goals. In general, the primary goal of private-sector enterprise is to make money for its owners. On the other hand, enterprise among nonprofits often exhibits several equally important goals—and the goals may not always be consonant.

For example, a home for youth ex-offenders may have two goals: to earn a profit through the sale of a product, and to manufacture the product and sell it using the nonprofit's own clients. This dual agenda, mixing retail sales and manufacture with manpower training, has an impact on every aspect of the business—from its legal structure and ability to raise capital to its management team, operating procedures, marketing plan, and bottom line. Multiple goals make business planning more complex: although a nonprofit may seek to generate income, it will not likely do so at the expense of the relationship between the nonprofit and its constituents served and the community in which it operates.

Characteristics of Successful Ventures

Successful ventures have well-defined goals, objectives, and strategies in keeping with the nonprofit's mission. The credibility and solid reputation of the parent organization are key components, as are staff, board, and donor support and involvement. Of crucial importance is the organizational and financial capacity to implement the venture and sustain it over the long term. Nonprofits should not embark on

social enterprise without sufficient capital to start up and operate the business, or at least the ability to obtain it in a timely fashion. Nor should nonprofits embark on social enterprise without evidence that substantiates demand in the marketplace — that is, a willingness to pay for products or services supplied by the nonprofit. A business without buyers is no business at all.

Nonprofit enterprise is a serious endeavor that requires a significant amount of planning. Nonprofits can derive tremendous value from researching their business ideas and writing a business plan. In fact, business planning can make the difference between success and failure.

Writing a Business Plan

The main tool for business development is the business plan. There is no real magic in writing a business plan. The magic is in due diligence—ensuring that the social venture will succeed because it is supported by solid research and planning.

Whether a venture in the private sector or a social enterprise in the nonprofit sector, a business plan provides a complete picture of the financial and operational opportunities and challenges of the business—all the evidence to demonstrate that it will succeed. A business plan is a formal, written document that describes what the enterprise does, how it does it, and why. It is the distillation of research into a comprehensive, coherent, and concise document.

An emerging social enterprise needs a written plan to force careful thinking, encourage discipline, forge internal communication, and enhance coordination and clarity of purpose among managers and investors. Business plans help us assess the amount of capital required by a venture, and help us to raise it. Once the enterprise is operating, the plan provides a yardstick against which to define and measure progress.

Components of the Business Plan

Typical business plans have several components that, taken together, provide the reader with a complete picture of the financial and operational opportunities and challenges of the nonprofit enterprise:

1. **Executive summary**
2. **Description of the business**—type of business, such as retail, wholesale, manufacturing, or service; stage of business, such as start-up, expansion, or acquisition; target market; management team; projected sales and net income; and unique characteristics indicating success.
3. **Industry and market analysis**—substantiation of demand that outlines industry size and trends; size, status, and growth potential of the market; typical consumers and their buying habits; and general competition.
4. **Marketing plan**—product or service attributes; geographic area served; production and delivery processes; strategy and tactics regarding pricing, including the cost per unit of product or service, selling, advertising, public relations, and ongoing research and development; seasonality; and specific competition and competitive edge.
5. **Governance and management plan**—organizational structure; the role of the board of directors; staff roles, responsibilities, expertise, and experience; training; and compensation.
6. **Operations plan**—processes required to provide the product or service; facility; requirements for fixtures, furniture, and equipment; purchasing of inventory and supplies; cost control; and quality control.
7. **Financial plan**—three years of pro forma income statements and balance sheets; cash-flow projections; capital required to finance enterprise, by type of support (such as grants or debt); fund-development strategy and timetable; sources and uses of funds; and current funders and commitments.
8. **Risk assessment and contingency plan**—major risks and plan to mitigate them regarding capitalization, management, sales, competition, and quality control.

9. **Supporting documents**—for example, bios of key management; market data; list of product or service offerings; floor plan; capital equipment list; rent, lease, and purchase agreements; letters indicating line of credit or loan; letters of intent from potential customers; other letters of support; legal documents; and annual report and financial statements of the nonprofit parent.

Conclusion

Although faced with an arduous task, nonprofit organizations wishing to venture into the business arena should not be put off by the rigorous thinking, research, and financial planning involved in preparing business plans. It is through these activities that business planners and nonprofit managers will take meaningful and productive steps toward reaching the social and economic goals of the organizations they serve.

CASE

NonProfit Help Desk Jewish Community Council of Greater Coney Island

For 19 years, until 1992, the Jewish Community Council of Greater Coney Island depended totally on government largess and private generosity. From these inconsistent sources, the council funded its mission: improving the quality of life of the frail elderly, vocationally disadvantaged poor, underprivileged immigrants, and educationally at-risk youth.

What product or service could the council possibly market and sell that would help make it more self-reliant and self-sustaining? How did social enterprise apply *here*?

Well, these questions were answered in a very surprising way, and the council now receives client fees from a very successful income-producing enterprise that contributes 30 percent of its earnings to overhead costs. It's called the NonProfit HelpDesk at www.nphd.org. Started in 1992, the NPHD has counted more than 1,400 clients to date, including 71 nonprofits funded by New York City's Department of Youth and Community Development.

The NonProfit HelpDesk's slogan—"Helping you do good, better"—describes what it does. The Jewish Community Council of Greater Coney Island has simply tapped the intellectual resources of its staff and, as demand has grown, selectively engaged outside consultants to provide professional expertise to other nonprofits, for which it charges a fee.

These resources are vast and run deep, and they have great value to the nonprofit world. In 2011, the NonProfit HelpDesk's short list of consulting, coaching, and training services included staff and

management development, financial management and budgeting, technology and web development, fundraising, and marketing and communications development. In that time, NPHD trained 244 nonprofit executives, board, and staff members.

Currently, these fee-paying services are in greater demand than ever, as many nonprofits have found themselves under pressure to do more with less. Operating efficiently and maximizing service delivery have been preached and practiced by the Jewish Community Council of Greater Coney Island since its founding in 1973. And now, through the power of social enterprise, the council has packaged this operating experience into the NonProfit HelpDesk to its own financial benefit and to the operating advantage of nonprofits throughout the greater New York area.

RAISING IMPACT CAPITAL: DESIGNING A FUNDRAISING STRATEGY FOR YOUR SOCIAL ENTERPRISE

Theresa Schieber
*Vice President and
Chief Operating Officer*

Adam Gaynor
Consultant

The Whelan Group

Increasingly, nonprofits that seek to improve their financial sustainability and minimize their reliance on private philanthropy are taking a page from the social enterprise playbook and looking for ways to develop or enhance earned-revenue streams through a “business.” However, earned revenue alone is rarely a silver bullet, and developing and operating strong social enterprises require significant work and resources. In fact, few social enterprises thrive on earned revenue alone, and in many cases, private philanthropy or public sector support is critical to launching or scaling a social enterprise.

Based on our experience in helping hundreds of nonprofits develop their strategic plans and grow their funding, we see three fundraising challenges for nonprofits seeking to augment their sustainability through a social enterprise model.

1. How do you decide to monetize and then develop a business around a service you currently provide to create an earned-revenue stream?
2. If you see an unmet service opportunity, how do you decide if you should launch a business to meet that service need and whether an earned revenue or social enterprise model will work?
3. Most important, given that few social enterprises are 100 percent sustainable through earned revenue alone, if you pursue the social enterprise route, how do you engage donors to invest in launching, delivering, or expanding that service?

Monetizing a Current Service or Building a Business Around an Unmet Need

Your social enterprise is intended to be both a resource–development strategy—in other words, it should make money—and a method to achieve your organization’s mission or theory of change. Your social enterprise could take many forms, from a new technology or process that can be sold to other organizations, to packaging an expertise into a consulting service, to a shop or business that provides such a service as landscaping and employs a population with special needs.

Before you launch a social enterprise, answer these questions: Is there a customer base that will pay for this service or product? Does this business dilute our mission? Is the board ready to invest in what it will take to launch this business? Do we have the skills today, or can we acquire them to support a new business? Invest in a business–planning process that includes thorough market research, competitive analysis, and a realistic financial plan. Be ruthless in your critique of the viability of the business.

Engaging Donors in Funding Your Enterprise

Although a social enterprise is a business, private philanthropy is critical to launching and sustaining these businesses. While shifts in the investing landscape are beginning to build an interest in equity and debt instruments for social enterprises, the vast majority of financing comes from traditional grants and private donations. As such, adding a social enterprise to your nonprofit will actually increase the need for private philanthropy.

The most effective fundraising for your social enterprise uses the best practices of traditional fundraising. While many donors will want to see specific metrics and outcomes related to your enterprise, the fact remains that they are investing in changing people’s lives. Your fundraising pitch needs to give the numbers a human face. And while we are talking about pitches, be succinct and demonstrate to your donors that you are leveraging their investment by generating earned income. Finally, think strategically about the donors who would be most interested in your enterprise and develop a multiyear

cultivation and solicitation strategy. Be prepared to focus on a small audience and do lots of education around what you are trying to accomplish. Plan for an 18- to 24-month timeframe, from initial cultivation to investment; all the same rules apply to your social enterprise investor as to a major-gift donor.

Social enterprises offer a compelling strategy to help strengthen a nonprofit's financial foundation—but they are not for everyone. However, in an era of increasing emphasis on “business methods,” the social enterprise model of metrics, a clear business case, and a strategic fundraising approach can be applied to any nonprofit's traditional resource-development strategy.

CASE

Virtual Senior Center Selfhelp Community Services

In 2010, Selfhelp Community Services determined to enhance the lives of homebound and isolated seniors through the use of computer, video, and Internet technology. With six participants, it inaugurated the Virtual Senior Center, which interactively linked these seniors to one another, to their local senior center, and to the community, thereby engaging and empowering them in ways not previously possible. The project helps to keep people living in their homes independently with increased socialization.

Selfhelp developed the Virtual Senior Center in cooperation with the Microsoft Corporation, the New York City Department for the Aging, and the New York City Department for Information Technology and Telecommunications. Even those without previous computer experience are quickly trained to use specially adapted equipment and Selfhelp-developed senior-friendly software to connect with family, friends, and engaging classes in a variety of subjects tailored to their interests.

Among the high-quality services provided to this aging population are special events and lectures that provide interaction with New York City cultural institutions, including virtual exhibitions at the Jewish Museum New York and the Guggenheim Museum. And a bonus of the Virtual Senior Center is that it enables case managers, caregivers, and family members to electronically monitor the health and safety of participating seniors.

Currently, there are 22 participants in the program, with another 184 men and women projected to be added in the near future. The revenue model in the Virtual Senior Center's business plan included a long-term goal to convert the program to a subscription base; however, as Selfhelp continued to implement the plan and learn more about how it was actually used during the pilot, they began to see more accurately how the program could grow over time.

Chief Innovation Officer Leo Asen now describes a bifurcated marketing approach that includes sales to consumers (fee for service) and sales to nonprofits and other third-party payers. “We conducted market research that confirmed for us there is a value proposition for the Virtual Senior Center that both businesses and consumers are willing to pay for,” says Asen.

Selfhelp has begun to go through the process of establishing the Virtual Senior Center as a legal corporate entity to commercialize the successful pilot. The next step is to scale up the enterprise by raising capital through social-impact investors. Selfhelp is looking for an external \$2.8 million in funding to continue working toward transforming the Virtual Senior Center into a recurring and unrestricted source of income to support and strengthen Selfhelp’s services.

GETTING HELP IN PURSUING SOCIAL ENTERPRISE: THE APPROPRIATE ROLE OF THE EXTERNAL CONSULTANT

Thomas S. Lyons, Ph.D.
*Baruch College,
The City University of New York*

You have decided that social enterprise is a promising strategy that you want to pursue to make your organization financially sustainable. Now comes the difficult part: What viable options do you have for generating earned income? How do you determine which earned-income activities are most appropriate in light of your mission? How do you best approach the actual implementation of an earned-income strategy? Do you have the necessary capacity and capabilities to pursue earned income? These are among the most important questions that must be answered prior to embarking on this path.

While all of the above questions ultimately must be addressed, arguably the most important question has to do with capability. This is because your organization's ability to answer the other questions and to successfully carry out a social enterprise strategy hinges on its combined skill set. This involves the complementary skills of the management team, staff, board of directors, advisory board (if you have one), and volunteers. This further suggests that a useful starting place would be to conduct an internal skills inventory and compare that to the total skill set required to be a successful social entrepreneur in your space.

Skills required for social entrepreneurship

This begs the question: What are the skills required for successful social entrepreneurship? After all, a nonprofit manager who strives to generate earned income has just assumed the mantle of social entrepreneur. Lyons and Lichtenstein shed some light on this with

their “four dimensions of entrepreneurship skill.”* These dimensions of skill:

- **Technical skills** —skills required to run an enterprise in a given “social industry,” such as workforce development, affordable housing, illiteracy, and so forth.
- **Managerial skills** — skills needed to operate an enterprise on a daily basis, such as management skills, accounting or bookkeeping skills, and marketing skills.
- **Entrepreneurial skills** — skills necessary to recognize, assess, and act on market opportunities, or the skills of innovation.
- **Personal maturity skills** — skills including creativity, self-awareness, accountability, and emotional skills.

Technical skills are probably the strongest skill dimension for new social entrepreneurs. You are unlikely to be in your chosen social industry if you don’t know something about it. If you are moving into the realm of earned income, the managerial skills required will go beyond basic nonprofit management. You need to know how to manage an organization that sells products or services. The skills learned in an M.B.A. program would be useful.

Entrepreneurial skills may be a challenge as well. You may be a creative person with many ideas, but that doesn’t guarantee those ideas will be viable income-generating activities. Entrepreneurs are innovators; they know the difference between an idea and a true opportunity to add enough social or economic value for people to pay for it, and they know how to seize that opportunity through implementation. This goes beyond charging fees for regular services rendered (something that your beneficiaries may or may not be able to afford); it involves recognizing excess capacity and capabilities that can be converted to revenue-generating “lines of business” and building a business that can successfully take your new service or product to its intended market. Finally, personal maturity skills are arguably the most difficult to develop, but they are crucial to success as a social entrepreneur.

* See Lyons, T.S., and G.A. Lichtenstein. “A Community-wide Framework for Encouraging Social Entrepreneurship Using the Pipeline of Entrepreneurs and Enterprises Model.” In *Handbook of Research on Social Entrepreneurship* (Cheltenham, UK: Edward Elgar Publishing, 2010): 252–270.

Skills-based approach to hiring consultants

So, which of these capabilities does your organization already possess? Which are skills that you do not have, either internal to the organization or externally through partners? These latter skills are the ones you will need to acquire through consultants. You must be objective and honest in making this assessment. You can either hire the consultant to do the work for you, or, better yet, you can employ the consultant to help your management team, board, advisors, and volunteers to develop the required but missing skills going forward.

Using this skills-based approach to determine your needs as they relate to social enterprise capability will allow your organization to identify the best consultant, grounded in an objective assessment. It will enable you to select a consultant based on a clear match between your needs and the consultant's ability to address those needs, as opposed to the all-too-common scenario where the consultant merely provides whatever he or she knows regardless of its relevance to your organization. This approach also makes it clear when your needs have been met and it is time to end the consultancy relationship, or when needs are not being met and it's time to end the relationship. Skill development is a process. The best consultants will act as coaches and counselors to your team as the latter builds its social enterprise skills.

CASE

The Henry Kaufmann Sports & Events Center of Long Island Henry Kaufmann Campgrounds

The Henry Kaufmann Campgrounds site in Long Island is a 350-acre gem complete with playgrounds, hiking trails, swimming pools, sports fields, and—just opened in the summer of 2012—the Kathy and Alan Greenberg Sports Pavilion: a brand-new, 10,000-square-foot indoor, winterized facility usable year-round. Since 1959, working with local Jewish community centers and Ys, Henry Kaufmann Campgrounds' primary purpose has been serving some 2,500 children a day from Queens, Nassau, and Suffolk counties.

Like all such facilities, there are large chunks of time when it is not in use before and after camping season. Some sort of social enterprise seemed appropriate; here was a beautiful, modern facility lying fallow much of the year. But Henry Kaufmann leadership was also aware of its need for marketing advice and financial analysis, and a fresh look at strategy and mission.

So with the Social Enterprise Associates providing consultants' expertise in market research, Henry Kaufmann got the information it needed on prospected business opportunities and a path to follow to successfully launch a new business. The Henry Kaufmann Campgrounds' Long Island site now has an additional function as a sustainable business, a potential additive source of income at a time when government and private funding is less reliable. The agency is going into the rental business and has branded itself as the Henry Kaufmann Sports & Events Center of Long Island, with a separate identity, logo, brochure, website, and marketing plan.

A team of social enterprise consultants gave the new business entity a roadmap for sales and operational processes, clear sales metrics and forecasts, and a client relationship-management system,

in addition to help with a website and a social media presence. The Henry Kaufmann Sports & Events Center already has a contract with a local soccer club, a relationship with a basketball association, a membership in three chambers of commerce, and a database of several hundred sales prospects. Standard rental contracts have been drafted and multiple bank relationships are in the works. A reasonable earnings estimate for its first year of operation from August 2012 to July 2013 is \$75,000. Conservative long-term calculations project significant annual income, a welcome contribution toward the annual budget.

In effect, a new company, based on an asset that has been around for more than 50 years, is now open for business.

CASE

Adamah

Isabella Freedman Jewish Retreat Center

Nestled inside 400 bucolic acres along two clear lakes in rural Connecticut, the Isabella Freedman Jewish Retreat Center is many things: a senior's summer camp, a learning center, a retreat, an environmental and ecology fellowship program, a place to study and experience Jewish spirituality, a home away from home to celebrate Jewish holidays, and much more. Ten lodges on the property can accommodate 150 guests, and there is a dining hall with professional-level kosher kitchen facilities.

And as part of an environmental ecology mission called Adamah (Hebrew for "earth"), it is also a working farm with an income-producing line of products under the Adamah brand name. In short, Isabella Freedman is an old hand at social enterprise, selling the fruits of its social mission to help underwrite its mission! In 2011, the Adamah brand generated income of \$110,000 selling goat cheeses, pickles, sauerkrauts, and jams to markets in the Berkshires and the New York metropolitan area.

Today, like every other nonprofit, Isabella Freedman finds itself with increasing expenses in the face of uncertain public and private funding. Its solution is to invest in scaling up and expanding the Adamah brand. With the help of consultants from the National Executive Service Corps (NESC), several avenues of expansion are being explored:

- Goat soap and lip balm, which use limited quantities of goat milk and do not require refrigeration.
- Such new food items as fruity goat yogurt, which can be inserted in the existing distribution chain.
- Expanded local distribution of existing products.

All of these possibilities are natural outgrowths of existing operational experiences within the retreat center. Food service and farming are its strengths, and consultants will best help leverage them in the marketplace.

Isabella Freedman Executive Director David Weisberg says, “I think the main challenges we’re facing are limited resources in terms of manpower, land for growing produce, and production space. Also, getting products to market is one of the major impediments identified in our overall value-added products business. The investment that will be necessary depends upon our ultimate choice of the best path to move forward.”

At the Isabella Freedman Jewish Retreat Center, Jewish spirituality may *inform* their missions, but textbook business practices will help *underwrite* them.

NONPROFITS AND SOCIAL ENTERPRISE: RISK, REWARD, AND THE POSSIBILITY OF TRANSFORMATION

Charles Lief

President, Naropa University

First President, Greyston Foundation

Any nonprofit that walks through the social enterprise doorway should only do so if all the stakeholders in the organization are prepared to embrace the cultural and structural changes that must be expected. Despite a frequently heard endorsement of the exercise, developing a social enterprise should not be undertaken primarily as a means to become less dependent on increasingly scarce philanthropic support. That may well be one positive outcome, but in most cases, the potential financial return does not justify the effort and risk.

But for a nonprofit seeking a way for its mission to more effectively impact its ecosystem, and to discover new opportunities for both expansion and collaboration, the emerging social enterprise sector offers opportunity. The world of nonprofit finance has indeed changed: money is scarcer and increasingly in the hands of new philanthropists who have different means to express generosity. We see a “Don’t give a person a fish, but teach them to fish” generation of donors. That view is relevant not only to how nonprofits may better support their clients, but also to how the organization itself needs to become more sustainable in order to maximize impact most efficiently and effectively.

As a practitioner in the social enterprise field with enough battle scars to establish some credibility, I am often asked to consult with nonprofits exploring any number of entrepreneurial ideas. The typical request goes something like this:

It is harder to raise unrestricted grant dollars, and the need for our services is greater than ever. A board member, or our executive director read about (fill in the blank) and thinks it would be a great idea to

start a (fill in this blank) too and use the profits to support our work. We are looking for someone to write our business plan.

The importance of a well-planned process

This well-intended request is missing some key steps. The important work starts well before a spreadsheet is created. A well-planned process to consider launching a social enterprise can have a number of beneficial results, even if the enterprise idea itself is not deemed timely or feasible. The conversation engages the board and management in an honest dialogue about the organization's current relevance and impact. It provides a framework to more clearly understand what assets the nonprofit already has and how, with the application of some entrepreneurial perspective and creativity, what is already being done as a core activity may be leveraged to generate new revenues or attract or positively affect new clients, resulting in broader impact. While dedicated and skilled nonprofit managers look at such issues as part of their professional activity, investigating through the lens of enterprise development can be a helpful framework. It can be energizing to take time to brainstorm and break free from a more fixed view of the organization. The most effective consultants at this phase of the work facilitate a genuine conversation among the stakeholders and refrain from offering their own opinions. *(See article on page 27 for more on the appropriate role of consultants.)*

If the board and management are ready to move beyond the “that’s how we’ve always done it ” mindset and thoughtfully accept some level of risk and new accountability metrics, then social enterprise may well make sense and the consultant can convert the consensus view to a more formal planning exercise. The business ideas will then feel harmonious with the mission and have buy-in at all levels so that responsibility for challenges and setbacks is fully shared. As the traditional silos that have divided the for profit, nonprofit, and governmental service sectors are increasingly dissolving, social enterprise is one powerful vehicle for nonprofits to play a prominent role in influencing the means by which the new structures of our civil society are formed.

CASE

Ketzev Program

The Jewish Agency for Israel

In recent years, more young adults are electing to contribute to changing the face of Israeli society by living in young mission-driven communities in Israel's social and geographic periphery.* These young people maintain a community lifestyle and devise social initiatives for the improvement of their community. There are some 130 such young communities in which 74 percent of their members engage in social-educational projects and are mostly employed by third-sector organizations. These organizations are fragile, facing numerous challenges that include a dependency on philanthropic support and a lack of organizational stability. This, in turn, puts the future of these young communities at risk, because without a viable economic base the communities cannot flourish.

To address these problems, an innovative initiative of the Jewish Agency for Israel known as Ketzev is supporting social business entrepreneurship in Israel's mission-driven communities†. As an avenue of meaningful social action and as a means of generating sources of income and long-term sustainability, Ketzev's goals focus on creating varied and appropriate sources of employment and generating profitable income that will lead to economic independence.

A range of services are available through Ketzev, including access to seed money, mentoring, training and instruction in the field of business entrepreneurship, and a support-services facility for business ventures. In addition, participants are connected to sources of funding and entrepreneurs with companies and investors and they receive marketing and communications tools.

* The Negev and Galilee are defined as the geographic periphery; weak (or weakened) neighborhoods are considered social periphery.

† Mission-driven communities are created when groups of young people (typically 21 to 35 years old) deliberately move to the geo-social periphery for the purpose of strengthening the social fabric in those areas.

One program supported by Ketzav is Hitzim (or Arrows)—the Mobile Jewish Community Center of Garin Shuva, a young intentional community of 21 families located in the northwest Negev at the Gaza perimeter. It is the first model of its kind in Israel, and more than 100 families are on the waiting list to join. The group was founded on the idea of integrating Torah into daily life with the goal of strengthening and encouraging this frontier region battered by conflict. This community is part of a network of socially active intentional communities called *nettiot*. *Nettiot* attracts more and more young newly observant from the *Haredi* public, and reengages them into Israeli society. The network's members are entering into full-time employment, civil and military service, and social involvement.

The Mobile Jewish Community Center is a nonprofit business with a social mission. The JCC operates more than 60 classes, workshops, and training sessions, employing 22 community members part-time. Each workshop has a balanced budget with some already realizing a profit. They have nearly doubled their original goal of generating about \$26,000 (100,000 NIS) by reaching close to \$46,000 (180,000 NIS), and expect to reach about 600,000 to 700,000 NIS by August, 2013. The profits are used for operating such programs as professional development and other sustainability services, mentorship for at-risk children, facilitating youth groups, and promoting Jewish eco-awareness, all staffed by 25 professionals from Garin and other periphery communities.

TRENDS IN THE FIELD OF SOCIAL ENTERPRISE

Drew Tulchin
Managing Partner

Social Enterprise Associates

The social enterprise field is growing at an impressive clip. More nonprofits are seeking earned-income strategies to avoid an over-reliance on donors for pressing issues during difficult economic times. More consumers are considering the social and environmental impact as an important factor in their purchasing decisions. This article details some of the many emerging trends in the industry.

New Legal Forms

As more attention grows on “doing well by doing good,” it is increasingly difficult for consumers to distinguish who is truly benefiting people and the planet and who just says they are. New attention to recognize, verify, and classify triple-bottom-line efforts include:

1. **Conscious for-profit enterprises**—Standard for-profit enterprises are becoming increasingly conscious of their social and environmental impact. For years, the outdoor company Patagonia has been known for its environmentalism; for example, the company donates 1 percent of its sales to grassroots groups, champions a fresh-water campaign, and uses recycled materials in many garments. Founded in 1972, Patagonia was around well before the term “social enterprise” meant anything.
2. **Beneficial corporations** (referred to as B corps)—B Lab, a nonprofit established in 2006, seeks to elucidate the movement by providing a standardized benefit-assessment and certification system that provides a verification system or seal of approval for businesses and nonprofits. It is also supporting legislation to legally recognize for-profit “benefit corporations,” so far passed by a number of states and cities. There are currently more than 650 B corps in 60 industries across 15 countries.

3. **L3Cs**—Low-profit limited liability companies are the legal form of business entity designed for social enterprises to give legal dedication to pursue the triple bottom line (standard LLCs have a fiduciary duty to shareholders to maximize profits).
4. **Greenwashing**—Unfortunately, many companies tout their positive impacts without any real evidence. Known as “greenwashing,” this trend means it is important for entities to make sure they can verify the good they are doing and for whom.

Scaling Up: Increasing Efficiencies and Replication

As nonprofits seek to do their work better, there is increasing pressure to cover more of the constituencies in need. Therefore, social enterprises are confronted with more demand and strains with growth. A key question is if these institutions can continue this work, scale up to get bigger, or have their model work in other markets.

A key component to growth is economies of scale, whereby services theoretically get less costly with increased volume. Internal systems and better organizing, including using technology, operational systems, and other internal measures, may create improvements. Some software platforms offer reduced rates.

Crowdfunding

An online trend here to stay is “crowdfunding.” Inspired by crowdsourcing, crowdfunding describes the collective cooperation, attention, and trust by people who network and pool their money together. There has been an emergence of many new platforms, including Kickstarter, 33Needs, and StartSomeGood. More than \$500 million has been donated through these platforms for nonprofit causes, arts efforts, inventions, and more. Success is predicated on one’s own good marketing, online social media, and self-promotion. Best practices can readily be found online, but buyer beware on the fees, time, and effort required for success.

Impact Investing

There is a rising recognition and interest in how to invest in social enterprises and social entrepreneurs through investment rather than donations. Triple-bottom-line interests, “patient capital,” and socially motivated investing are here. This is not really new, as community investing and socially responsible investment grew out of the 1960s, but the amount of media attention and amount of money available does attract attention. The bank troubles have fueled a distrust in “the system,” providing more interest in alternative investments.

These are just a few of many trends happening in social enterprise. This dynamic community continues to grow and develop with great possibility.

Ramapo for Children helps emerging educators, experienced teachers, youth-service professionals, and parents appreciate that all children seek the same things: to learn, have friends, feel valued, and experience success. Through highly regarded direct-service and training programs, the agency provides a toolbox of skills for helping children and young adults align their behaviors with their aspirations.

For 90 years, Camp Ramapo, a program of Ramapo for Children, has given children affected by social, emotional, or learning challenges the tools they need to live within a group, form healthy friendships, make good choices, develop self-confidence, and experience success. Every summer, more than 200 emerging professionals in the fields of education, social work, psychology, and other related areas travel to Rhinebeck, New York, to work with the campers and learn the Ramapo approach.

Eleven years ago, Ramapo's management and staff began to think about how to replicate their work so that they could serve more professionals and ultimately thousands more children. They quickly realized that it was not realistic to replicate direct service without compromising quality, but at the same time they knew they had something to teach: a unique approach that bridges the gap between teachers' formal training in instruction and the daily challenges of managing a classroom situation.

Ramapo Training was created as a way to empower teachers, youth-service professionals, and parents with practical tools to manage difficult behaviors and inspire success among all children. Its goal is to equip educators and caregivers with the necessary skills to build trusting relationships, serve as effective role models, and handle challenges constructively.

“Based on the increasing demand for our services, our in-depth experience in the field, and reinforcement from professionals and parents, we knew there was an opportunity for us and a niche to fill. Both the program growth over time and the additive revenue we’re generating continues to reinforce our initial decision,” says Adam Weiss, chief executive officer of Ramapo for Children. Ramapo Training, like all of the agency’s income-generating programs, is an important part of maintaining a diverse revenue stream.

Ramapo Training generates approximately \$1.5 million annually in service fees and philanthropic gifts related to these professional development programs. Ramapo Training offered more than 1,200 three-hour training sessions last year, serving some 6,000 teachers, 4,500 youth-service workers, and 450 parents.

LESSONS FROM A SUCCESSFUL SOCIAL ENTREPRENEUR

Daniel Lubetzky

Founder and Chief Executive Officer

KIND Healthy Snacks

KIND was founded in 2003 by Daniel Lubetzky, a social entrepreneur whom Time magazine recognized in its 2009 “25 Responsibility Pioneers” list and Businessweek named among its “America’s Most Promising Social Entrepreneurs” list. In 1994, Daniel first founded PeaceWorks Foods, a “not-only-for-profit” company that promotes economic cooperation among neighbors striving to coexist in conflict regions worldwide, a passion that was the subject of his undergraduate thesis. The success of this social enterprise led to an investment in others that successfully integrate and serve both a financial and social bottom line. KIND is featured here, with lessons learned that apply to all social enterprise.

My vision for KIND really came from my own personal frustration in the fact that I was unable to find a snack that I could enjoy on the go that was both healthy and tasty at the same time. Instead, all the snacking options seemed to be forcing people to make false compromises by choosing between one or the other. It didn’t seem right! The snack-bar category in particular was dominated by those made from emulsified pastes with ingredients processed past the point of recognition. I wanted to make a snack with real, all-natural ingredients you could actually see and pronounce.

As I worked to get my idea off of the ground, I woke up early each morning to walk up and down the length of Manhattan, visiting bodegas and natural-food stores throughout New York City to introduce them to KIND. Though I was turned away time after time, I never took no for an answer; instead, I would ask the store managers and buyers to tell me what I was doing wrong so that I could learn and improve. Perseverance and a willingness to learn paid off.

During those days, I needed to wear many hats by taking on marketing, sales, and operations roles all at once. But as KIND expanded, it became increasingly necessary for me to step back and delegate roles and responsibilities so the company can grow at the rate it needs to. I don't always find it easy to relinquish control because I'm very passionate about every aspect of the company, but it is critical to build a team with expertise within each field so that they are able to teach you how to lead it forward. I also welcome my team to push back and challenge my ideas, as it helps us all to arrive at a stronger place in the end. Today, KIND is made up of more than 100 team members who come from a diverse array of backgrounds, both personally and professionally. Our team members are the backbone of this company and one of the most important investments to make.

Even as a company begins to take off, it is in your best interest to remain constantly open to learning. Everything will not go smoothly the first time around, so you must practice perseverance and be open to analyzing your mistakes so you can turn them into your successes. Celebrate every opportunity to learn from your failures, because if you do not, you will never improve. Here are a few key lessons I have learned so far as KIND continues to grow. I look forward to the many more that will surely come my way.

Be yourself, be authentic, be consistent—don't try to be something you are not. Some brands, through gimmicks, are trying to follow a fad, which is not sustainable. You need to look internally and define the core values of your brand and then be true to those values, and you need to behave consistently across all platforms. Our mission at KIND is to be kind to your body, to your taste buds, and to the world. This means that we will not introduce a product that is not healthy even if it is phenomenally tasty; we also won't launch a healthy product that is not delicious. Whatever your mission is, you cannot cut corners just to try to grow more quickly. Remember your brand promise and make sure to keep it. Your consumers will demand this of you, as they should.

Allow people to feel ownership in your brand by creating something with a human pulse that they can truly connect with. One of the ways we do this is through our KIND movement, through which we aim to make the world a little kinder. We bring this social ethos to life through our Do the KIND Thing campaign, which encourages and inspires the spread of unexpected acts of kindness. Each month, we invite our community to carry out one small act of kindness called a “KINDING mission,” with the promise that if enough people sign up on KINDmovement.com to do so, KIND will pay it forward by doing a “BIG KIND act” that gives back to a group of people that really needs it. To date, the KIND Movement has inspired more than a quarter million acts of kindness around the world. The movement is fueled by the enthusiasm of our community, which floods our website and Facebook page with its incredible stories of kindness.

Whatever you do, never stop dreaming and thinking out of the box. You must come up with a whole bunch of crazy ideas in order to land on one really good one. And as we like to say at KIND, “It’s usually the nuts that change the world!”

SOCIAL ENTERPRISE RESOURCES

What is Earned Income?

www.socialent.org/beta/definitions.htm

Glossary defining important terms and phrases in the social enterprise lexicon.

Getting Started

www.socialenterprise.net/earnedincomestrategies (PDF)

Resource covering key steps to follow when evaluating a nonprofit earned-income strategy and questions to ask when following those steps.

www.entrepreneurstoolkit.org/HowtoStartaSocialEnterprise

A greatest-hits list of important steps to take when evaluating and executing a nonprofit earned-income strategy.

www.boardsource.org/dl.asp?document_id=543

(PDF)—pages 10 to 16

A guide to unlocking profit potential in your nonprofit organization.

<http://nesc.org/download/social-enterprises-expanding-position-in-the-nonprofit-landscape.pdf>

National Executive Service Corps (NESCC) white paper on social enterprise.

www.nonprofitquarterly.org/philanthropy/839-nonprofit-enterprise-right-for-you.html

A critical appraisal of factors to consider before embarking upon a social enterprise.

Generating and Sustaining Nonprofit Earned Income: A Guide to Successful Enterprise Strategies by Sharon M. Oster, Cynthia W. Massarsky, and Samantha L. Beinhacker. Published by Jossey-Bass

This book will provide you with important information on the prerequisites for a successful social enterprise.

Pros and Cons

www.boardsource.org/dl.asp?document_id=543
(PDF)—pages 8 to 10

A pros and cons list of the strategies your organization can consider when moving into the social enterprise arena.

Writing a Business Plan

www.brodyweiser.com/pdf/recycling.pdf (PDF)

A lesson in developing a business plan.

Market Research

www.enterprisingnonprofits.ca/learning-toolkits/products-and-markets (PPT)

How do you know the market desires your product?

www.ssireview.org/articles/entry/research_rules

From Stanford University, why social enterprises need to do research before they begin marketing.

Challenges of Scaling a Social Enterprise

www.open-business-innovation-eng.blogspot.com/2012/08/is-your-social-venture-really-worth.html?m=0

Addresses decisions and challenges taking your organization into the social venture space and following decisions to scale ventures.

blogs.hbr.org/cs/2012/06/how_to_take_a_social_venture_t.html

How to take your organization's impact to scale.

Impact Investing and Other Trends in Social Enterprise

■ Impact Investing

www.socialenterprise.net/blog/dont-just-give-invest.html

Overview of types of impact investing.

■ Crowdfunding

www.socialenterprise.net/publications/surfing-the-crowd

It's sexy, but is it for your organization? How this type of capital raising may or may not be a good fit for your effort.

■ B Corporation

www.bcorporation.net/what-are-b-corps

What being a benefit corporation, or B corp, means, why it's different, and who is involved.

■ Venture Philanthropy

www.denverpost.com/business/ci_20194850/venture-philanthropy-risky-but-rewarding

The risks and rewards of the venture philanthropy sector, another way to raise capital for your organization.

■ Low-Profit Limited Liability Corporation (PDF)

www.americansforcommunitydevelopment.org/downloads/The%20L3C%20&%20Economic%20Development.pdf

"A for-profit with the nonprofit soul."

Business Plans and Competitions

www.socialenterprise.net/SocialBizPlanCompetitionFinal.pdf
(PDF)

A list of national business plan competitions for social enterprises.

SOCIAL ENTERPRISE TOOLS AND TEMPLATES

Financials

Social Enterprise Financials:

www.socialenterprise.net/powerpoint/socent_proformas.htm
(PPT)

Utilizing pro forma financial statements and their importance to your organization.

Fictional Social Enterprise Financials:

toolbelt.se-alliance.org/resources/1825

Monthly Business Report Template:

toolbelt.se-alliance.org/resources/1853

Pro Forma Income Statement Template:

toolbelt.se-alliance.org/resources/1922

Budget Worksheet:

toolbelt.se-alliance.org/resources/1918

Forecasting Income:

toolbelt.se-alliance.org/resources/84

Break-Even Analysis:

toolbelt.se-alliance.org/resources/16

Business Plan Tools and Templates

www.socialenterprise.net/BusinessPlanOutline (PDF)

Business plan template for your social enterprise.

www.regions.com/small_business/resource_02.rf

Detailed business plan template that is a great supplement to resource above.

Data Gathering

www.nonprofitquarterly.org/aguide-to-financial-leadership

The importance of financial data and financial data management in NGOs.

Impact Assessment Tools and Frameworks

www.socialenterprise.net/assets/files/Revisioning%20Value%20measure%20impact%20final.pdf

(20 slides)

Social & Environmental Metrics—how and why to integrate them into your venture.

NOTES

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