

**Social Enterprise and Non-Profits:**  
 *Holding Mission and Financial Sustainability*

By Kathleen M. Hosfeld

Anyone involved with non-profits – as an employee or board member – is concerned with their long-term financial sustainability. Increased competition among non-profits combined with declines in government funding and changing patterns in personal philanthropy have forced many to look at new sources of income to stabilize or grow their bottom lines.

Enter the concept of **social enterprise**. Technically, both for-profits and non-profits can be social enterprises. The new definition of social enterprise, adopted by the Social Enterprise Alliance is:

“An organization or venture that advances its social mission through entrepreneurial, earned-income strategies.”

But, as Alliance board member Kirsten Gagnaire pointed out during the organization’s April 2007 national Gathering, for-profits that start out with a social mission (think Flexcar, Great Harvest Bread Company, Seventh Generation) frequently have the inherent entrepreneurial strengths to figure out how to balance mission and profit. Non-profits that have historically seen the world through the lens of those without ability to pay have unique challenges in learning how to court those who can.

Social enterprise is not a new phenomenon. Since the early 90s, this firm has worked with visionary non-profits seeking to change the traditional industry ratios of earned to unearned income. In the Northwest, there are a number of highly successful social enterprises including Pioneer Human Services and FareStart. Nationally, Goodwill Industries has been pursuing social enterprise since it was founded in Boston in 1902.

Today, more nonprofits than ever before are exploring models of social entrepreneurship in order to survive financially – as well as to expand their mission. Types of ventures include:

- Developing mission-based products or services for those with ability to pay
- Creating curriculum or training programs for sale or license to share core expertise
- Enhanced corporate sponsorships – treated as earned income rather than corporate philanthropy
- Retail or internet sales of donated, low-cost or mission-based products
- Partnerships with corporations such as cause-related marketing campaigns.

Social entrepreneurship brings new tax and legal questions. *When is earned income taxable? What activities threaten our non-profit status?* For visionary social entrepreneurs there’s the challenge of financing growth. *Where do we find patient capital to either start a venture or bring it to scale?* For many non-profits there’s the difficult cultural shift from working only with those without ability to pay to working with people who can pay. *How do we do that without feeling like we are “selling out?”*

Of the many, many resources available to explore the world of social enterprise, following is the briefest of lists:



**Social Enterprise Alliance** - The national organization representing social enterprise in the United States. <http://www.se-alliance.org>

**Sustayne** – A program offered by the Social Enterprise Group that provides intensive business planning for organizations seeking to combine mission and profitability. <http://socialenterprisegroup.com/events.html>

**Stanford Social Innovation Review** – An award-winning printed magazine and Web site covering best strategies for nonprofits, foundations, and socially responsible businesses. Published quarterly by the Stanford Graduate School of Business. <http://www.ssireview.org/>

If you have more interest in this emerging model of operation or need help creating social enterprise within your organization, please contact us. <http://www.hosfeld.com/about/contact.php>.



Kathleen Hosfeld is the President of Hosfeld & Associates, Inc. Since 1989, Hosfeld & Associates' marketing expertise and services have launched, grown and inspired visionary for-profit and non-profit organizations and projects. We help clients think more clearly and boldly about their goals. We provide the skills and resources clients need to implement breakthrough strategies for profitability, service, and contribution. For more information, please visit <http://www.hosfeld.com>

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