SOCIAL ENTERPRISE
A PORTRAIT OF THE FIELD
Community Wealth Ventures (CWV) is a management consulting firm that emboldens and equips leadership teams to innovate, grow and sustain organizations that build a better world. CWV offers strategy and implementation services to nonprofit organizations and philanthropic foundations, partnering with them to design and implement innovative approaches to growth and sustainability. CWV supports nonprofit sustainability through a variety of strategies, with core expertise in social enterprise and social franchising. CWV is a wholly-owned, for-profit subsidiary of Share Our Strength, one of the Nation’s leading anti-hunger and anti-poverty organizations.

The Social Enterprise Alliance is the member organization in North America that brings together the diverse field of social enterprise. It serves as an advocate for the field, a hub of information and education, and a builder of a vibrant and growing community of social enterprises. Since its inception in 1998, SEA has served as North America’s leading association for the field. SEA engages its community of established enterprises with a robust advocacy strategy to help policy-makers understand the importance of social enterprise as a tool for tackling key social challenges and to design relevant policies and initiatives. SEA also enlists supporters within the field, including funders, lenders, social capital investors, educators, researchers and technical assistance providers to engage in this vital agenda and to help shape a conducive business and political climate in support of social enterprise.

The Center for the Advancement of Social Entrepreneurship (CASE) is a research and education center based at Duke University’s Fuqua School of Business. The Center promotes the entrepreneurial pursuit of social impact through the thoughtful adaptation of business expertise. Founded in 2001 by Prof. J. Gregory Dees, CASE develops and disseminates knowledge on the concept and process of social entrepreneurship, scaling social impact, economic strategies for social impact, social venture business models, corporate social entrepreneurship, and entrepreneurial philanthropy. Also, CASE provides courses, service-learning opportunities, speakers, career planning support, and financial aid for Duke MBA students, including scholarships for incoming students who intend to pursue careers in the social sector.

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INTRODUCTION

The Social Enterprise Alliance recently partnered with Community Wealth Ventures and Duke University’s Center for the Advancement of Social Entrepreneurship to assess the state of social enterprise in the nonprofit sector in the United States and Canada. The survey effort, which was funded by REDF, was designed to advance the field by identifying trends and best practices among nonprofit organizations engaged in social enterprise activities.

For the purposes of the survey, “social enterprise” was defined according to the definition developed by the Social Enterprise Alliance: “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 from multiple sources, including the partners’ databases, and represented a broad range of organization types, sizes and geographic locations. In all, 740 organizations completed the survey. These included organizations that operate a social enterprise, are considering doing so, or are unfamiliar with social enterprise.

In this report, we take a deeper look at the survey results, which were originally released in 2009. We also present in-depth profiles of some of the responding organizations.
Steady Growth in Social Enterprise

The survey found that the number of social enterprises launched each year has grown steadily since the 1970s, with the most rapid growth occurring during the 1990s and early 2000s.

The findings provide empirical data to affirm a trend noted by several researchers and nonprofit leaders in recent years: the blurring of lines between nonprofit and for-profit entities. Nonprofits are becoming more “business-like” in their strategies and income-generating activities, while for-profits show an increasing tendency to embrace and advance important social and environmental causes. ¹

Of course, the impact of the 2008-09 recession on social enterprise is yet to be seen and could not be reflected in the survey. The fiscal challenges brought on by the recession might prompt more organizations to consider additional routes for generating added revenues, or it could cause them to delay taking the plunge because of financial uncertainty. Only time, and further research, will tell.

Regardless of what happens in the near term, however, the survey results indicate that the trend in recent years has been toward increasing consideration of social enterprise as a route to organizational sustainability and growth.

The number of social enterprises launched by respondent organizations has grown steadily since the 1970s.
In the survey, 57 percent of respondents reported that they considered launching a social enterprise. Asked about their motivation for considering social enterprise, nearly half of organizations (47.5 percent) said they were equally driven by the prospects of revenue generation and mission impact.

For example, several of the organizations we spoke with in follow-up interviews are generating earned income by providing jobs and job training to people who would otherwise have a hard time breaking into the job market. For Gulf Coast Enterprises, the focus is on individuals with disabilities. For Workforce Inc., it is ex-offenders. And for Triangle Residential Options for Substance Abusers (TROSA), it is recovering addicts. Each of these organizations combines employment opportunities with an array of other supports to help increase the chances that these workers can become self-sufficient over time. (See case studies for more on these three organizations.)

The survey affirms that once organizations become engaged in social enterprise, they are likely to deepen their engagement over time. This was a key conclusion of the 2003 Community Wealth Ventures report, *Powering Social Change.* And it shows up in the new study’s finding that 87 percent of those organizations that already were operating a social enterprise said they anticipated launching another one in the next three years.

Further proof that the “entrepreneurial bug” can become contagious is the finding that almost half of the organizations in the survey reported having two or more social enterprises. It seems that once people begin to engage in this work, the entrepreneurial spirit takes hold and they are continually exploring other opportunities to bring in more earned income. An example of this tendency at work is Evergreen Commons, a community center in Holland, Michigan.
Evergreen generates earned income from a variety of programs while still remaining true to its nonprofit mission to help older adults “get the most out of life.” The organization offers many programs and services for free, but charges fees for such activities as exercise and computer classes. It also operates adult day care and in-home services such as home-delivered meals on a sliding fee basis, depending on an individual’s ability to pay. Additional earned income comes from the Evergreen gift shop, as well as rental and catering fees resulting from the use of Evergreen’s facilities for anniversaries and community meetings.

Evergreen also recently purchased a local franchise for a business that installs wheelchair ramps in people’s homes. The net profit from the business in 2009 was $100,000, all of which was plowed back into the organization’s operations and programs.

“Fundraising can be tough, so we are always looking for ways to bring in more earned income to support our mission,” said Larry Erlandson, Evergreen’s President and CEO.

Who’s Operating Social Enterprises?

The survey found growing interest in and use of social enterprise in every corner of the nonprofit sector and among organizations of all types and sizes.

- **By organizational budget.** The percent of organizations operating social enterprises ranged from 40 percent among organizations with operating budgets of $250,000 or less to more than 60 percent among those with budgets over $5 million.

- **By nonprofit mission area.** The top five mission areas among respondents to the survey were: 1) workforce development; 2) housing; 3) community and economic development; 4) education; and 5) health.3

- **By number of employees.** A plurality of respondents (41.7 percent) employed between 1 and 5 employees in the social enterprise; 12 percent had more than 100 employees; and a significant portion fell somewhere in between.4

- **By location.** Respondents to the survey included organizations in all but four states, plus the District of Columbia. However, an analysis of the survey responses revealed that organizations located in the western United States are more likely to operate a social enterprise.
Social Venture Types

The top five social venture types among respondents, along with examples from the survey, were:

- **Education and training.** This is the most common type of social enterprise, as nonprofits set out to marry mission and profit by organizing educational classes and training programs for key audiences. This category includes many organizations that seek to use training to advance the fields in which they work. An example is the New Teacher Project, which conducts an intensive summer training institute for new teachers to help ensure that high-need students get outstanding teachers. Another example is Rancho Santa Ana Botanic Garden in Claremont, California, which collaborates with Claremont Graduate University to organize a series of trainings for graduate students. In addition, Rancho Santa Ana offers weekend trainings for hobbyists and enthusiasts.

- **Retail/thrift shop.** The retail operation is the most widely recognized type of social enterprise in the United States, thanks in part to the success of national institutions such as Goodwill Industries, the Salvation Army and the Society of St. Vincent de Paul in establishing and operating thrift shops. Arts organizations also have played an important role in advancing retail as a social enterprise, as the gift shop has become a central element of the revenue mix of cultural institutions ranging from art museums to nonprofit theatres and concert venues.

An example of new and different modes of retail social enterprise comes from Nuestras Raices, a nonprofit organization in Holyoke, Massachusetts. Nuestras Raices operates a farm store, pig roasting operation and greenhouse on the grounds of
a community farm it established to help members of the local Puerto Rican population develop agriculturally based businesses (see case study).

- **Consulting services.** The same principle motivates nonprofits pursuing earned-income opportunities in this area and many of those that are operating education and training programs. They recognize they have expertise to share. And they understand that an organization’s intellectual assets often are easier (and less expensive) to deploy in profitable ways than hard assets such as facilities and equipment. In many cases, these nonprofits sell their consulting services to other nonprofits or businesses. For example, Manna Inc., an affordable housing provider located in Washington, DC, provides consulting services to other area nonprofits and for-profit companies regarding construction management, development finance, environmental compliance and other topics. Similarly, Rancho Santa Anna Botanic Gardens has a suite of services designed to help other organizations support plant conservation. And, Eco-Cycle, in Boulder, Colorado, consults with area businesses about reducing their waste and recently launched a new venture to produce “zero waste” plans for communities around the world.

- **Food services/catering.** Food service and catering operations are very common among nonprofit organizations with a workforce development and employment focus. One model for this work is D.C. Central Kitchen, which was established in 1989 and now operates an array of catering, job training and meal distribution programs. Other, less famous examples of food-oriented social ventures include: Positive Vibe Café, a nonprofit subsidiary of the GLMD Foundation in Richmond, Virginia, which created the café as a model for training and employing people with disabilities; and Pioneer Human Services, located in Seattle, Washington. Under the trademark name of Mezza Café, Pioneer provides jobs for hard-to-employ people while offering catering and box-meal services to retail and corporate customers in Seattle and Bellevue.

- **Arts venture.** Arts-oriented social enterprises are most common among arts and culture organizations such as theater companies, arts education organizations or museums. However, a few respondents with arts ventures are multi-faceted human service organizations. These include the Magnolia School in New Orleans, which provides arts classes to individuals with intellectual and developmental disabilities and markets and sells their work in its retail store and at art shows throughout the region (see case study). Another example is the Riverdale Y, a community hub that brings together members of the local Jewish and wider community through arts programs, youth and senior services, fitness programs, and more.
Respondents to the survey also are engaged in entrepreneurial work in fields that show enormous growth potential. As in the private sector, for example, nonprofit sector entrepreneurs see important opportunities to generate jobs and profits in the burgeoning “green” sector of the economy. Nuestras Raices, in addition to advancing the cause of locally grown food, recently launched a new venture that will help local residents and businesses save energy. Meanwhile, both Workforce Inc. and Eco-Cycle view recycling and waste reduction as growth businesses (see case studies).

**Social Venture Structures.** A majority of the organizations in the survey (64 percent) operate their social enterprises as a division (or divisions) or as a subsidiary of the larger organization. Smaller percentages have created for-profit subsidiaries (32 percent). An example is Chicago’s Hispanic Housing Development Corporation, which in addition to building and managing properties, operates a for-profit construction company. Other social venture structures embraced by respondents were joint ventures (17 percent) and franchises (9.5 percent).

The survey suggests that today’s social entrepreneurs are operating comfortably within the current legal framework for social enterprise. In fact, respondents provide little evidence of a surge in interest in new structures such as the L3C, a new form of limited liability company (LLC) designed to allow organizations to attract a mix of investment money from various sources. Another structure that has been much-discussed in recent years is the B Corporation (or “Beneficial Corporation”), which is a for-profit entity that uses the power of business to create public benefit.
This may change in future years as the blurring of lines between for-profit and nonprofit entities continues, and as increasing numbers of organizations consider launching ventures. Indeed, one respondent we spoke with, Eric Lombardi of Eco-Cycle, said he sees real promise in the L3C model as organizations such as his work to attract additional capital to support their social enterprises.

**Social Venture Revenues.** Among the 400 respondents that were operating social enterprises, more than one-third (34 percent) had earned-income revenues of over $1 million, while one out of four (25 percent) were earning less than $100,000 per year.

For some organizations, these figures include revenue from multiple enterprises. However, having more social enterprises does not necessarily mean that a nonprofit is generating more revenue. Surprisingly, deeper analysis of the survey results could not show a conclusive link between the number of social enterprises and reported revenues. For example, 25 percent of respondents with one social enterprise reported social enterprise revenue of $1 million or more, while the comparable proportion for respondents with five enterprises was only slightly higher (33 percent).

![Steady Growth in Social Enterprise](image_url)

Social enterprise revenue is higher for organizations that have a longer history with social enterprise.
The survey did show, however, that the larger the nonprofit, the more revenue it is likely to earn from social enterprise. For example, 42 percent of respondents with operating budgets greater than $10 million reported social enterprise revenue greater than $5 million. By comparison, 43 percent of respondents with operating budgets less than $1 million reported social enterprise revenue less than $100,000.

In addition, the amount of revenue generated by social enterprises tended to rise based on an organization’s history with social enterprise. For example, 80 percent of those organizations that launched a social enterprise in the 1970s are now earning more than $1 million annually from their social enterprise. On the other hand, 77 percent of organizations that launched a social enterprise in the past eight years (2000-2008) reported earning less than $500,000 from this work. Below is a bar chart that highlights the connection between the year an organization first launched a social enterprise and reported revenue.

Sources of Capital. In order to grow their ventures, respondents to the survey cited a need for access to capital. Nearly 80 percent of respondents said they needed increased capital to stimulate the growth of their social enterprises.

Similarly, when asked what challenges they face in launching a social venture, more than two-thirds of respondents selected “finding funding to start venture.” Foundation funding was cited as the most commonly used source of startup capital for the respondents’ social ventures. For example, Workforce Inc., in Indianapolis, Indiana, received startup funding for its efforts to employ ex-offenders in the business of “e-waste” recycling from the Annie E. Casey Foundation. Foundation funding was followed as a source of startup funding by individual donations, general operating funds and government grants.

Interestingly, the prevalence of a particular source of capital varied according to when the social enterprise was launched. Organizations that first launched a social enterprise in the 1970s were equally reliant on foundation and government grants, in addition to self-financing (from general operating and reserve funds). It is not until the 1990s and later that it has become more common for nonprofits to turn to individuals as sources of capital. For enterprises launched since 2000, donations from individuals were the second most cited source of capital behind foundation grants.

In general, equity and debt financing were not a major source of start-up funding (less than 9 percent) regardless of when an organization first launched an enterprise.
Opportunities and Hurdles. Respondents were asked to reflect on the opportunities and hurdles associated with operating a social enterprise.

When asked to identify the biggest challenges they face in operating social ventures, more than one in four of these organizations (27 percent) identified sales and marketing as a primary challenge.

This was the challenge facing Shepherds Ministries, an organization in Wisconsin that recently launched Shepherds College, a post-secondary educational program for people with intellectual disabilities. “We knew that the service we offer was an important and much-needed one, but we also knew that we had to go beyond our loyal constituents and reach into a market that was unfamiliar to us,” said Susan Griffis, Ministry Advancement Coordinator with the nonprofit.

As a result, Shepherds Ministries hired a company to help the organization put together a marketing plan that covered everything from positioning to branding and budgeting. “We now have a clear path to follow as we spread the news of our college nationwide,” said Griffis.

Sales and marketing were followed closely by financial issues (23 percent) among the challenges facing social enterprises, with the greatest financial challenge being finding growth capital. Other areas in which respondents said they face challenges are human resources (cited as a challenge by 13.8 percent of respondents) and operations (11.9 percent).
Respondents expressed interest in receiving technical assistance and training in a variety of topics that would help them launch and operate their social enterprises. Among the most desired topics for training and technical assistance were: business plan development (51 percent); introductory training on social enterprise (48 percent); market research and analysis (45 percent); and accessing capital (42 percent).

Fortunately, the growth in social enterprise in recent years has been accompanied by growth in consulting and other services available to nonprofits as they develop and implement earned-income ventures. Universities, management support organizations and other entities offer a wealth of training and technical assistance to nonprofits, while the Social Enterprise Alliance has become a crucial source of support for social entrepreneurs. SEA bills itself as “an advocate for the field, hub of information and education, and builder of a vibrant and growing community of social enterprises.”

As, about opportunities for bolstering the field as a whole, respondents cited changes in funding and finances, more seminars and training, and changes in legislation as their three top picks. At Gulf Coast Enterprises, for example, President Richard Gilmartin said Social Security rules can create disincentives for people with disabilities to work, when it is clearly in their best interests – and in the broader interests of society – for them to be engaged in productive employment.

In interviews, respondents indicated a welcome attitude toward competition with private-sector business. When it comes to competing head-to-head with private businesses, the social entrepreneurs we spoke with offered a common refrain: “Bring it on.” TROSA’s moving business regularly competes for work with private movers, while Eco-Cycle has established a firm foothold in the $50 billion waste business. The secret to these organizations’ success in competitive industries isn’t lowball pricing. Rather, it appears to stem from a commitment to delivering high-quality service, plus aggressive marketing.

**SOCIAL VENTURE PROFILES**

To learn more about the social enterprises responding to the survey, we conducted follow-up interviews with several of the respondents so we could paint a clearer picture of their earned-income ventures and the issues and challenges they face. We selected candidates for follow-up with a focus on ensuring diverse representation across categories from geography and venture size to mission focus.

The profiles in the following pages provide more information about each of these organizations and their work.
Social Enterprise Profiles

Gulf Coast Enterprises, Pensacola, Florida

Michelle Chandler works as a publications clerk at Fort Rucker, the Army base in Dothan, Alabama. She recently graduated from a local community college and was having a hard time finding work because of an array of physical disabilities including Rheumatoid Arthritis and Fibromyalgia. She then interviewed with Gulf Coast Enterprises (GCE), an organization dedicated to providing work for individuals with disabilities, and landed her first-ever paying job.

Chandler now works 40 hours per week on a GCE contract with Fort Rucker filling requests for military forms and other publications. “She has such a huge heart and does a fantastic job,” said her supervisor, Brad Jackson, adding that Chandler recently was recognized as “Employee of the Year” for her region by an organization advocating on behalf of workers with disabilities.

Chandler is one of 1,243 GCE employees (including 894 people with disabilities) working in nine states and the District of Columbia. According to GCE President Richard Gilmartin, the organization came into being in 1986 because of its founders’ belief that everyone deserves a chance at a decent job.

“I have not met anyone who wakes up and says they don’t want to contribute to their community,” Gilmartin said. “And yet so many people with disabilities don’t get that chance because they’re essentially written off.”

Today, GCE has service contracts with a range of governmental and commercial entities, including a large number of U.S. military installations. GCE is part of a larger organization, Lakeview Center, which offers behavioral health services and child protective (foster care) services to the people and communities of northwest Florida.

Business Focus. Among GCE’s biggest customers is the Pensacola Naval Air Station, where 300 GCE employees work in the galleys doing everything from meal prep and cleanup to ordering supplies. GCE also has numerous smaller contracts – for example, 14 GCE employees staff the telephone switchboard system at Eglin Air Force base in Niceville, Florida.

Other services provided by GCE employees include everything from janitorial and healthcare housekeeping to mail operations and administrative and clerical support.

According to Gilmartin, GCE employees have severe disabilities that “create a substantial barrier to one’s ability to perform normal competitive employment.” These disabilities include cerebral palsy, intellectual disabilities, blindness and hearing impairment, plus physical disabilities like Chandler’s.

All GCE employees receive at least the minimum wage for their work, and most have full benefits and life insurance. In addition, GCE offers on-the-job support for most of its workers. Some employees, for example, have job coaches who provide supervision and help them perform their day-to-day tasks. For others, GCE will work with the customer to tailor jobs to the individual’s abilities – for example, by restructuring jobs and, in a process that Gilmartin calls “job carving,” removing responsibilities and tasks that employees might have a problem performing successfully.
Challenges and Opportunities. GCE regularly wrestles with the challenge of balancing mission and money. Gilmartin said the organization currently has 43 contracts and plots every one on a four-quadrant graph. Contracts are assessed as low or high on both margin and mission – the mission being to produce as many good jobs as possible for employees with disabilities.

The “death quadrant” on the graph, Gilmartin said, includes contracts that are low on both margin and mission – meaning they require a low proportion of employees with disabilities and do not generate much in the way of profits. “Those are contracts we need to remedy or exit,” he said.

Gilmartin added that GCE will tolerate operating contracts that are low on margin but high on mission, and vice versa – but not forever. The goal is to get all contracts moving into the fourth quadrant where they produce healthy financial returns while providing good jobs for large numbers of persons with disabilities.

Another challenge facing GCE is the fact that people with disabilities often are fearful about accepting paying jobs because of the impact on their Social Security benefits. “If you’re on Social Security because of a disability, there is an income limit over which you forfeit your cash and medical benefits,” Gilmartin explained. He said there are efforts under way to try and reduce these disincentives, but they remain a “significant problem.”

The condition of the economy has proved as much of a challenge for GCE as it has for most other businesses. With many employers tightening their belts, GCE regularly is being asked by its customers to cut costs.

Gilmartin cites the example of a custodial contract that was cut from five days to just one or two days per week. His fear is that the lack of everyday service has left the site in a less-than-optimal state of cleanliness. “If someone is onsite there and doesn’t know we’ve been cut back, then they’re going to think we’re not doing our job, and that’s not good for our business,” he said.

Gilmartin said an important part of GCE’s work and mission is about erasing stereotypes related to people with disabilities. This can create added pressure to deliver top-of-the-line service – but it is pressure that Gilmartin welcomes with enthusiasm.

“This work is about showing what people like Michelle can deliver when given the chance,” Gilmartin said. “When these people go to work and succeed, there is no greater reward for us.”
Triangle Residential Options for Substance Abusers, Durham, North Carolina

Looking for a mover in the Durham, North Carolina area? Whether you do your consumer research in the Yellow Pages or via Google, TROSA Moving will probably end up high on your list of companies to contact for a quote. What you may not know when calling the company, however, is that its 90 or so employees are recovering substance abusers whose work is part of a comprehensive two-year program designed to get them back on track to a successful and happy life.

TROSA Moving is the largest independent moving company in the “Triangle Area” of North Carolina that includes the cities of Raleigh, Durham and Chapel Hill. Voted the top local mover by readers of a Durham newspaper for three years in a row, it earned $3.6 million in revenues in the 2009 fiscal year. The moving business is part of a larger organization, Triangle Residential Options for Substance Abusers, which was founded in 1994 to help people change their addictive behaviors.

TROSA operates close to 30 facilities throughout the city of Durham, most of them as residences for 375 men and women enrolled in the recovery program. Nearly 93 percent of TROSA residents have a criminal record, and about one in three come to TROSA as an alternative to immediate incarceration. Over 35 percent identify themselves as homeless when they arrive at TROSA. Some have serious health problems, some do not read and write, and nearly half left high school without graduating.

TROSA provides its residents with food, clothing, therapy and other supports free of charge. In exchange, they must stay off drugs and alcohol and learn vocational skills by working in one of eight independent businesses operated by the organization.

Business Focus. Moving is by far the largest of TROSA’s businesses. According to Chief Operating Officer Keith Artin, it accounts for more than 30 percent of the organization’s revenues. To launch the business, TROSA purchased a license from an old moving company that was going out of business and seeded the operation with a $40,000 grant from the local Chamber of Commerce. Since then, virtually all of the business’s operating funds have come from self-generated profits.

While TROSA initially struggled to manage the moving business, it eventually hired Michael Keene, whose expertise in the moving industry significantly contributed to the company’s growth. As Vice President of Business Operations, Keene now oversees many of TROSA’s other business ventures, including a used furniture and picture-framing shop and a holiday business that operates four full-service Christmas tree lots, generating $400,000 in revenues each year.

Another TROSA business – and one that Artin cites as its fastest growing – is TROSA Lawn Care. The organization started expanding it lawn care business, Artin explained, when a resident who successfully completed the program expressed interest in creating a crew of current residents to do landscaping work. Since that time, TROSA has added a new crew each year and has grown the lawn care business to $840,000 in revenues.

“We don’t want people to hire us out of pity or because they think we offer the lowest price. We want them to believe we will do the best job.”
Challenges and Opportunities. Artin points to the lawn care business as an example of TROSA’s business model, which emphasizes quality over cost. Even though it does not pay its workers, TROSA deliberately tries not to compete with other businesses on the basis of low costs, he said, explaining that its prices tend to be “in the middle of the pack.”

“We don’t want people to hire us out of pity or because they think we offer the lowest price. We want them to believe we will do the best job,” Artin said. Part of successful recovery, he noted, is for residents to build self-esteem and take pride in their work. As a result, TROSA spends a lot of time training residents in job basics, from punctuality and personal appearance to interpersonal relations.

“So much of what we teach seems like basic stuff, but it is amazing how that can differentiate people in the job market,” Artin said.

TROSA’s research indicates that a year after their graduation, more than 90 percent of residents are still clean and sober, 90 percent have not re-offended and 95 percent are still employed – which Artin calls “amazing” numbers for a program of TROSA’s type.

Of course, in order to get these kinds of results, TROSA has to do things that competing businesses do not. TROSA’s purpose is to help substance abusers overcome their addictions, so there are a myriad of support groups and structured activities required of residents. By the time they graduate from the program, residents have a personal savings account, a donated and refurbished car, and transitional housing. In addition to their vocational training, they have taken advantage of GED classes, peer counseling and other forms of support.

TROSA relies on business revenues to support 55 to 60 percent of its operations; 12 percent comes from government and foundation grants, and the remainder are in-kind contributions, including food, clothing, building supplies and more.

Artin said TROSA is proud of its success in turning troubled lives around. The organization is equally proud that it has the support of the Durham community.

“It is often the case in this work that organizations like ours face a NIMBY (not-in-my-backyard) backlash,” he said. “But we haven’t experienced that, and I think that’s because people see that this work is important not just for these residents we’re helping but for the entire community.”
Nuestras Raices Inc., Holyoke, MA

Holyoke, located in western Massachusetts, is one of the poorest cities in the state. Its paper mills attracted a significant population of Puerto Rican immigrants to the city for work in the 1960s and 1970s. Now the mills have closed and unemployment is high. And yet, in the middle of it all, an organization called Nuestras Raices is capitalizing on the local Puerto Rican population’s agrarian roots to create new opportunities for jobs and community development.

Nuestras Raices (“Our Roots”) got its start in 1992, when residents of one of the poorest neighborhoods in the city began taking care of a vacant lot near their homes. Their goal was to create a small community garden where they could plant and harvest herbs, vegetables and fruits – and, in the process, pass along to their children the cultural traditions and the knowledge of farming that they brought with them from their native Puerto Rico.

Today, the La Finquita Community Garden in South Holyoke is one of eight community gardens and two youth gardens managed by Nuestras Raices across the city. On average, each of the 100 families taking care of the gardens is producing $1,000 worth of organic produce each year. Some are selling the produce for extra income, while others keep the food for themselves.

“This is about a lot more than food alone,” said Nuestras Raices Executive Director Daniel Ross. “These gardens are a place where families are coming together, and where people are bringing new life and new hope to their neighborhoods.”

Business Focus. Over the years, the gardens have become the centerpiece in a wide-ranging effort to promote “urban agriculture” as a route to a brighter future for Holyoke and its Puerto Rican residents, who account for nearly 40 percent of the local population. At the Centro Agricola in the heart of Holyoke’s downtown, Nuestras Raices has transformed a vacant lot and abandoned building into a vibrant center for agriculture-related small businesses.

The site is home to a restaurant and bakery owned and operated by community members, a commercial kitchen, a greenhouse operation and a youth-designed plaza modeled after the town centers of Puerto Rico and Latin America. There is even a homegrown business that installs and maintains saltwater fish tanks and raises and sells tropical corals and fish.

Travel to the outskirts of town and you will find a Nuestras Raices-owned farm (“La Finca”) that rents small plots of land to interested community members and provides loans, training and other supports to help them grow agricultural businesses. La Finca also is home to several income-generating operations including a farm store, pig roasting operation and horse barn.

Ross said Nuestras Raices operates the farm as both an entrepreneurial venture and as a family destination – it’s also home to a petting zoo and various festivals throughout the year.
Challenges and Opportunities. Nuestras Raíces, along with the Holyoke Health Center, is leading a community-wide planning effort aimed at improving the health of Holyoke residents with a focus on food and fitness; the initiative is funded by the Kellogg Foundation. Nuestras Raíces also receives funding from the U.S Environmental Protection Agency, the U.S. Department of Agriculture and a number of other foundations. While earned income currently represents a small share of the organization’s revenues, Ross said this may change in the future as Nuestras Raíces enters the “green jobs” business.

In early 2010, the organization launched Energía, a company that conducts home energy audits, air-seal and weatherize houses, and perform insulation upgrades and energy efficiency retrofits to aging properties throughout the region. The company will train low-income community residents to do this work, creating a projected 30 jobs. With start-up funding from the federal government and a pipeline of projects already lined up, Ross said Energía should break even within its first year of operations.

Ross said the secret to the success of Nuestras Raíces is the fact that it is a community-owned solution. “This is an organization that has emerged organically from the community as people worked to address the needs they saw around them,” Ross said. He added that Nuestras Raíces is a classic “asset-based” approach to community development. “Our members have a unique set of skills and a cultural tradition that they bring to this work, and that’s given us the staying power to succeed.”
Workforce Inc., Indianapolis, IN

Workforce Inc. is a product of serendipity – literally, a big pile of it. When a computer refurbisher moved out of the building where Gregg Keesling and his wife, Jannett, operated a welfare-to-work provider, the business left behind several tons of electronic waste – including keyboards, monitors, hard drives and more.

Keesling’s landlord asked if he and Jannett had any use for the waste in their work, and the rest is history. Since 2006, Workforce Inc. has helped 260 ex-offenders transition back into the community while working in jobs recycling electronic parts in the burgeoning “e-waste” business. Pretty impressive for a venture that started, as Keesling puts it, “with just two workers and a pile of junk.”

Keesling said that working with ex-offenders was a natural extension of the work that he and Jannett had been doing through another social venture they founded. Called Keys to Work, Inc., the organization was under contract with the state and federal governments to place welfare recipients and non-custodial parents into jobs. In the course of their work, the Keeslings learned that a huge proportion of non-custodial parents had been incarcerated at some point in their lives.

“The problem for ex-offenders is they can’t get jobs. No one wants to hire them, and so a lot of them go back to what they knew before,” said Keesling’s Workforce Inc. colleague, Tom Gray, noting that the recidivism rate among ex-offenders in Indianapolis is 74 percent. “A huge part of the prison population in Indiana and across the country is just churn,” Gray added.

It is churn that costs the government billions of dollars in incarceration expenses. But Keesling’s research suggested that when an ex-offender has a wage-paying job, his likelihood of re-offending drops significantly. And, instead of spending more than $25,000 a year to lock someone up, the government actually gets something back as that person begins paying taxes and contributing to the economy in a positive way.

Business Focus. Of course, there are countless programs that seek to help ex-offenders re-enter the mainstream of society. Workforce Inc.’s innovation was to do so by creating jobs for ex-offenders in the e-waste business, and by providing other training and supports to increase the likelihood that its workers would stay out of jail.

So far, the innovation is proving a smashing success: the recidivism rate among former Workforce Inc. employees, who generally are in the program for six months, is just 15 percent.

Workforce Inc. has received funding from local and national philanthropies and has contracts with the federal government and local criminal justice oversight groups, including probation agencies. Keesling’s goal is for the venture to become between 60- and 70-percent self-supporting through the sale of recycled material. Right now, sales supply 50 percent of income.

The e-waste business cratered, Keesling said, with the declining price of commodities during the recession. But considering there is as much gold in a ton of e-waste as there is in 55 tons of ore, plus loads of steel, copper aluminum and other recyclable metals, Keesling said he is optimistic that things will turn around; in fact, prices were up in early 2010. In 2009 alone, the company “de-manufactured” more than 2.2 million pounds of computers and other electronics, packing and shipping the resulting e-waste to companies that buy the separated materials.

“The most important thing we provide for these people is a vote of confidence. Employers can look at them and see that they are working and getting good training, and that helps them make the decision to hire.”
Following reports that some U.S. e-waste recyclers were shipping materials illegally overseas, Keesling said it is important for people to know that all of the buyers of Workforce Inc.’s steel, copper, gold, plastic and aluminum are approved by the state of Indiana. In addition, Workforce Inc. disposes of all leaded glass with a U.S.-based lead smelter.

**Challenges and Opportunities.** In addition to providing ex-offenders with jobs and work experience, Workforce Inc. offers an array of services. For five hours each week, workers participate in a state training program intended to improve reading and math skills. Participants also attend several “contextualized learning” opportunities where they can receive certification in everything from forklift operation to HazMat handling in the course of their daily jobs.

“The most important thing we provide for these people is a vote of confidence,” explained Keesling. “Employers can look at them and see that they are working and getting good training, and that helps them make the decision to hire.”

However, Keesling says Workforce Inc. faces an array of challenges as a social venture. Among the most vexing of these, according to Keesling, is trying to get people to understand that the organization has to function as both a social venture and a business. “A lot of people who see us only as a charity want us to accept into our program anyone who is in need, but we have to tell them we need money to do that,” Keesling said.

On the other hand, people seeing Workforce Inc. exclusively as a business often do not understand that the organization has added costs and inefficiencies associated with employing ex-offenders and trying to get them back into productive lives.

“People expect us sometimes to be as productive and as efficient as any other business, when we are working with a population that can’t meet that standard – at least not right now,” he said. “These people need on-the-job training, they need time off for parole meetings, and so by nature it’s going to be less efficient.”

Despite these challenges, Workforce Inc. is planning for continued growth and is now consulting with several cities that have expressed interest in replicating its program, which recently was identified as a “best practice” model by the U.S. Conference of Mayors. Workforce Inc. also has launched two other social enterprises. One is a “deconstruction force” that tears down homes. Another is the Chancellor A. Keesling Community Recycling Center. Named for the Keeslings’ son, who recently died while serving in Iraq, the recycling center is intended to jump-start community recycling in Indianapolis, which currently has a “penetration rate” for recycling of only 4 percent. To date, the center has taken in over 200 tons of cardboard.
Eco-Cycle, Boulder, Colorado

Eric Lombardi gives the same stump speech to college and business school students from time to time; the speech is entitled “Zero Waste Millionaires.” In it, Lombardi talks about the business opportunities in recycling, which he sees as a high-potential growth industry in the United States and around the world.

Lombardi’s organization, Eco-Cycle, is one of the largest nonprofit recyclers in the United States. Created more than 30 years ago, Eco-Cycle processes recyclables from the 15 drop-off centers it manages in Boulder and Broomfield counties, Colorado, as well as from residential curbside programs, businesses, government offices and schools. Eco-Cycle also operates the Boulder County Recycling Center, a county-owned drop-off and processing facility located on 19 landscaped acres, including eight acres of protected wetlands.

Business Focus. In 2009, Eco-Cycle processed and marketed 58,000 tons of material, from glass bottles and aluminum cans to newspaper, junk mail plastics and scrap metal. According to Lombardi, the organization’s operations have evolved over the years with the ups and downs of the recycling business.

“In the 1980s, you had to give this service away, but the 1990s were fantastic,” he said. He cited the media’s 1987 coverage of the infamous “garbage barge,” which wandered the oceans trying to find a place for its cargo of New York refuse, as the spark for a shift toward more recycling – and, consequently, more markets for recycled goods.

As Eco-Cycle’s core recycling business grew, Lombardi began to set his sights higher. Eco-Cycle’s new vision became “zero waste” – which means expanding recycling and reuse of materials in an effort to reduce the waste stream going to landfills to an absolute minimum. “Industry will buy 80 percent of what’s in your trash can,” Lombardi explained. “So by saying we want zero waste, we’re saying let’s put as much of this material to productive use as possible.”

Eco-Cycle set out to make the zero waste vision real through new business ventures launched in the late 1990s and the early 2000s. The first of these was the Center for Hard-to-Recycle Materials (CHaRM), a first-of-its-kind facility opened in Boulder in 2001. At the CHaRM, Eco-Cycle accepts materials such as computers, printers, TVs, cell phones, textiles, and even outdoor furniture and fire extinguishers. To promote reuse of materials as well as recycling, Eco-Cycle donates newer computers collected at the CHaRM to a local program that refurbishes them for distribution to nonprofit organizations and schools throughout Colorado. Eco-Cycle also supports the reuse of textiles, books and other items.

In addition to operating the CHaRM, Eco-Cycle is working toward its vision of zero waste by partnering with businesses and other organizations to collect traditional recyclables, compostable materials and hard-to-recycle items. The organization’s Zero Waste Services program has enrolled more than 900 businesses in Boulder and Broomfield Counties to date.
Challenges and Opportunities. Eco-Cycle has 66 employees. Lombardi’s goal is for the organization to make a profit of 10 percent on its operations that it can plow back into community programs. In comparison, he said that most private waste companies need to make a 30-percent profit.

Eco-Cycle is able to compete in the $50 billion waste business due to a combination of its lower margins and its size, Lombardi said. He said the organization, with revenues of $5 million per year, is “big enough to buy assets and do real business head-to-head against the bigger guys.”

At the same time, Eco-Cycle is first and foremost a social venture. When weighing its options and planning for the future, mission always comes first for the organization. The Eco-Cycle mission, as explained on the organization’s website, is to “identify, explore and demonstrate the emerging frontiers of sustainable resource management through the concepts and practices of Zero Waste.”

Eco-Cycle works to achieve this mission through its profit-making business ventures. But Lombardi and his colleagues also understand that spreading the gospel of zero waste requires them to engage in other activities that may not produce a direct financial return – at least not right now. For example, Eco-Cycle staff make 1,200 presentations each year in local schools to educate students about recycling. The organization also organizes community campaigns to promote recycling among specific segments of the population – recent campaigns have targeted Latinos and apartment building residents.

Eco-Cycle also has produced videos and other media products designed to educate people about zero waste and other aspects of recycling. And, last but not least, the organization recently launched Eco-Cycle International, which offers consulting to communities as they develop their own zero waste strategies.

In recognition of all of this work, Eco-Cycle has received numerous awards, and Lombardi has been quoted as a social venture pioneer and recycling guru in everything from BioCycle Magazine to Newsweek and NPR.

Lombardi is pleased with all the attention his organization has received. “Our mission is to grow recycling,” Lombardi said. For Eco-Cycle, that means running a business and at the same time educating the public – and, hopefully, inspiring a new generation of zero waste millionaires.
**The Magnolia School, Jefferson, Louisiana**

Bobby Wach’s whimsical, primitive-style paintings of people and animals have developed quite a following in and around New Orleans. Which is amazing considering that he didn’t officially become an artist until just a couple of years ago.

Wach is a client of The Magnolia School, a private nonprofit organization serving adults with intellectual and other developmental disabilities. Founded in 1935, The Magnolia School operates 19 group homes, plus supported independent living, and vocational and other services. The school’s main campus is located on the 11-acre grounds of the former Whitehall Plantation facing the Mississippi River in Jefferson, Louisiana, within the New Orleans metropolitan area.

It was on those beautiful grounds where Bobby Wach discovered his calling as an artist. In 2007, the school hired Sharon Young as its new director of development. Based on her experience running her own nonprofit organization, Arts a la Carte, Inc., which teaches people with disabilities in the visual and performing arts, Young also was charged with developing an arts program at The Magnolia School. The result was The Dream Factory, which the School describes on its website as “an arts studio that creates a supportive and challenging arts environment that enables participants to imagine, experience and create.”

In addition to providing training in painting and other visual arts, the Dream Factory enables participants to make money selling their artwork in the Magnolia School’s retail gift shop and at art shows throughout the region, from small shows to the New Orleans Home and Garden Show in the Superdome. The art sales are just one of several Magnolia-operated enterprises that provide income for clients and the school as well.

**Business Focus.** All of the artists enrolled in the Dream Factory receive 50 percent of the proceeds from the sale of their works, with the Magnolia School plowing the remaining profits back into its arts programs. Last year, according to Young, the Dream Factory racked up total sales of $19,000. Wach has earned as much as $500 from his art sales in one month.

In addition to paintings and works of pottery by Dream Factory artists, the Magnolia School’s retail store, Special Creations, features baskets, floral arrangements, jams and jellies, and other items made by its clients. While the artists receive a commission on their sales, clients in the vocational training centers that produce other items for sale are paid by the hour, with proceeds from those sales supporting Magnolia’s broader operations.

The Magnolia School has 16 vocational centers offering training in cooking, horticulture and other fields. In addition to producing goods for sale at the store, clients in the vocational programs get experience providing direct services – the nursery/horticultural center, for example, takes care of the grounds on the school’s campus and group homes. In other earned-income ventures, Magnolia assigns some of its clients to “mobile work crews” as a way to help them become more independent. Currently, the school has crews that perform janitorial work at community sites and in Magnolia-owned enterprises.

In addition, Magnolia operates a kitchen and catering business that employs 10 individuals, and Special Creations itself employs Magnolia clients to help run the store. According to Young, these businesses are used both as a place of employment and as a training ground for individuals with limited work experience. Crew members work side-by-side with people who do not have disabilities.
Challenges and Opportunities. Young said that the Dream Factory model, which she said was inspired by Passion Works Studio in Athens, Ohio (www.passionworks.org), is a great way to engage people with disabilities in developing their talents and self-confidence.

“There is something about the art that participants in these programs create. It really draws people in. It makes people happy,” she said.

She added that The Magnolia School currently is considering new ways to market clients’ creations and increase sales. Among the ideas in play: developing and selling products based on clients’ original artworks – including prints, coffee mugs, calendars and more.

Among the challenges that Magnolia faces in running its arts program and other ventures is finding space. With 225 people visiting the Magnolia campus each day for training and other programs, the organization is having a hard time accommodating everyone; the pottery program currently operates out of a garage, Young said. In an effort to address the problem, Magnolia currently is seeking private funding for a new, multipurpose building that will house a larger art studio, pottery room and other vocational centers.

But for now, Magnolia clients like Bobby Wach continue to produce their artwork in a studio shared with a photography training program. The artists’ medium of choice is painting on sheets of Owens-Corning fiberglass insulation – “you know, the pink stuff,” said Young, although she noted that the artists paint it black before creating their works.

When word of the painters’ preference for their product reached Owens-Corning executives, the company arranged for a special exhibit of the Dream Factory artists’ work in their Toledo headquarters. The Magnolia School artists also have had an exhibit at New Orleans’ Ogden Museum of Southern Art.

“Things have really taken off,” said Young, reflecting on the two-and-a-half years since the Dream Factory came into being. Today, thanks to the Magnolia School’s entrepreneurial spirit, Bobby Wach and his fellow artists are showing the world that it’s their abilities that matter.


3 Human service organizations were the largest segment responding to the survey. To correct for this survey bias, we looked at each mission segment to see where there was a greater number of social enterprise operators vs. non-operators to determine which segments were more likely to operate social enterprises.

4 This data on number of employees may be influenced by the fact that for many of these organizations, providing employment opportunities is a primary mission driver. The survey did not ask about the nature of the jobs, wages, etc.