



The Hauser Center
for Nonprofit Organizations

**Social Sector Business Ventures:
The Critical Factors That Maximize Success**

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Abstract

This paper seeks to help social sector leaders understand the factors that they should consider when launching revenue-generating business ventures. Given that much of the research on social sector business ventures is based on the personal experiences of individual practitioners, there is a wide array of advice for organizational leaders who are thinking about launching business ventures. Consequently, we approach the subject of social sector business ventures in a systematic and analytic way in order to determine what organizational leaders really need to know about launching successful ventures. We introduce a framework called “business in a box” that separates the process of thinking about launching business ventures from the organizational characteristics and dynamics that influence these ventures. We assert that organizational leaders who wish to maximize the success of their business ventures must explore (1) what is “inside” the box (The Business and its Context) to understand the business fundamentals of launching a venture and (2) what is “outside” the box (Assets and Internal Destructive Forces) to understand the forces and dynamics within the organizational context that impact these ventures.

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Introduction

Over the past twenty years, social sector practitioners have become increasingly interested in developing and launching business ventures.¹ Practitioners often see business ventures as either a strategy for major social impact or a way to earn substantial revenue for their organizations. Indeed, more than half of the social sector executives that were surveyed by the Bridgespan Group in 2003 said that “they believed earned income would play an important or extremely important role in bolstering their organizations’ revenue in the future.”^{2,3}

It has emerged as a point of frustration that large numbers of social sector business ventures have failed. In a much-cited article in the Harvard Business Review, William Foster and Jeffrey Bradach interviewed a diverse group of U.S.-based social sector organizations with business ventures, and asked organizational managers about the profitability of these ventures. 71% of these ventures reported that they failed to earn a profit.⁴ Moreover, the authors noted that half of those organizations that reported a profit did not fully account for their indirect costs. Consequently, Foster and Bradach concluded that “executives of nonprofit organizations should not be encouraged to search for a holy grail of earned income in the marketplace. Sending social service agencies down that path jeopardizes those who benefit from their programs – and it harms society itself, which depends for its well-being on a vibrant and mission-driven nonprofit sector.”

In contrast to Foster and Bradach’s dire warning, two other prominent American surveys reported that between half and two-thirds of sampled business ventures were either profitable or breaking even.⁵ Given that there is a 56% failure rate for new U.S. small businesses after four years, these studies suggest that social sector business ventures may be effective market competitors.⁶ The emergence of conflicting studies has generated controversy in the social sector about whether business ventures should be pursued and, if so, under what conditions.

This paper was designed to help social sector organizations understand the conditions and factors associated with successful business ventures.⁷ Unlike other studies, our study approached the subject of social sector business ventures by systematically gathering and analyzing data in order to identify the critical factors that maximize venture success. This analysis resulted in the development of a framework that will help social sector practitioners capitalize on the advantages of the social sector while controlling for the sector’s potential disadvantages relative to for-profit organizations.

A Note on Terminology

Within the literature, revenue-generating ventures created by social sector practitioners have come to be called “earned income strategies,” “earned income ventures,” “commercial activities,” or “business ventures.” We use the term “business ventures” for the purposes of this paper.

When referring to the social sector, we are referencing individuals and organizations that primarily focus on generating positive social impact. This term is meant to encompass both established mission-driven organizations and social entrepreneurs.

We use the term “social sector organization” to refer to established mission-driven entities with a budget and staff. This term is synonymous with “citizen organization,” “non-governmental organization (NGO),” and “nonprofit organization.”

We use the term “social entrepreneur” to refer to social sector practitioners who are attempting to start business ventures outside the context of a social sector organization.

“Success” for social sector business ventures generally suggests a combination of profitability and mission impact. For purposes of our study, however, we use profitability alone as an indicator of success because data on mission impact is largely unavailable.

Background

The social sector includes a wide variety of individuals and organizations that address a diverse set of public problems. Because the social sector is widely varied, it can best be identified by what it is not. Namely, the social sector is not government and is not profit-driven business. Whereas government and business have more defined sources of revenue, the social sector relies on more varied income sources, including:

- government funding;
- foundation grants;
- individual and corporate donations;
- sales of products and services; and
- revenue-generating partnerships.^{8,9}

Although social sector practitioners could pursue any of these income sources, many rely on government funding and charitable contributions to finance their operations. However, government and charitable funding sources have three characteristics that make them challenging as primary sources of income:

- They are periodic (because the income is available for only a fixed period of time).
- They require significant up-front and ongoing investment of time and energy (to secure funds and report outcomes).
- They often can only be used for specific programs (which limits the ability to invest the income where it is most needed).

As a result, it can be quite risky and costly for social sector practitioners to completely rely on these sources of revenue. This has led many in the sector to diversify their funding base.

While some, mostly well-established social sector organizations, launch business ventures for financial reasons, others launch ventures specifically to further a social mission. There is a growing belief among some in the social sector that the development and utilization of markets is the best way to solve certain problems. For them, the mission impact of the business venture may supercede the financial impact as a determinate of venture success.

Methodology

First, we conducted library and Internet searches, and leveraged our network of professors and professional contacts to identify relevant literature.¹⁰ We believe we identified and read the vast majority of literature on this topic. As part of our general literature review, we separately analyzed those papers that specifically discussed critical factors that influence the success of a social sector business venture.¹¹ Twenty-one papers were included in this more substantial analysis.

Second, we solicited survey responses and conducted interviews with practitioners who had direct experience in the analysis, development, and execution of one or more business ventures. We had in-depth conversations with these practitioners about their business ventures, the analysis that went into the development of these ventures, the tensions that arose, and the business ventures' level of success.^{12,13}

Third, we performed two separate regression analyses on a data set from an existing study on the social sector business venture landscape entitled "Enterprising Nonprofits: Revenue Generation in the Nonprofit Sector."^{14,15} We used (1) a probit regression to identify systematic differences between those social sector organizations that launched business ventures and those that did not and (2) ordered logit and ordinary least squares regressions to determine factors correlated with the profitability of social sector business ventures.

A Note on the Weaknesses of Our Data Sources

Our methodology has some noteworthy weaknesses. We did not randomly select the social sector practitioners that we interviewed or surveyed, and we did not account for the fact that social sector practitioners who did not participate in our study could have very different experiences from the social sector practitioners who did. As a result, we cannot be sure that there are causal relationships between the factors that we identified and the success of a social sector business venture.

Furthermore, we have limited information about the intricacies of how Cynthia Massarsky and Samantha Beinhacker designed their survey or collected responses. Consequently, we are unable to control for some biases that may impact the validity of the data.

Finally, the majority of the literature and data that we analyzed focused on business ventures operating within the United States. We recognize that these data limitations are likely to inhibit the universality of our results.

Findings

Literature Analysis

To understand current thinking about critical factors that influence business venture success, we analyzed twenty-one academic and non-academic sources that specifically proposed success factors. We examined a wide variety of sources, weighted each paper according to its analytical rigor, and analyzed the frequency with which different success factors appeared across all of the sources.^{16,17} Based on these criteria, we assigned each factor a score.

Finding #1:

The four factors with the highest scores were

- “access to sufficient capital”
- “comprehensive planning process”
- “common set of values driving the venture development process”
- “alignment with mission”

The highest scoring factors, “access to sufficient capital” and “comprehensive planning process” were each discussed in more than half (57 percent) of the sources. Many sources (43 percent) also discussed the importance of having a “common set of values driving the venture development process” and a venture that is in “alignment with [the organization’s] mission.”

Access to sufficient capital

In “Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability,” Community Wealth Ventures discusses the importance of launching a business venture that is adequately capitalized. The organization emphasizes that “especially in the beginning of a venture, cash flow is more important than profit. Numerous sound business models have failed because of inadequate resources to get the venture to a point where it could be self-sustaining and eventually profitable. Because virtually all businesses lose money before getting to profitability, sufficient cash for planning and maintenance is critical.”

Comprehensive planning process

Sutia Kim Alter, author of “Managing the Bottom Line: A Business Planning Guide for Social Enterprises” writes that a comprehensive planning process “can be broken

down into two segments – market research and the actual business plan.” While Alter acknowledges that conducting market research and writing a business plan are time-intensive processes, she cautions social sector organizations against taking shortcuts since “a lack of planning leaves [a social sector organization] poorly equipped to anticipate future decisions and actions [it] must take to run [a business venture].”

Common set of values driving the venture development process

According to Jerr Boschee, who authored “Merging Mission and Money: A Board Member’s Guide to Social Entrepreneurship,” a social sector organization developing a business venture needs to be very clear about why it wants to develop the venture in the first place. He explains that it is critically important “that the members of [the] entrepreneurial team come to a consensus on this issue before they start the planning process because [the social sector organization] will be intensely scrutinized” throughout the venture development process. In addition, Boschee notes that a social sector organization must agree upon “what . . . success [will] look like” so that it will “be able to demonstrate [its] success to anybody.”

Alignment with mission

In his book chapter entitled, “Putting Nonprofit Business Ventures in Perspective,” J. Gregory Dees asserts that “too often social sector leaders will see what others are doing and want to copy it.” Rather than “spot some market trend and . . . jump on the bandwagon,” Dees suggests that a social sector organization pursue an idea that aligns with its mission since the “chances of success increase when social sector leaders focus on opportunities that [are] a natural fit. Indeed, “the point,” he says, “is to identify opportunities that the parent organization is well positioned to pursue and that will be seen by key stakeholders as natural extensions of its operations.”

The table below lists the scores associated with each of the 15 highest scoring factors. We have included the clearest definitions of each factor below the table.

Factor Name	Score
Access to sufficient capital	60
Comprehensive planning process	56
Common set of values driving the venture development process	47
Alignment with mission	47
Adequate resources to support the venture	40
Managers with skill and experience in business management	37
Leverages organization's assets and capabilities	35
Ability to operate profitably	33
Focused value proposition for customers	30
Right people	28
Willingness to take risks	28
Fit with organization's culture	28
Passionate leadership	26
Buy-in and support for venture at all levels of the organization	23
Market potential	21

Factor Name	Definitions
Access to sufficient capital	Investment of necessary capital to give the business venture a firm foundation
	Presence of predevelopment and start-up funding
Comprehensive planning process	A solid business plan
	Extensive preparation and due diligence
	Thorough market analysis
Common set of values driving the venture development process	Determination of where [the organization] lies on the continuum between 'pure' business and 'pure' social purpose
	Common understanding of where the organization wants to go and what the expected outcomes are
	Clarity around organization's objectives

Factor Name	Definitions
Alignment with mission	Fit between business idea and what the organization wants to achieve
	Whether a particular venture falls within the organization's mandate
Adequate resources to support the venture	Ability to dedicate management staff and financial resources needed to make business venture succeed
	Budget for research and development
	Specialized, stable sources of legal and tax advice
	Effective management information systems
Managers with skill and experience in business management	Managers with real, demonstrated business skills and experience
	An enterprise manager with a background in the business the organization is running
	Someone with managerial ability
Leverages organization's assets and capabilities	Natural fit of opportunity with organization's resources, assets, capabilities, clientele, and mission
	Aligns with organization's strengths
	Fit with organization's entrepreneurial characteristics and assets
Ability to operate profitably	Determination of whether the organization is equipped to profitably provide what potential customers want
	Understanding of the true costs of the business venture
	Sufficient revenue potential
Focused value proposition for customers	Understanding of what target customers want in a product or service and how much they would be willing to pay for it
	Understanding of which constituencies are most likely to become core customers

Factor Name	Definitions
Right people	Sufficient knowledge and talent to effectively assess, implement, and manage the opportunity
	A team that includes a visionary, a financial expert, an entrepreneur, and a support services champion
	Social sector board with skills and knowledge of methods of operation
Willingness to take risk	Organizational tolerance toward financial risk and possible business venture failure
	Courage – both personal and institutional
	Continued experimentation
Fit with organization's culture	Alignment with core values
	Internal sense of balance
Passionate leadership	Action-oriented leader who is able to motivate others to act
	Someone in the organization who will wake up every morning excited to make the business venture a success
Buy-in and support for venture at all levels of the organization	Staff, clients, and board members who understand and support the pursuit of a 'double bottom line'
	Support from key staff and board members
Market potential	Adequate market size
	Market definition and penetration potential

Given that some of the most commonly discussed factors were related to one another, we attempted to group like factors together to determine whether we could identify any overarching themes.

Finding #2:

The factors that received the highest scores fell into three categories:

- “alignment with organization’s mission and values”
- “adequate financial and organizational resources to support the venture”
- “comprehensive evaluation and planning process”

Recognizing that these categories are not perfectly distinct, we grouped similar factors together (and ordered them from high to low according to their score in the table above) as follows:

Adequate financial and organizational resources to support the venture

Access to sufficient capital

Adequate resources to support the venture

Managers with skill and experience in business management

Right people

Passionate leadership

Alignment with organization’s mission and values

Common set of values driving the venture development process

Alignment with mission

Leverages organization’s assets and capabilities

Willingness to take risks

Fit with organization’s culture

Comprehensive venture assessment and planning process

Comprehensive planning process

Ability to operate profitably

Focused value proposition for customers

Buy-in and support for venture at all levels of the organization

Market potential

We then averaged the scores of the factors in each of these three categories.

Category Name	Average Score
Adequate financial and organizational resources to support the venture	38
Alignment with organization's mission and values	37
Comprehensive venture assessment and planning process	33

These average scores suggest that factors related to “adequate financial and organizational resources to support the venture” and “alignment with organization’s mission and values” are, according to the authors in our sample, most important to the success of a social sector business venture.

Finding #3:

The factors that appeared least often included:

- “ability to manage stakeholder politics”
- “balancing a ‘how can’ mindset with an objective assessment”
- “acknowledging that change will occur”

The table below lists the scores associated with each of the 11 lowest scoring factors.

Factor Name	Score
Ability to compensate venture staff appropriately	7
Ability to manage tension between venture and program staffs	7
Regular communication with stakeholders	7
Having business mentors	7
Using a proven model	7
Having a clear understanding of what success looks like	5
Ability to make quick decisions	5
Ability to adapt to change	5
Ability to manage stakeholder politics	5
Balancing a “how can” mindset with an objective assessment	5
Acknowledging that change will occur	2

In conversations with practitioners, these factors were mentioned several times, so it was noteworthy that they seldom appeared in the literature. This may be because (1) these factors are simply not important, (2) they are systematically overlooked by the authors, or (3) they are basic requirements for the success of a social sector business venture and are assumed to be present.¹⁸

Overall, these findings are useful for gauging the opinions of researchers in the social sector about what is important; however, the extent to which these opinions reflect fact is unclear. The process of determining why a venture succeeded after the fact is always limited by the ability of the researcher to accurately identify the relevant factors.

This is challenging for a number of reasons, including the following:

- Some explanations are more widely accepted than others.
- Some explanations are easy to measure while others are more difficult to prove.

Without statistical analysis, factors that are correlated with one another cannot be effectively disentangled. For instance, a researcher looking at a business venture that failed might identify “access to sufficient capital” as the cause of the failure. However, the actual cause might be any number of factors, including poor venture management, an infeasible idea, or the lack of venture financing.

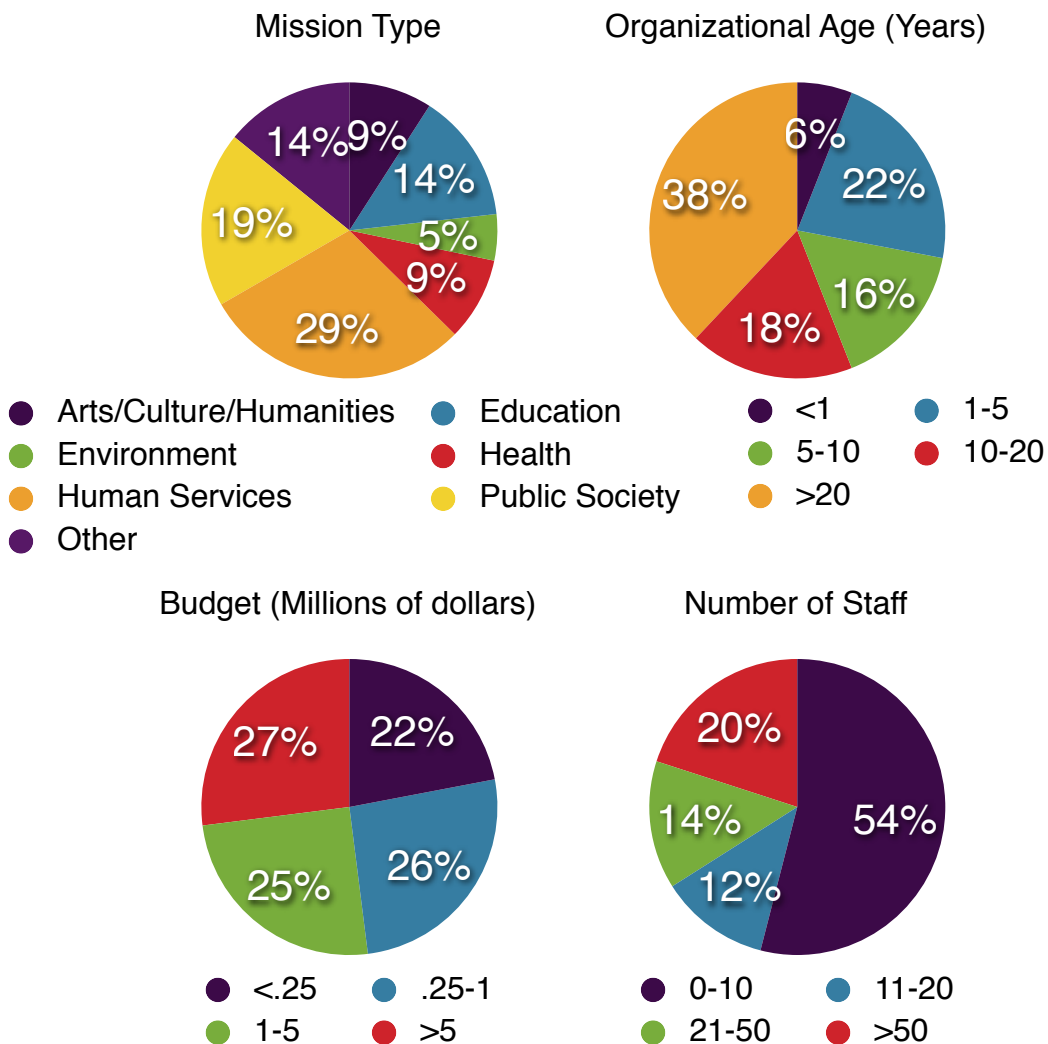
One’s ability to disentangle these reasons will always be limited by the lack of a counterfactual situation. As a result, the opinions of experts in the field are valuable, but are not a replacement for more rigorous empirical analysis.

Data Set Analysis

We have sought to fill this gap, in part, by analyzing a data set from an existing study entitled “Enterprising Nonprofits: Revenue Generation in the Nonprofit Sector.”¹⁹ Our analysis uncovered the following insights:

Finding #4:

There was tremendous diversity among social sector organizations that have launched business ventures. We have highlighted this diversity along four key dimensions: (1) number of staff, (2) organizational age, (3) annual budget, and (4) mission type.



Finding #5:

Arts, Culture, and Humanities organizations were significantly more likely to launch business ventures than the comparison group, Human Services organizations (even though Human Services organizations made up the largest percentage of organizations in the sample) ($p=0.001$). While 9 percent of the organizations in our sample had Arts, Culture, and Humanities missions, 13 percent of organizations that launched business ventures were part of this group. This finding is likely the result of Arts, Culture, and Humanities organizations generally being able to charge for the work that they do.

Finding #6:

Only certain organizational and business venture characteristics were correlated with profitability, holding all other factors constant ($p<0.05$).²⁰ Indeed, many of the characteristics that we initially thought would be critical to the success of a nonprofit business venture were not statistically significant.

	Correlated with Profitability	Not Correlated with Profitability
Organizational Characteristics	<ul style="list-style-type: none"> • Whether the organization is already operating another venture • Number of ventures that the organization is already operating • Size of the annual budget 	<ul style="list-style-type: none"> • How long the organization has been operating • Mission type • Number of staff • Percentage of organizational revenue from different sources
Business Venture Characteristics	<ul style="list-style-type: none"> • Length of time spent writing the business plan • Who championed the venture • Who proposed the venture • Length of time the venture has been operational • Sources of initial funding for the venture 	<ul style="list-style-type: none"> • Motivation for launching the venture • Extent to which the goal of the venture relates to organization's mission • Whether a SROI (social return on investment) analysis was conducted for the venture

Five of those factors correlated with profitability are noteworthy:

Size of the annual budget

Nonprofit organizations with annual budgets of over \$1 million were significantly more likely to be operating profitable business ventures than those organizations with annual budgets of less than \$250,000. It is noteworthy that this result is not related to the amount of capital initially invested in the venture. Rather, we hypothesize that this result suggests a greater willingness and ability on the part of larger organizations to continue investing in their business ventures during hard times.

Length of time spent writing the business plan

Nonprofit organizations that spent more than six months writing business plans were no more profitable than organizations that did not write business plans at all. However, those organizations that spent three to six months writing business plans were significantly less profitable than those organizations that did not write business plans at all. These strange results suggest that the value of writing a business plan must be measured by the content and quality of these plans rather than the amount of time spent writing them. The length of time spent writing business plans does matter, but what matters more is the content and quality of these plans.

Who championed the venture

Business ventures that did not have a champion were significantly less likely to be profitable than those ventures that did have a champion, regardless of the level or role of the champion within the nonprofit organization. This makes sense given that a champion helps transform venture ideas into operational businesses.

Who proposed the venture

Business ventures that were initially proposed by foundations were significantly more likely to be profitable than ventures proposed by other types of organizations or staff members. We believe that this is due to the fact that foundations that have proposed business ventures have a vested interest in these ventures. As such, they are likely to provide additional capital when the ventures are struggling.

Length of time the venture has been operational

Business ventures that have been operational for longer periods of time were significantly more likely to be profitable. We believe that this result is a reflection of the fact that (1) social sector organizations learn more about operating business ventures the longer the ventures are operational, (2) business ventures that are just being launched are less profitable than those ventures that have been operational for longer periods of time, and (3) there is some selection bias in the data.

Sources of initial funding for the venture

Business ventures that received funding from venture capitalists were significantly less likely to be profitable than ventures that received funding from other sources. We believe that this result is related to the tendency of some venture capitalists, relative to other funders, to pull out of struggling business ventures early on (since their expectations for financial returns are likely higher than those of other funders). The resulting lack of adequate capital hinders the ability of many organizations to continue operating their ventures.

Survey Analysis

We supplemented our analysis of the “Enterprising Nonprofits” data set with an analysis of the results of our own survey.²¹ With twelve responses, we are unable to conclude that our results are unbiased or necessarily representative of social sector business ventures generally. However, we do believe that these findings are useful since they provide additional insight about a small group of social sector organizations that have launched business ventures.²²

We have chosen to highlight the results of the following seven survey questions.

- How different is your product from that of your competitors?
- When starting or making a significant shift in your venture, how certain were you that you would have a strong customer base?
- To what extent is the venture aligned with the organizational mission?
- How comfortable is your organization with risk?
- Did you have someone in the organization who was passionately leading the venture?
- Did you feel like you had support from all levels in the organization?
- Were the right people currently on the organization’s staff when launching the venture?

How different is your product from that of your competitors?

Completely distinct	14.3%
Highly distinct	57.1%
Distinct	0%
Somewhat differentiated	28.6%
Not at all differentiated	0%

Finding #7:

More than 70 percent of the respondents believed that their product was completely distinct or highly distinct from that of their competitors. These social sector practitioners felt strongly that selling a unique product would set them apart in the marketplace.

When starting or making a significant shift in your venture, how certain were you that you would have a strong customer base?

Absolutely	28.6%
Quite	28.6%
Relatively	42.9%
Not particularly	0%
Not at all	0%

Finding #8:

Almost 60 percent of the respondents were absolutely or quite certain that they would have a strong customer base when starting or making a significant shift in their venture. Not surprisingly, respondents who answered this way were more likely to have conducted an industry analysis, consumer testing, and/or a pilot study before launching their business venture.

To what extent is the venture aligned with the organizational mission?

Perfectly	42.9%
Well-aligned	57.1%
Somewhat different	0%
Very different	0%
Wholly separate	0%

Finding #9:

All of the respondents believed that their venture was perfectly aligned or well-aligned with the mission of their organization. The implication is that the social sector organizations that we surveyed viewed their business ventures as natural extensions of their organizational missions.

How comfortable is your organization with risk?

Very comfortable	0%
Pretty comfortable	60%
Somewhat comfortable	20%
A bit comfortable	0%
Not comfortable	20%

Finding #10:

Sixty percent of the respondents believed that their organizations were pretty comfortable with risk. This makes sense given the risk associated with launching a business venture in the first place. However, it is surprising that 40 percent of the respondents launched business ventures even though they perceived their organizations to be somewhat comfortable or not comfortable with risk.

Did you have someone in the organization who was passionately leading the venture?

Yes	75%
No	25%

Finding #11:

Three-fourths of the respondents believed that they had someone in the organization who was passionately leading their business venture. Indeed, the social sector organizations that we surveyed overwhelmingly had one or more staff members who woke up every morning excited to make the business venture a success.

Did you feel like you had support from all levels of the organization?

Yes	50%
Somewhat	25%
No	25%

Finding #12:

Half of the respondents believed that they had support from all levels of the organization (which included the support of staff members, board members, and other key stakeholders). However, the other half of the respondents felt that they either had some support or did not have support from all levels of the organization when launching their business ventures.

Were the right people currently on the organization's staff when launching the venture?

Yes	0%
Somewhat	25%
No	75%

Finding #13:

Three-fourths of the respondents believed that they did not have the right people on staff when launching the venture. This means that the social sector organizations that we surveyed did not have people associated with the venture who had the necessary knowledge to implement the venture and manage its daily operations.

Integrating Our Findings

Each of our analyses generated very different results in terms of the factors that are critical to the success of social sector business ventures. Indeed, the results of our data analysis tended to directly contradict both the literature and the opinions of many of our survey respondents. Specifically, the critical factors identified in the literature and data analyses compared in the following ways.²³

		<i>From the other analysis:</i>	
	Critical Factor	Related Factors	Result
Literature Analysis	“access to sufficient capital”	Size of the annual budget	Confirmed
		Sources of initial funding	Not Confirmed
		Who proposed the venture (if it was a funder)	Confirmed
	“comprehensive planning process”	Length of time spent in business planning	Not Confirmed
	“common set of values driving the venture development process”	No equivalent factors	N/A
	“alignment with mission”	Extent to which goal of venture relates to organization's mission	Not Confirmed
Data Analysis	Size of the annual budget	“access to sufficient capital”	Confirmed
	Who proposed the venture (if it was a funder)	“access to sufficient capital”	Confirmed
	Number of ventures organization is running	No equivalent factors	N/A
	Length of time the venture has been operational	No equivalent factors	N/A

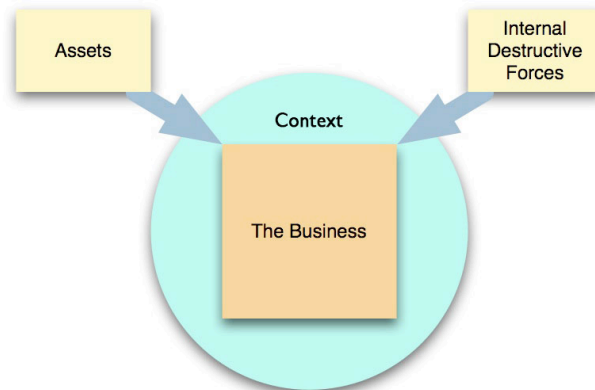
The analyses correspond significantly in their emphasis on the importance of access to sufficient capital. However, on every other dimension those factors that were deemed critical in one analysis were either found to be insignificant in the other, or not even included as a potential factor. Critical to the resolution of this paradox will be further analysis that both quantitatively and qualitatively tests these factors.

- Because the findings were largely inconsistent, we sought to develop an analytical framework that incorporated the best insights from each of our analyses.
- Our literature analysis revealed a set of general characteristics that described a large number of social sector business ventures.
- Our survey results and practitioner interviews revealed a wide variety of organizational types, systems, and ways of thinking that all seemed to work. Although we designed our survey and interviews around a set of specific indicators that we thought might matter to business venture success, we learned that there were many different pathways to success.
- Our data analysis confirmed that many factors that organizational leaders think are important when launching a business venture have no unique impact on a venture's profitability.

Rather than create an analytical framework built around factors (which would force us to judge one part of our analysis as more valid than another), we have chosen to focus on a methodology for launching a business venture. We believe this type of framework enables us to integrate the most important lessons from each of our analyses.

Analytical Framework

The following analytical framework is called “**business in a box.**” It specifically separates the process of thinking about launching a business venture from the organizational characteristics and dynamics that influence these ventures. In this section of our paper, we will explain what is “inside” the box (the business and its context) and what is “outside” the box (assets and internal destructive forces).



In describing the framework, we will focus on existing organizations that are launching business ventures. We made this decision because we believe the process is more complex for existing social sector organizations. However, the concepts are equally relevant for social entrepreneurs. The major difference for them will be a greater emphasis on the box itself since they do not have to contend with as many assets or internal destructive forces.

For many in the social sector, the idea of launching a business venture is both exciting and alarming. These feelings are understandable and can be great sources of motivation for launching a business venture (which is often a long and arduous process). However, they can also distort an organization’s understanding of a business venture’s potential and generate doubts about its ability to actually get the venture off the ground. Consequently, it is important for organizational leaders to create a space away from both excitement and concern to think and plan strategically as if no organizational or social sector context existed.

It is also crucial for organizational leaders to realize that the fundamentals of launching a social sector business venture are exactly the same as the fundamentals of launching *any* type of business venture. Indeed, the contents of the box, **The Business and its Context**, are the same for both for-profit and social sector business ventures. Furthermore, in both the for-profit and social sector sectors, organizations

have assets and constraints that influence their ability to launch new products or services.

Just like for-profit business leaders, social sector practitioners must get “inside” the box by (1) choosing a potentially best venture to analyze in more depth, (2) exploring the industry in which they want to play, and (3) creating a business plan that will guide their response to industry dynamics.

Organizational leaders must also consider in great depth the other two components of our framework, Assets and Internal Destructive Forces. These two components represent the organizational context.

We have used the term **assets** to refer to systems and resources that a social sector organization already has in place that it otherwise would have to invest in or purchase when launching a business venture. These assets act as subsidies for the business venture since the social sector organization already has them at its disposal. The two types of assets that social sector organizational leaders will want to think about are (1) transferred and (2) expanded value.

We have used the term **internal destructive forces** to refer to harmful organizational dynamics that could weaken or destroy a business venture. These destructive forces, if left unchecked, can cause serious damage no matter how much planning the social sector organization has done. As a result, it is imperative that organizational leaders explore the four key internal destructive forces: (1) lack of support from key staff and board members, (2) inadequate commitment to raising required capital, (3) unrealistic financial expectations, and (4) social impact piggybacking.

Getting Inside the Box

“Inside” the box, social sector practitioners must think like for-profit entrepreneurs by (1) choosing a potentially best venture to analyze in more depth, (2) exploring the industry in which they want to play, and (3) creating a business plan that will guide their response to industry dynamics.

Choosing what type of business venture to launch

The creative process of coming up with venture ideas involves a combination of thinking about what the organization is good at and what constraints are likely to exist.²⁴ Critical to the success of this process is a curiosity and open mindedness about all kinds of industries and business ventures. It can be tempting to assume

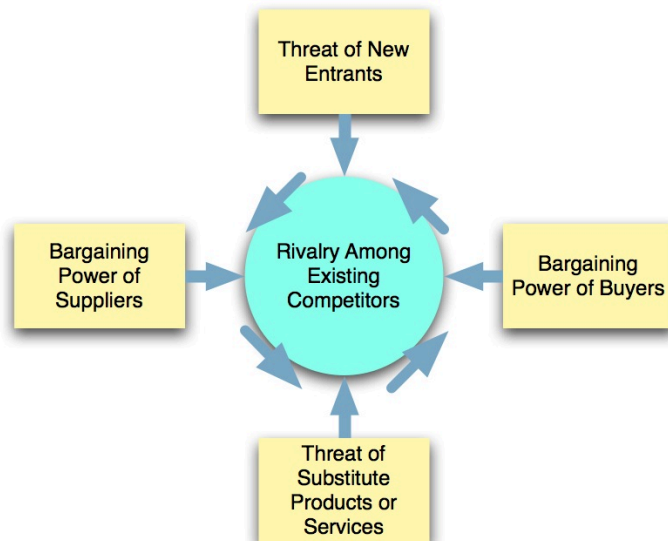
that there is an “obvious” business venture; however, the obvious answer may not be the right one.

The goal of this process is to identify and vet a series of possibilities and then choose a primary and secondary business venture to explore in greater depth. Exploring a second option can help social sector practitioners be more critical in analyzing the validity of their primary choice.

Note that the process of choosing what type of business venture to launch is parallel to but very different from thinking about assets and internal destructive forces. Assets and internal destructive forces are those powers that provide unique benefits or limitations to those operating within the context of the social sector. In other words, it is critical to limit the analysis to what the social sector organization is good at (ignoring organizational assets that could be used to subsidize the business venture) and the types of constraints that exist.

Analyzing the industry

After choosing which business ventures to analyze, social sector practitioners must develop an understanding of the industry in which they want to operate. One way to analyze an industry is to explore the forces that shape industry competition using Porter’s Five Forces framework.



As Michael Porter explains in his *Harvard Business Review* article entitled, “The Five Forces that Shape Industry Competition,” “the job of the strategist is to understand and cope with competition. Often, however, managers define competition too narrowly, as if it occurred only among today’s direct competitors. Yet competition for profits goes beyond established industry rivals to include four other competitive forces as well: customers, suppliers, potential entrants, and substitute products. The extended rivalry that results from all five forces defines an industry’s structure and shapes the nature of competitive interaction within an industry.” Thus, it is important for social sector practitioners to “understand the structure of [their potential] industry and stake out a position that is more profitable and less vulnerable to attack.”²⁵

Creating a business plan

The U.S. Small Business Administration has identified a set of common reasons that new small businesses fail:²⁶

- Lack of experience
- Insufficient capital
- Poor location
- Poor inventory management
- Over-investment in fixed assets
- Poor credit arrangements
- Personal use of business funds
- Unexpected growth
- Competition
- Low sales

To beat the odds, organizational leaders must think about the potential reasons that their specific venture might fail and the dynamics of the industry in which they intend to play. The best way to thoroughly explore these topics as they relate to a specific business venture is to create a business plan.²⁷

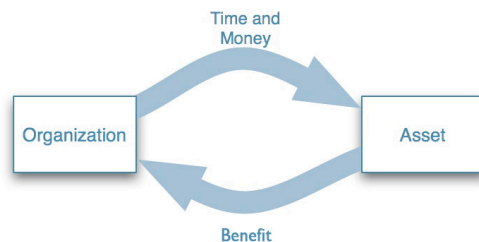
The business plan is not just a formal document used to secure financial support (though a strong business plan can be important in securing funding). It is also an analytical tool to help potential entrepreneurs conduct a thorough and critical analysis of their idea and how to implement it prior to launch. When done well, the business plan will provide the mechanism for a social sector organization to transform a venture idea into an operational business.

Foraying Outside the Box

After exploring what is “inside” the box, organizational leaders must think about the two components “outside” the box that influence the box’s contents – assets and internal destructive forces.

Assets

Many social sector organizations conduct some type of formal or informal assessment of their organizational assets before launching a business venture. During the assessment process, organizational leaders are apt to include factors like a unique mission or a dynamic executive director among their most valuable assets. We believe that having a unique mission or a dynamic leader would benefit any organization (whether in the for-profit or social sector) that wants to launch a business venture. Indeed, social sector organizations should carefully consider these assets as they determine what type of business venture to launch. For our purposes, however, we have defined the term assets differently.

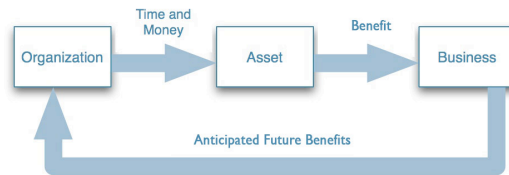


In our model, a unique mission and a dynamic leader are both part of the Business and its Context. In other words, we would place these organizational characteristics “inside” the box – as fundamentals of launching *any* type of business venture. We define assets, on the other hand, as systems and resources that a social sector organization already has in place that it otherwise would have to invest in or purchase when launching a business venture. Assets are acquired by investing time and money, and generate benefits for social sector organizations over the long-term.

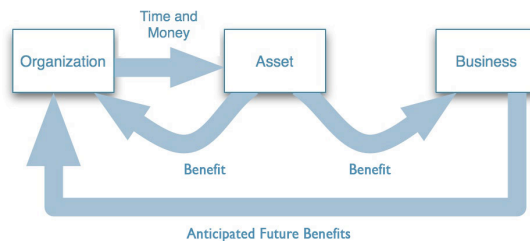
Consider a social sector organization that has purchased office space to house its staff. The office is an organizational asset. If the organization provides some of that office space to those working within the organization’s business venture (instead of having to lease additional space specifically for the business venture), then the office space becomes an asset for the business venture.

We have identified two distinct classes of assets:

- Transferred assets – Assets that that, if used for the business venture, are no longer available for use by the social sector organization.



- Expanded value assets – Assets that, if used for the business venture, do not substantially limit the organization’s ability to use them in another context



Common transferred assets

- Physical – office space, supplies
- Finances – cash, credit, endowment funds
- Time – venture development time, staff time

Common expanded value assets

- Reputation – brand, public perception
- Supporters – spokespeople, advocates, volunteers
- Processes – decision-making framework, program evaluation methodology

Both classes of assets have their place. Transferred assets can be especially important in the early stages of a business venture because they help minimize the initial capital that the social sector organization needs to raise externally when launching the venture. Expanded value assets are extremely valuable as they can be used to support both the social sector organization itself and the business venture. For these reasons, we recommend that social sector organizations clearly assess their assets and the extent to which they can use these assets to subsidize particular business ventures.

Identifying assets explicitly and keeping them outside the box is critical because, as subsidies, they can distort an organization's understanding of how the business is really performing. This is especially problematic for transferable assets. To resolve this issue, social sector practitioners launching businesses should account for the implied value of all assets received from the organization as a cost to the business venture. Though no money trades hands, the transaction is accounted for as if that trade occurred.

Internal destructive forces

In our discussion of the Business and its Context, we listed some common reasons that small businesses fail. These reasons are just as applicable to nonprofit business ventures as they are to for-profit business ventures. However, nonprofit organizations have their own unique set of challenges. We have referred to these challenges as internal destructive forces. Specifically, we have defined internal destructive forces as organizational dynamics that could weaken or destroy a business venture.

We have identified four key internal destructive forces: (1) lack of support from key staff and board members, (2) inadequate commitment to raising required capital, (3) unrealistic financial expectations, and (4) social impact piggybacking.

While this list of forces is by no means exhaustive, we hope it will help social sector practitioners resolve potentially destructive forces before they become critical threats. We recommend that social sector practitioners identify the extent to which these internal destructive forces are likely to affect their organizations, and think strategically about the changes that they need to make and the discussions that they need to have to overcome them.

I. Lack of support from key staff and board members

Social sector practitioners may worry a great deal about organizational support for their business venture ideas. However, we would suggest that a lack of support is not inherently destructive. What matters is who does not support the business venture, why they do not support it, and how passionate and vocal they are in their belief.

Who does not support the business venture

Launching a business venture is, in many ways, an act of faith. It would be wonderful for every staff and board member be committed to the business venture. In practice, however, setting such a standard would create an unrealistic burden. As a result, we recommend that social sector practitioners do their best to gain buy-in from key staff and board members, especially those that are responsible for organizational resources that are critical to the success of the business venture.

Why they do not support it

Broadly, there are two reasons that some key staff and board members do not support a business venture: (1) they are uncomfortable with launching any type of business venture or (2) they have objections about the specific venture idea being proposed. Those staff and board members that are skeptical of launching any type of business venture likely have significant and legitimate concerns. It is best to openly acknowledge the potential consequences and downsides of launching a venture to make these skeptics more comfortable. Those staff and board members that are skeptical about the specific venture idea being proposed have the potential to be strong partners because they thought about potential pitfalls and risks in some depth. We recommend that social sector practitioners embrace these skeptics, listen to their concerns, and make some concessions in order to garner their support.

How passionate and vocal they are in their belief

There are two ways that staff and board members can demonstrate their lack of support – ambivalence and active disdain. Both ambivalence and active disdain among key staff and board members can be problematic but active disdain is, of course, far worse. If key staff and board members cannot be won over, it is important to at least move them toward ambivalence. If, after major attempts to gain their support, key staff and board members remain actively disdainful, it may not be worth launching the business venture at all.

2. Inadequate commitment to raising required capital

Social sector practitioners should not necessarily worry about the amount of internal funding that their organization commits to the business venture. What they should be concerned about is the willingness of key staff and board members to invest sufficient time and energy to raise the required capital. It can be tempting for both social sector practitioners and key staff and board members to believe that the business venture requires less initial capital than it actually does. Social sector practitioners need to stick with their initial capital projections and resist the pressure to change these projections.

3. Unrealistic financial expectations

Social sector practitioners may wish to emphasize the best-case scenario for financial returns in order to garner and maintain support. This can cause key staff and board members to be overly optimistic. Rather than oversell, social sector practitioners should take a more conservative approach when discussing how much money the business venture might generate and how long it will take the venture to

generate these returns. Given that a business venture will likely require support for several years, it is better to have people reject the potential returns as too low before the venture is launched than become frustrated a year or two into the venture.

4. Social impact piggybacking

Key staff and board members have the tendency to attach social impact goals to potentially successful business ventures. They see the business venture as a means of achieving mission-related goals that were not part of the original purpose of the venture. These additional requirements can hinder the venture's ability to achieve its intended purpose.

Social sector practitioners should expect some social impact piggybacking to take place. However, they must actively weigh the potential impact of each additional requirement on the business venture relative to that requirement's value to the organization as a whole. Social sector practitioners must resist those requirements where the benefits do not exceed the costs.

APPENDIX A

Literature Analysis Methodology

As part of our literature review, we separately read all of the articles, reports, surveys, and books that we could find that discussed a set of critical factors that determine the success of a social sector business venture. We reviewed both academic and non-academic sources.

After reading each source, we assigned it an analytical rigor score using the table below:

Basis for Conclusions	Analytical Rigor
Structured data collection and analysis	3
Extensive consulting experience	2
Direct operating experience with one or more business ventures	1

Next, we identified all of the primary critical factors that the author(s) discussed. Since the authors referred to similar factors by different names, we reclassified all of the similar factors as the same factor.

Finally, we assigned each factor a score based on the frequency with which the factor appeared across our universe of sources and the analytical rigor of the sources in which it appeared. (For example, “regular communication with stakeholders” appeared in two sources, one that received an analytical rigor score of 1 and another that received an analytical rigor score of 2. As such, the point total assigned to this factor was 3. Had a factor like “regular communication with stakeholders” appeared in every source that we included in our analysis, the maximum point total it could have earned was 43. Consequently, the score assigned to this factor was $(3 \text{ divided by } 43) * 100$, which rounds to 7.)

Although we cannot be sure that there are causal relationships between certain factors and the success of a social sector business venture, we did produce findings about which factors were most often linked with venture success. The usefulness of these data is also limited by the fact that different authors defined these factors in different ways. Hence, the data is useful in uncovering broad areas where social sector organizations can focus their efforts, but stops short of indicating a specific process that these organizations can follow.

We have summarized our complete findings in the following table:

Factor Name	Number of References	Point Total	Score
Comprehensive planning process	12	24	56
Access to sufficient capital	12	26	60
Common set of values driving the venture development process	9	20	47
Alignment with mission	9	20	47
Managers with skill and experience in business management	8	16	37
Adequate resources to support the venture	8	17	40
Leverages organization's assets and capabilities	7	15	35
Ability to operate profitably	7	14	33
Focused value proposition for customers	6	13	30
Right people	6	12	28
Market potential	5	9	21
Passionate leadership	5	11	26
Buy-in and support for venture at all levels of the organization	5	10	23
Willingness to take risks	5	12	28
Fit with organization's culture	5	12	28
Organizational capacity	4	9	21
Strong external partnerships	4	8	19
Proper venture structure	4	9	21
Market niche	4	9	21
Staff continuity	3	6	14
Separating the venture from the parent organization	3	5	12
Integrating venture with other programs	3	7	16
Supportive operating environment	2	4	9
Focus on delighting the customer	2	4	9
Ease of launching the venture	2	4	9
Ability to compensate venture staff appropriately	2	3	7
Ability to operate in an ambiguous environment	2	4	9
Think like a business	2	4	9
Ongoing monitoring and evaluation	2	4	9
Ability to manage tension between venture and program staffs	2	3	7
Regular communication with stakeholders	2	3	7

Having a clear understanding of what success looks like	1	2	5
Ability to make quick decisions	1	2	5
Having business mentors	1	3	7
Using a proven model	1	3	7
Ability to adapt to change	1	2	5
Ability to manage stakeholder politics	1	2	5
Acknowledging that change will occur	1	1	2
Balancing a “how can” mindset with an objective assessment	1	2	5

Please refer to the following two pages for a listing of the sources that we reviewed, the analytical rigor score that we assigned to each source, and the primary critical factors that the author(s) discussed.²⁸

Author Name	Title	Analytical Rigor	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Jed Emerson	Framing the Field: Five Challenges in Social Purpose Venture Development	2	Organizational capacity	Managers with skill and experience in business management	Market potential	Access to sufficient capital	Strong external partnerships
Tony Proscio	The Venture Fund Initiative: An Assessment of Current Opportunities for Social-Purpose Business Development, and Recommendations for Advancing the Field	3	Common set of values driving the venture development process	Right people	Strong external partnerships	Access to sufficient capital	Managers with skill and experience in business management
Forth Sector Development	A Business Planning Guide to Developing a Social Enterprise	3	Access to sufficient capital	Buy-in and support for venture at all levels of the organization	Passionate leadership	Common set of values driving the venture development process	Alignment with mission
Community Wealth Ventures	The Community Wealth Seeker's Guide	2	Organizational capacity	Leverages organization's assets	Alignment with mission	Willingness to take risks	Market potential
Sulra Kim Alter	Managing the Double Bottom Line: A Business Planning Guide for Social Enterprises	2	Common set of values driving the venture development process	Leverages organization's assets	Alignment with mission	Willingness to take risks	Market potential
Seedco Policy Center	The Limits of Social Enterprise: A Field Study & Case Analysis	3	Market niche	Alignment with mission	Comprehensive planning process	Supportive operating environment	Proper venture structure
Community Wealth Ventures	Evaluating a Social Enterprise Opportunity	2	Market potential	Supportive operating environment	Ease of launching the venture	Alignment with mission	Access to sufficient capital
Rolle Larson	Preparing to Launch an Enterprise	2	Passionate leadership	Right people	Focused value proposition for customers	Market niche	Ability to operate profitably
J. Gregory Dees	Putting Nonprofit Business Ventures in Perspective	2	Comprehensive planning process	Leverages organization's assets	Fit with organization's culture	Common set of values driving the venture development process	Focused value proposition for customers
John Brauer, Michele Taros	The Challenges of Becoming a Social Purpose Enterprise	1	Acknowledging that change will occur	Buy-in and support for venture at all levels of the organization	Comprehensive planning process	Regular communication with stakeholders	Right people
Joan Flanagan	Generating Income from Customers and Clients	1	Market potential	Adequate resources to support the venture	Ability to operate profitably	Comprehensive planning process	Ability to compensate venture
J. Gregory Dees	Social Entrepreneurship: Mobilizing Resources for Success	2	Leverages organization's assets and capabilities	Alignment with mission	Proper venture structure	Access to sufficient capital	Staff appropriately
Jerr Boschae	Merging Mission and Money: A Board Member's Guide to Social Entrepreneurship	2	Common set of values driving the venture development process	Passionate leadership	Comprehensive planning process	Willingness to take risks	Fit with organization's culture
REDF	The Organizations and Lessons Learned: Case Statements	2	Ability to operate in an ambiguous environment	Buy-in and support for venture at all levels of the organization	Access to sufficient capital	Common set of values driving the venture development process	Separating the venture from the parent organization
Junna Ventures	The Birth of an Organization	1	Managers with skill and experience in business management	Strong external partnerships	Separating the venture from the parent organization		
Boardsource: Community Wealth Ventures	Weighting Options: Confronting Obstacles	2	Buy-in and support for venture at all levels of the organization	Regular communication with stakeholders	Focus on delighting the customer	Having a clear understanding of what success looks like	Right people
Rolle Larson	Venture Forth!	2	A Nonprofit Guide to Developing and Implementing an Income Stream	Adequate resources to support all levels of the organization	Staff continuity	Ability to make quick decisions	Ability to operate in an ambiguous environment
Clohesy Consulting	A Nonprofit Guide to Developing and Implementing an Income Stream	2	Right people	Comprehensive planning process	Market potential	Leverages organization's assets and capabilities	Common set of values driving the venture development process
Community Wealth Ventures	Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability	3	Access to sufficient capital	Comprehensive planning process	Managers with skill and experience in business management	Alignment with mission	Fit with organization's culture
Paul Connolly	Building Organizational Capacity	2	Common set of values driving the venture development process	Comprehensive planning process	Staff continuity	Integrating venture with other programs	Adequate resources to support the venture
Andy Robinson	Selling Social Change (Without Selling Out)	2	Alignment with mission	Managers with skill and experience in business management	Common set of values driving the venture development process	Comprehensive planning process	Leverages organization's assets and capabilities

Author Name	Title	Analytical Rigor	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
Jed Emerson	Framing the Field: Five Challenges in Social Purpose Venture Development	2					
Tony Proscio	The Venture Fund Initiative: An Assessment of Current Opportunities for Social-Purpose Business Development, and Recommendations for Advancing the Field	3	Adequate resources to support the venture	Having business mentors			
Forth Sector Development	A Business Planning Guide to Developing a Social Enterprise	3	Organizational capacity	Willingness to take risks	Proper venture structure	Comprehensive planning process	Adequate resources to support the venture
Community Wealth Ventures	The Community Wealth Seeker's Guide Managing the Double Bottom Line: A Business Planning Guide for Social Enterprises	2	Access to sufficient capital	Market niche	Ease of launching the venture	Ability to operate profitably	Fit with organization's culture
Sulita Kim Altier	The Limits of Social Enterprise: A Field Study & Case Analysis	2	Organizational capacity	Focus on delighting the customer	Right people	Adequate resources to support the venture	
Seedco Policy Center	Evaluating a Social Enterprise Opportunity	3	Fit with organization's culture	Proven model	Integrating venture with other programs	Willingness to take risks	Access to sufficient capital
Community Wealth Ventures	Preparing to Launch an Enterprise	2	Alignment with mission	Willingness to take risks	Adequate resources to support the venture	Passionate leadership	Leverages organization's assets and capabilities
Rolle Larson	Putting Nonprofit Business Ventures in Perspective	2	Adequate resources to support the venture				
J. Gregory Dees	The Challenges of Becoming a Social Purpose Enterprise	2	Ability to operate profitably	Balancing a "how can" mindset with an objective assessment			
John Brauer, Michele Tatos	Generating Income from Customers and Clients	1	Managers with skill and experience in business management	Ability to compensate venture staff appropriately	Ability to manage tension between venture staff and program staff	Alignment with mission	
Joan Flanagan	Social Entrepreneurship: Mobilizing Resources for Success	1	Ability to operate profitably	Strong external partnerships			
J. Gregory Dees	Merging Mission and Money: A Board Member's Guide to Social Entrepreneurship	2	Ability to operate profitably	Think like a business	Separating the venture from the parent organization		
Jerr Beschke	The Organizations and Lessons Learned: Case Statements	2	Focused value proposition for customers	Ability to manage tension between venture staff and program staff	Market niche	Ability to adapt to change	Comprehensive planning process
REDF	The Birth of an Organization	2	Think like a business			Managers with skill and experience in business management	
Junma Ventures	Weighing Options: Confronting Obstacles	1	Passionate leadership				
Boardsource: Community Wealth Ventures	Venture Forth: A Nonprofit Guide to Developing and Implementing an Income Stream	2	Access to sufficient capital	Access to sufficient capital	Comprehensive planning process	Proper venture structure	Ability to manage stakeholder politics
Rolle Larson	Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability	2	Integrating venture with other programs	Ongoing monitoring and evaluation	Access to sufficient capital	Managers with skill and experience in business management	
Community Wealth Ventures	Building Organizational Capacity	2	Ongoing monitoring and evaluation				
Paul Connolly	Selling Social Change (Without Selling Out)	2	Focused value proposition for customers	Access to sufficient capital	Ability to operate profitably		
Andy Robinson		2					

APPENDIX B

List of Practitioners We Interviewed

Practitioner Name	Organization
John Berger	The Emancipation Network
Susie Lupert	Housing Works
Hilary Johnson	Community Wealth Ventures
Chandler Arnold	First Book Marketplace
Noelle Merrill	Eastern Agency on Aging
Illac Diaz	Pier One

APPENDIX C

Interview Requests Sent to Practitioners We Did Not Know

FORM LETTER A

Dear _____,

Thank you very much for speaking with me on _____. As I explained on the phone, I am a graduate student at Harvard Kennedy School. I am working with two other research partners on a research project that focuses on social sector organizations that have launched business ventures. Our aim is to design an analytical framework that will help social sector practitioners apply a disciplined analysis to determining whether or not to pursue a particular business venture.

In order to create this framework, my research partners and I are interviewing social sector organizations that have launched business ventures. As such, would you be willing to make some time to chat with us for about 30 minutes sometime over the next couple weeks?

Thanks in advance for your time and consideration. We look forward to hearing from you.

FORM LETTER B

Dear _____,

Two Harvard graduate school classmates and I are working on a research project that focuses on social sector organizations that have launched business ventures. Our aim is to design an analytical framework that will help practitioners apply a disciplined analysis to determining whether or not to pursue a particular business venture.

We thought that you would be a great person to speak with given your experience with _____. Would you be willing to make some time to chat with us for about 30 minutes sometime over the next couple weeks?

The benefits are that _____ would be included in the final product and that you would receive an electronic copy of the document.

Thanks in advance for your time and consideration. We look forward to hearing from you.

APPENDIX D

Interview Request Sent to Practitioners We Knew

Hi _____,

I hope you had a relaxing and enjoyable holiday season!

Two Harvard graduate school classmates and I are working on a research project that focuses on social sector organizations that have launched business ventures. Our aim is to design an analytical framework that will help social sector practitioners apply a disciplined analysis to determining whether or not to pursue a particular business venture.

I thought that you would be a great person for us to speak with given your role with _____. Would you be willing to make some time to chat with us for about 30 minutes sometime over the next couple weeks?

Thanks in advance for your time and consideration. We look forward to hearing from you.

APPENDIX E

Follow Up Message Sent to Practitioners Who Agreed to Talk with Us

Dear _____,

My research partners and I look forward to speaking with you on _____. We have set up a conference call number so that you can dial in at the designated time.

Conference Dial-in Number: _____

Participant Access Code: _____

In the meantime, we would very much appreciate your responding to the following brief survey. It should take no more than 15 minutes to complete.

http://www.surveymonkey.com/s.aspx?sm=gWo40q4zX2Vq04Ihj9glGg_3d_3d

Thank you in advance for your time and consideration. If you have any additional questions, please do not hesitate contact us.

APPENDIX F

Interview Questions with Indicators

1. Tell us about your organization.

Mission Type
Size of Staff
Age of Organization
Annual Operating Budget
Organizational Structure
Existence of Board

2. Tell us about your venture and its place within your organization.

Venture Type (Stand Alone, Partnership, Franchise)
Venture Model (Product, Service, Retail/Distribution, Licensing)
Significance to Organization (Mission, Money, or Both?)
Mission Alignment
Organizational Stage When Venture Launched (Growth?)

3. How did your stakeholders respond to the idea of launching the venture? Who did you seek support from and did they support you?

Passionate Advocate on Staff
Support from All Levels of the Organization
Strong External Partnerships
Board Excited about Venture
Support from Funders

4. What were the professional backgrounds of the staff at the time you launched the venture? How, if at all, has the composition of the staff changed since launching the venture?

Right People (Fit)
Willingness to Divert Staff
External Hiring

5. How does your organization make decisions? How comfortable are you with uncertainty?

Existence of Standard System
Ability to Make Unilateral Decisions
Attitude toward Ambiguity
Risk Tolerance

6. What kind of planning did you do before launching the venture? Did you create a business plan? If so, what were the components of the plan?

How Long?

Ability to Operate Profitably

Focused Value Proposition for Customers

Access to Sufficient Capital

Leverage Organizational Assets and Capabilities

Market Niche

Ease of Launch

7. What didn't you know when launching the venture that you wish you had?

8. Given what you've shared with us about your reasons for starting the venture, do you feel like you've succeeded? Why do you think that was the case?

Financial Impact

Mission Impact

Expectations for Future

APPENDIX G

Regression Outputs

LEGEND

Variable	Categories	Label in Output
Not Currently Running a Venture		NotCurrent~g
Currently Running a Venture		Venturing
Number of Ventures Being Run		NumberVent~s
Mission		
	Arts/Culture/Humanities	ACH
	Education	Educ
	Environment	Environ
	Health	Health
	Human Services	Human_Serv~s
	Public Society	Public_Soc~y
	Other	Other
Years of Operation		
	Less than one	Operone
	One to five	Operonefive
	Six to ten	Opersixten
	Eleven to twenty	Operelevtw~t
	Over twenty	Opertwent
Number of employees		
	Zero to ten	Zerotenpeo~e
	Eleven to twenty	Elevtwentp~e
	Twenty one to fifty people	twentonefi~e
	Over fifty people	Overfifty~e
Organizational Revenue		
	Less than \$250,000	lesstwofif~s
	\$250,000-\$999,999	twofiftyth~r
	\$1,000,000-\$4,999,999	Thousfivet~s
	Over \$5,000,000	overfiveth~s
Sources of Organizational Revenue (% of total)		
	Grants	Org_rev_~nts
	Contracts	Org_rev_~cts
	Donations/Dues	Org_rev_d~es
	Fees	Org_rev_f~es
	Endowment Income	Org_rev_fr~e
	Investments	Org_rev_mt~s

Variable	Categories	Label in Output
	Other	Org_rev_fr~r
Time Spent Writing Business Plan		
	0 months	BPlanTimez~o
	<3 months	BPlanTimeone
	3-6 months	BPlanTimetwo
	7-12 months	BPlanTimet~e
	More than a year	BPlanTimef~r
Primary Reason Why Organization is Operating a Venture		
	Financial	firstMotiv~l
	Mission	firstMotiv~n
	Community Relations/Other	firstMotiv~r
Secondary Reason Why Organization is Operating a Venture		
	Financial	secMotivef~l
	Mission	secMotivem~n
	Community Relations/Other	SecMotiveC~r
Who Proposed the Venture		
	Management or the Board of Directors	Proposemgm~d
	Staff	Proposestaff
	Clients	Proposecli~s
	Foundation	Proposefdn
	Other	Proposeother
Who Championed the Venture		
	Management	Championgmt
	Staff	Championst~f
	Clients	Championcl~s
	Board	ChampionBo~d
	Other	Championot~r
	None	Championnone
Extent to Which Goals of the Venture Relate to Organizational Mission (1-5 scale between not at all and greatly)		Reltomission
How Long the Venture has been Operational		
	Not Operational	NotOperat
	Operating Less than a Year	Operlessyear
	Operating One to Two Years	Operonetwo
	Operating Three to Five Years	Operthreef~e
	Operating Six to Ten Years	OperSixTen
	Operating Over Ten Years	OperTenPlus
Sources of Initial Funding for the Venture		
	Organizational Funds	initialfun~g
	Grants	initialfun~t
	Loans	initialfun~s

Variable	Categories	Label in Output
	Venture Capital	initialfun~c
	Other or Not Specified	initialfun~d
Whether the Organization does a Social Return on Investment analysis		SROI

SUMMARY STATISTICS

Variable	Obs	Mean	Std. Dev.	Min	Max
NotCurrent~g	348	0.0804598	0.2723953	0	1
Venturing	348	0.9166667	0.2767834	0	1
NumberVent~s	348	1.925287	0.9047704	0	5
ACH	348	0.1264368	0.3328195	0	1
Educ	348	0.1178161	0.3228544	0	1
Environ	348	0.0574713	0.233076	0	1
Health	348	0.1034483	0.304982	0	1
Human_Serv~s	348	0.2931034	0.4558409	0	1
Public_Soc~y	348	0.1695402	0.3757687	0	1
Other	348	0.1293103	0.3360263	0	1
Operone	348	0.0373563	0.1899065	0	1
Operonefive	348	0.1609195	0.3679858	0	1
Opersixten	348	0.1609195	0.3679858	0	1
Operelevtw~t	348	0.2068966	0.405664	0	1
Opertwnt	348	0.4310345	0.495934	0	1
zerotenpeo~e	348	0.4224138	0.4946549	0	1
elevtwentp~e	348	0.1494253	0.3570205	0	1
twentonefi~e	348	0.1551724	0.3625903	0	1
overfifty~e	348	0.2701149	0.4446583	0	1
lesstwofif~s	348	0.1982759	0.3992752	0	1
twofiftyth~r	348	0.2758621	0.4475912	0	1
thousfivet~s	348	0.2385057	0.4267835	0	1
overfiveth~s	348	0.2844828	0.4518174	0	1
Org_rev_~nts	348	30.92816	29.76048	0	100
Org_rev_~cts	347	9.146974	20.37435	0	100
Org_rev_d~es	348	14.92241	20.35187	0	95
Org_rev_f~es	348	24.47989	27.5742	0	100
Org_rev_fr~e	347	1.210375	7.372744	0	100
Org_rev_~mts	347	1.377522	6.051213	0	62
Org_rev_fr~r	347	9.086455	22.94146	0	100
BPlanTimez~o	348	0.5402299	0.4990965	0	1
BPlanTimeone	348	0.112069	0.3159055	0	1
BPlanTimetwo	348	0.2758621	0.4475912	0	1
BPlanTimet~e	347	0.1152738	0.3198132	0	1
BPlanTimef~r	347	0.037464	0.1901701	0	1
firstMotiv~l	348	0.5114943	0.5005876	0	1
firstmotiv~n	348	0.2787356	0.4490228	0	1

firstmotiv~r	348	0.1436782	0.3512682	0	1
secMotive~l	348	0.5431034	0.4988559	0	1
Secmotivem~n	348	0.1982759	0.3992752	0	1
SecMotiveC~r	348	0.1695402	0.3757687	0	1
Proposemgm~d	348	0.7672414	0.4231982	0	1
Proposestaff	348	0.2413793	0.4285359	0	1
Proposecli~s	348	0.0948276	0.2933985	0	1
Proposefdn	348	0.0229885	0.1500825	0	1
Proposeother	348	0.4770115	0.5001904	0	1
Championmgmt	348	0.3936782	0.4892684	0	1
Championst~f	348	0.0689655	0.2537604	0	1
Championcl~s	348	0.137931	0.3453241	0	1
ChampionBo~d	348	0.0890805	0.28527	0	1
Championot~r	348	0.0775862	0.2679045	0	1
Championnone	348	0.0775862	0.2679045	0	1
Reltoomission	348	4.517241	0.928102	0	5
NotOperat	348	0.0603448	0.2384675	0	1
Operlessyear	348	0.1781609	0.3831991	0	1
Operonetwo	348	0.158046	0.3653094	0	1
Operthreef~e	348	0.2068966	0.405664	0	1
OperSixTen	348	0.1752874	0.3807602	0	1
OperTenPlus	348	0.2183908	0.4137489	0	1
initialfun~g	348	0.3103448	0.4633009	0	1
initialfun~t	348	0.5172414	0.5004222	0	1
initialfun~s	348	0.1235632	0.3295564	0	1
initialfun~c	348	0.0632184	0.2437058	0	1
initialfun~d	348	0.0574713	0.233076	0	1
SROI	348	0.7586207	0.4285359	0	1
Profitsneg~e	348	0.3189655	0.4667468	0	1
Profitszero	348	0.2011494	0.4014367	0	1
Profitless~e	348	0.1752874	0.3807602	0	1
Profitfive~n	348	0.0977011	0.2973377	0	1
Profittent~t	348	0.0948276	0.2933985	0	1
Profitover~t	348	0.1063218	0.3086929	0	1
Profit	348	2.752874	1.701624	0	6

ORDERED LOGIT RESULTS

	Profit	Coef.	Std. Err.	z	P>z	[95% Conf. Interval]
Venturing	-1.157608	.4266709	-2.71	0.007	-1.993868	-.3213488
NumberVent~s	.4030858	.1399753	2.88	0.004	.1287392	.6774323
ACH	.3225236	.4276184	0.75	0.451	-.5155929	1.16064
Educ	-.2658642	.4420594	-0.60	0.548	-1.132285	.6005564
Environ	-.4632416	.523832	-0.88	0.377	-1.489933	.5634502
Health	-.1857026	.4760166	-0.39	0.696	-1.118678	.7472728

Human_Serv~s	-.0085351	.3913937	-0.02	0.983	-.7756526	.7585824
Public_Soc~y	.2127447	.4183826	0.51	0.611	-.6072701	1.032759
Operonefive	-.7266226	.6259698	-1.16	0.246	-1.953501	.5002557
Opersixten	-.886077	.6577635	-1.35	0.178	-2.17527	.4031157
Operelevtw~t	-.4510858	.650848	-0.69	0.488	-1.726725	.8245529
Opertwnt	-.5693411	.6519034	-0.87	0.382	-1.847048	.7083661
elevtwentp~e	-.2912064	.3924385	-0.74	0.458	-1.060372	.477959
twentonefi~e	-.4742789	.4754301	-1.00	0.318	-1.406105	.457547
overfiftyp~e	-.9213978	.5882634	-1.57	0.117	-2.074373	.2315774
twofiftyth~r	.4491563	.374764	1.20	0.231	-.2853677	1.18368
thousfivet~s	1.157333	.4693568	2.47	0.014	.2374102	2.077255
overfiveth~s	1.363544	.5850748	2.33	0.020	.216819	2.51027
Org_rev_~nts	.000796	.0049497	0.16	0.872	-.0089052	.0104973
Org_rev_~cts	.0077234	.006118	1.26	0.207	-.0042677	.0197144
Org_rev_d~es	.0076128	.0065563	1.16	0.246	-.0052373	.020463
Org_rev_f~es	.0094662	.0053794	1.76	0.078	-.0010773	.0200097
Org_rev_fr~e	-.0048119	.0147223	-0.33	0.744	-.0336671	.0240434
Org_rev_~mts	.0071925	.018426	0.39	0.696	-.0289217	.0433067
Org_rev_fr~r	.0113261	.0060863	1.86	0.063	-.0006027	.023255
BPlanTimeone	.4512912	.3736956	1.21	0.227	-.2811388	1.183721
BPlanTimetwo	-.6523321	.2747295	-2.37	0.018	-1.190792	-.1138722
BPlanTimet~e	-.5928259	.3639689	-1.63	0.103	-1.306192	.1205401
BPlanTimef~r	.3460086	.6710809	0.52	0.606	-.9692857	1.661303
firstmotiv~n	.0453974	.2711422	0.17	0.867	-.4860316	.5768263
firstmotiv~r	-.4686198	.3300461	-1.42	0.156	-1.115498	.1782586
Secmotivem~n	.0972547	.2890948	0.34	0.737	-.4693607	.66387
SecMotiveC~r	-.0945814	.2927821	-0.32	0.747	-.6684238	.479261
Proposemgm~d	.3715903	.2910859	1.28	0.202	-.1989275	.9421081
Proposestaff	.1483494	.2932475	0.51	0.613	-.4264052	.7231039
Proposecli~s	-.4092053	.4286514	-0.95	0.340	-1.249347	.430936
Proposefdn	1.658182	.7273528	2.28	0.023	.2325967	3.083767
Championgmt	-.0848065	.2345486	-0.36	0.718	-.5445133	.3749002
Championst~f	-.4242578	.4473511	-0.95	0.343	-1.30105	.4525343
Championcl~s	-.0572758	.3466107	-0.17	0.869	-.7366204	.6220687
ChampionBo~d	.1212991	.4040172	0.30	0.764	-.6705601	.9131583
Championnone	-.7606046	.448602	-1.70	0.090	-1.639848	.1186391
Reltomission	.0266151	.1345816	0.20	0.843	-.23716	.2903903
NotOperat	.434032	.5302323	0.82	0.413	-.6052043	1.473268
Operlessyear	-.8107969	.4104775	-1.98	0.048	-1.615318	-.0062757
Operonetwo	-.9157468	.4196993	-2.18	0.029	-1.738342	-.0931513
Operthreef~e	-.7756653	.366296	-2.12	0.034	-1.493592	-.0577384
OperSixTen	-.218471	.376694	-0.58	0.562	-.9567776	.5198356
initialfun~g	.1576979	.2681967	0.59	0.557	-.367958	.6833538
initialfun~t	-.4610016	.2617377	-1.76	0.078	-.9739981	.051995
initialfun~s	-.2970046	.3557799	-0.83	0.404	-.9943203	.4003111

MARGINAL EFFECTS – OUTCOME I

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X
Ventur~g*	.1841223	.05073	3.63	0.000	.084694 .283551	.919075
Number~s	-.0820754	.0287	-2.86	0.004	-.138322 -.025829	1.92775
ACH*	-.0622194	.07781	-0.80	0.424	-.214725 .090286	.127168
Educ*	.0563243	.097	0.58	0.561	-.133801 .24645	.115607
Environ*	.1015255	.12162	0.83	0.404	-.136853 .339903	.057803
Health*	.0389408	.10258	0.38	0.704	-.162103 .239985	.101156
Human_~s*	.0017392	.07981	0.02	0.983	-.154685 .158163	.294798
Public~y*	-.0420088	.08004	-0.52	0.600	-.198893 .114875	.17052
Opero~ve*	.1605577	.14646	1.10	0.273	-.126497 .447612	.16185
Opersi~n*	.1981878	.15558	1.27	0.203	-.106735 .50311	.15896
Operel~t*	.0964376	.14498	0.67	0.506	-.187723 .380598	.208092
Opertwnt*	.1174012	.13559	0.87	0.387	-.148342 .383145	.430636
elevtw~e*	.0616742	.08607	0.72	0.474	-.107026 .230375	.150289
twentow~e*	.1025387	.10799	0.95	0.342	-.109121 .314198	.153179
overfi~e*	.2006247	.13344	1.50	0.133	-.060906 .462155	.268786
twofif~r*	-.0873947	.06952	-1.26	0.209	-.223658 .048869	.277457
thousf~s*	-.2027981	.06951	-2.92	0.004	-.339044 -.066552	.236994
overfi~s*	-.2394928	.08711	-2.75	0.006	-.41023 -.068755	.283237
Org_~nts	-.0001621	.00101	-0.16	0.872	-.002137 .001813	31.1069
Org_~cts	-.0015726	.00125	-1.26	0.208	-.004022 .000876	9.17341
Org_d~es	-.0015501	.00134	-1.16	0.246	-.004168 .001067	14.8786
Org_r~es	-.0019275	.0011	-1.75	0.079	-.004081 .000226	24.6214
Org_re~e	.0009798	.003	0.33	0.744	-.004894 .006854	1.21387
Org_~mts	-.0014645	.00375	-0.39	0.696	-.008821 .005892	1.3815
Org_re~r	-.0023062	.00124	-1.86	0.063	-.00474 .000127	8.95376
BPlan~ne*	-.0847288	.06406	-1.32	0.186	-.210284 .040826	.109827
BPlan~wo*	.1397221	.06124	2.28	0.023	.019688 .259756	.277457
BPlan~ee*	.1306224	.0851	1.53	0.125	-.036175 .29742	.115607
BPlanT~r*	-.0655019	.11706	-0.56	0.576	-.294941 .163937	.037572
firstm~n*	-.0092049	.05474	-0.17	0.866	-.116488 .098078	.280347
firstm~r*	.1014423	.07521	1.35	0.177	-.04596 .248845	.141618
Secmot~n*	-.0195547	.05737	-0.34	0.733	-.13199 .092881	.196532
SecMot~r*	.0195052	.06115	0.32	0.750	-.100342 .139352	.17052
Propos~d*	-.0786212	.06375	-1.23	0.217	-.203566 .046324	.771676
Propos~f*	-.029708	.05774	-0.51	0.607	-.142882 .083466	.239884
Propos~s*	.0885717	.09766	0.91	0.364	-.102835 .279979	.095376
Propos~n*	-.2207763	.05434	-4.06	0.000	-.327271 -.114282	.023121
Champi~t*	.0173321	.04811	0.36	0.719	-.076971 .111636	.393064
Champi~f*	.0923493	.10291	0.90	0.370	-.109354 .294053	.069364
Champi~s*	.0117622	.07178	0.16	0.870	-.128926 .15245	.138728
Champi~d*	-.0241743	.07875	-0.31	0.759	-.178515 .130166	.089595
Champi~e*	.1715537	.10777	1.59	0.111	-.039662 .382769	.078035
Reltom~n	-.0054193	.02741	-0.20	0.843	-.059134 .048295	4.51445

NotOpe~t*	-.0809191	.0897	-0.90	0.367	-.256735	.094896	.060694
Operle~r*	.1796943	.09602	1.87	0.061	-.008509	.367897	.176301
Operon~o*	.205205	.09909	2.07	0.038	.010996	.399414	.15896
Operth~e*	.1702043	.08429	2.02	0.043	.005004	.335405	.208092
OperSi~n*	.0457459	.08088	0.57	0.572	-.112778	.20427	.176301
initia~g*	-.0317016	.05326	-0.60	0.552	-.136081	.072678	.312139
initia~t*	.0934083	.05271	1.77	0.076	-.009896	.196712	.514451
initia~s*	.0631274	.07864	0.80	0.422	-.091013	.217268	.124277

MARGINAL EFFECTS – OUTCOME 2

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X
Ventur~g*	.0888231	.04119	2.16	0.031	.008093 .169554	.919075
Number~s	-.0174884	.00798	-2.19	0.028	-.033123 -.001853	1.92775
ACH*	-.0177408	.02832	-0.63	0.531	-.073246 .037764	.127168
Educ*	.0085466	.00978	0.87	0.382	-.010628 .027721	.115607
Environ*	.0093902	.00615	1.53	0.127	-.002673 .021454	.057803
Health*	.0065627	.01313	0.50	0.617	-.019171 .032297	.101156
Human_~s*	.0003687	.01684	0.02	0.983	-.032636 .033373	.294798
Public~y*	-.010718	.02394	-0.45	0.654	-.057631 .036195	.17052
Opero~ve*	.0110466	.01255	0.88	0.379	-.013557 .03565	.16185
Opersi~n*	.007625	.02037	0.37	0.708	-.0323 .04755	.15896
Operel~t*	.0128874	.01028	1.25	0.210	-.007256 .033031	.208092
Opertwnt*	.0217957	.02233	0.98	0.329	-.021979 .065571	.430636
elevtw~e*	.0093632	.00892	1.05	0.294	-.008116 .026843	.150289
twent~e*	.0117832	.00657	1.79	0.073	-.001094 .02466	.153179
overfi~e*	.0169956	.01193	1.43	0.154	-.006377 .040369	.268786
twofif~r*	-.0236778	.02342	-1.01	0.312	-.069588 .022233	.277457
thousf~s*	-.0755638	.03819	-1.98	0.048	-.150415 -.000712	.236994
overfi~s*	-.0852769	.04309	-1.98	0.048	-.169729 -.000825	.283237
Org_~nts	-.0000345	.00022	-0.16	0.872	-.000456 .000387	31.1069
Org_~cts	-.0003351	.00028	-1.19	0.233	-.000886 .000215	9.17341
Orgd~es	-.0003303	.0003	-1.09	0.274	-.000922 .000262	14.8786
Org_r~es	-.0004107	.00026	-1.56	0.119	-.000927 .000105	24.6214
Org_re~e	.0002088	.00064	0.32	0.745	-.001051 .001469	1.21387
Org_~mts	-.0003121	.0008	-0.39	0.698	-.001886 .001262	1.3815
Org_re~r	-.0004914	.0003	-1.62	0.105	-.001085 .000102	8.95376
BPlan~ne*	-.0269477	.02817	-0.96	0.339	-.082159 .028264	.109827
BPlan~wo*	.0173662	.00856	2.03	0.043	.000585 .034148	.277457
BPlan~ee*	.0103412	.00821	1.26	0.208	-.00576 .026442	.115607
BPlanT~r*	-.0202809	.04866	-0.42	0.677	-.115662 .0751	.037572
firstm~n*	-.0020166	.01235	-0.16	0.870	-.026214 .022181	.280347
firstm~r*	.0114642	.00616	1.86	0.063	-.000612 .02354	.141618
Secmot~n*	-.0045141	.01435	-0.31	0.753	-.032644 .023616	.196532
SecMot~r*	.0037888	.01079	0.35	0.725	-.017359 .024937	.17052

Propos~d*	-.0119376	.00758	-1.57	0.115	-.026793	.002918	.771676
Propos~f*	-.0070169	.01508	-0.47	0.642	-.036577	.022543	.239884
Propos~s*	.0101594	.00574	1.77	0.077	-.001089	.021408	.095376
Propos~n*	-.1373118	.06221	-2.21	0.027	-.259245	-.015379	.023121
Champi~t*	.0035967	.00977	0.37	0.713	-.015557	.02275	.393064
Champi~f*	.0096973	.00546	1.78	0.076	-.000999	.020393	.069364
Champi~s*	.0023593	.01353	0.17	0.862	-.024153	.028872	.138728
Champi~d*	-.0058779	.02162	-0.27	0.786	-.048256	.0365	.089595
Champi~e*	.005018	.01634	0.31	0.759	-.027016	.037052	.078035
Reltom~n	-.0011547	.00585	-0.20	0.843	-.012616	.010306	4.51445
NotOpe~t*	-.0265001	.04053	-0.65	0.513	-.105938	.052938	.060694
Operle~r*	.0106829	.01217	0.88	0.380	-.013175	.034541	.176301
Operon~o*	.0068125	.01589	0.43	0.668	-.024336	.037961	.15896
Operth~e*	.0134089	.01002	1.34	0.181	-.006227	.033044	.208092
OperSi~n*	.0077933	.01091	0.71	0.475	-.013589	.029175	.176301
initia~g*	-.0073133	.01332	-0.55	0.583	-.033422	.018795	.312139
initia~t*	.0200153	.0127	1.58	0.115	-.004874	.044905	.514451
initia~s*	.0092253	.00745	1.24	0.216	-.005379	.02383	.124277

MARGINAL EFFECTS – OUTCOME 3

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X
Ventur~g*	-.0137047	.01926	-0.71	0.477	-.051456 .024047	.919075
Number~s	.0235719	.00964	2.45	0.014	.004686 .042457	1.92775
ACH*	.0156217	.01658	0.94	0.346	-.016873 .048116	.127168
Educ*	-.0173693	.03161	-0.55	0.583	-.079333 .044594	.115607
Environ*	-.0327981	.04224	-0.78	0.437	-.115588 .049992	.057803
Health*	-.0118149	.03257	-0.36	0.717	-.075647 .052017	.101156
Human_~s*	-.0005002	.02299	-0.02	0.983	-.045558 .044558	.294798
Public~y*	.011238	.01984	0.57	0.571	-.02765 .050126	.17052
Opero~ve*	-.0519968	.05026	-1.03	0.301	-.150513 .046519	.16185
Opersi~n*	-.0647725	.05332	-1.21	0.224	-.169275 .03973	.15896
Operel~t*	-.0300541	.04781	-0.63	0.530	-.123765 .063656	.208092
Opertwnt*	-.0341896	.03986	-0.86	0.391	-.112317 .043938	.430636
elevtw~e*	-.0190007	.02814	-0.68	0.500	-.074158 .036156	.150289
twent~e*	-.0324861	.03664	-0.89	0.375	-.104294 .039322	.153179
overfi~e*	-.0631446	.04402	-1.43	0.151	-.149424 .023135	.268786
twofif~r*	.0223702	.01605	1.39	0.163	-.009085 .053826	.277457
thousf~s*	.0332567	.01285	2.59	0.010	.008064 .058449	.236994
overfi~s*	.0387732	.01468	2.64	0.008	.01 .067547	.283237
Org_~nts	.0000466	.00029	0.16	0.872	-.000521 .000614	31.1069
Org_~cts	.0004517	.00037	1.21	0.226	-.00028 .001183	9.17341
Orgd~es	.0004452	.00039	1.13	0.259	-.000328 .001218	14.8786
Org_r~es	.0005536	.00033	1.66	0.096	-.000098 .001205	24.6214
Org_re~e	-.0002814	.00086	-0.33	0.744	-.001972 .001409	1.21387

Org_~mts	.0004206	.00108	0.39	0.698	-.001701	.002542	1.3815
Org_re~r	.0006623	.00038	1.74	0.083	-.000086	.00141	8.95376
BPlan~ne*	.0195126	.01121	1.74	0.082	-.002451	.041477	.109827
BPlan~wo*	-.0433818	.02125	-2.04	0.041	-.085035	-.001728	.277457
BPlan~ee*	-.0423399	.03001	-1.41	0.158	-.101165	.016485	.115607
BPlanT~r*	.0155464	.02042	0.76	0.446	-.024476	.055569	.037572
firstm~n*	.0026202	.01544	0.17	0.865	-.027651	.032892	.280347
firstm~r*	-.032203	.02589	-1.24	0.214	-.082947	.018541	.141618
Secmot~n*	.0054644	.01558	0.35	0.726	-.025078	.036007	.196532
SecMot~r*	-.0057442	.01846	-0.31	0.756	-.041928	.030439	.17052
Propos~d*	.0241406	.02106	1.15	0.252	-.017134	.065415	.771676
Propos~f*	.0082229	.01548	0.53	0.595	-.022108	.038554	.239884
Propos~s*	-.0281562	.03342	-0.84	0.399	-.093651	.037339	.095376
Propos~n*	-.0264297	.05773	-0.46	0.647	-.139579	.08672	.023121
Champi~t*	-.0050143	.01405	-0.36	0.721	-.032557	.022528	.393064
Champi~f*	-.0295842	.03538	-0.84	0.403	-.098933	.039765	.069364
Champi~s*	-.0034364	.02133	-0.16	0.872	-.045249	.038376	.138728
Champi~d*	.0066196	.02045	0.32	0.746	-.033468	.046707	.089595
Champi~e*	-.0568826	.03849	-1.48	0.139	-.132325	.01856	.078035
Reltom~n	.0015564	.00787	0.20	0.843	-.013878	.016991	4.51445
NotOpe~t*	.0182187	.01379	1.32	0.186	-.0088	.045238	.060694
Operle~r*	-.0582325	.03373	-1.73	0.084	-.124337	.007872	.176301
Operon~o*	-.0671367	.03505	-1.92	0.055	-.135843	.00157	.15896
Operth~e*	-.0545064	.02941	-1.85	0.064	-.112151	.003139	.208092
OperSi~n*	-.013838	.02562	-0.54	0.589	-.064053	.036377	.176301
initia~g*	.0088498	.01452	0.61	0.542	-.019605	.037305	.312139
initia~t*	-.0263431	.01556	-1.69	0.091	-.056849	.004163	.514451
initia~s*	-.0195608	.02605	-0.75	0.453	-.070613	.031491	.124277

MARGINAL EFFECTS – OUTCOME 4

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X
Ventur~g*	-.0565601	.01606	-3.52	0.000	-.088043	-.025077	.919075	
Number~s	.0238725	.00925	2.58	0.010	.005751	.041994	1.92775	
ACH*	.0189822	.02496	0.76	0.447	-.029942	.067906	.127168	
Educ*	-.0155634	.0256	-0.61	0.543	-.065741	.034615	.115607	
Environ*	-.0265286	.02879	-0.92	0.357	-.082948	.029891	.057803	
Health*	-.0109214	.02777	-0.39	0.694	-.065359	.043516	.101156	
Human_~s*	-.0005054	.02318	-0.02	0.983	-.045931	.04492	.294798	
Public~y*	.0125857	.02471	0.51	0.610	-.035839	.06101	.17052	
Opero~ve*	-.0408787	.03303	-1.24	0.216	-.105616	.023858	.16185	
Opersi~n*	-.0488474	.0332	-1.47	0.141	-.113924	.016229	.15896	
Operel~t*	-.0261805	.03688	-0.71	0.478	-.098468	.046107	.208092	
Opertwnt*	-.033235	.03757	-0.88	0.376	-.106877	.040407	.430636	
elevtw~e*	-.0170395	.02268	-0.75	0.452	-.061491	.027412	.150289	

twentoe*	-.0273617	.02662	-1.03	0.304	-.079542	.024819	.153179
overfi~e*	-.0516998	.03136	-1.65	0.099	-.113172	.009772	.268786
twofif~r*	.0263605	.022	1.20	0.231	-.01675	.069471	.277457
thousf~s*	.0616999	.0222	2.78	0.005	.018195	.105205	.236994
overfi~s*	.0709672	.02521	2.82	0.005	.021562	.120373	.283237
Org_~nts	.0000471	.00029	0.16	0.872	-.000528	.000622	31.1069
Org_~cts	.0004574	.00037	1.24	0.216	-.000268	.001183	9.17341
Orgd~es	.0004509	.0004	1.14	0.255	-.000325	.001227	14.8786
Org_r~es	.0005606	.00033	1.68	0.093	-.000094	.001216	24.6214
Org_re~e	-.000285	.00087	-0.33	0.744	-.001997	.001427	1.21387
Org_~mts	.000426	.00109	0.39	0.697	-.001719	.002571	1.3815
Org_re~r	.0006708	.00038	1.77	0.076	-.00007	.001412	8.95376
BPlan~ne*	.0262755	.02134	1.23	0.218	-.015543	.068094	.109827
BPlan~wo*	-.0375115	.01623	-2.31	0.021	-.069317	-.005706	.277457
BPlan~ee*	-.0336503	.01998	-1.68	0.092	-.07282	.005519	.115607
BPlanT~r*	.020268	.03832	0.53	0.597	-.054835	.095371	.037572
firstm~n*	.0026895	.01608	0.17	0.867	-.028826	.034205	.280347
firstm~r*	-.0270232	.01879	-1.44	0.150	-.063842	.009795	.141618
Secmot~n*	.0057629	.01716	0.34	0.737	-.027869	.039394	.196532
SecMot~r*	-.0055894	.01728	-0.32	0.746	-.039448	.028269	.17052
Propos~d*	.0217061	.01696	1.28	0.201	-.011529	.054941	.771676
Propos~f*	.0087871	.01743	0.50	0.614	-.025367	.042941	.239884
Propos~s*	-.0236455	.02413	-0.98	0.327	-.070936	.023646	.095376
Propos~n*	.0549749	.01773	3.10	0.002	.020235	.089715	.023121
Champi~t*	-.005019	.0139	-0.36	0.718	-.032258	.02222	.393064
Champi~f*	-.0244285	.02494	-0.98	0.327	-.073311	.024454	.069364
Champi~s*	-.0033879	.02048	-0.17	0.869	-.043527	.036751	.138728
Champi~d*	.0071871	.02392	0.30	0.764	-.039698	.054072	.089595
Champi~e*	-.0419438	.02301	-1.82	0.068	-.087052	.003164	.078035
Reltom~n	.0015763	.00798	0.20	0.843	-.014065	.017218	4.51445
NotOpe~t*	.0252322	.0296	0.85	0.394	-.032777	.083241	.060694
Operle~r*	-.0452794	.02209	-2.05	0.040	-.088585	-.001974	.176301
Operon~o*	-.0502847	.02195	-2.29	0.022	-.093314	-.007256	.15896
Operth~e*	-.043726	.02039	-2.14	0.032	-.083692	-.00376	.208092
OperSi~n*	-.0128471	.02203	-0.58	0.560	-.056019	.030324	.176301
initia~g*	.0093388	.01594	0.59	0.558	-.021904	.040582	.312139
initia~t*	-.0270846	.01579	-1.72	0.086	-.058037	.003868	.514451
initia~s*	-.017354	.0205	-0.85	0.397	-.057531	.022823	.124277

MARGINAL EFFECTS – OUTCOME 5

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X
Ventur~g*	-.0837189	.03349	-2.50	0.012	-.149367 -.018071	.919075
Number~s	.025168	.00958	2.63	0.009	.00639 .043946	1.92775
ACH*	.0213147	.02988	0.71	0.476	-.037255 .079884	.127168

Educ*	-.015712	.02482	-0.63	0.527	-.06435	.032927	.115607
Environ*	-.0258022	.02599	-0.99	0.321	-.076741	.025136	.057803
Health*	-.0111475	.02749	-0.41	0.685	-.065023	.042728	.101156
Human_~s*	-.0005324	.02439	-0.02	0.983	-.048345	.04728	.294798
Public~y*	.0137463	.02796	0.49	0.623	-.041046	.068539	.17052
Opero~ve*	-.0394925	.02975	-1.33	0.184	-.097807	.018822	.16185
Opersi~n*	-.0465524	.02937	-1.59	0.113	-.104117	.011012	.15896
Operel~t*	-.0262084	.03522	-0.74	0.457	-.095242	.042825	.208092
Opertwnt*	-.0347458	.0392	-0.89	0.375	-.111567	.042075	.430636
elevtw~e*	-.0172119	.02206	-0.78	0.435	-.060454	.026031	.150289
twentove*	-.027045	.02495	-1.08	0.278	-.075947	.021857	.153179
overfi~e*	-.0510251	.02978	-1.71	0.087	-.109384	.007334	.268786
twofif~r*	.0293757	.02594	1.13	0.257	-.02146	.080211	.277457
thousf~s*	.0802038	.03605	2.22	0.026	.009545	.150862	.236994
overfi~s*	.0931875	.04289	2.17	0.030	.009124	.177251	.283237
Org_~nts	.0000497	.00031	0.16	0.872	-.000556	.000656	31.1069
Org_~cts	.0004822	.00039	1.25	0.213	-.000277	.001241	9.17341
Orgd~es	.0004753	.00042	1.14	0.254	-.000341	.001291	14.8786
Org_r~es	.0005911	.00035	1.68	0.093	-.000098	.00128	24.6214
Org_re~e	-.0003004	.00092	-0.33	0.744	-.002105	.001504	1.21387
Org_~mts	.0004491	.00115	0.39	0.697	-.001809	.002707	1.3815
Org_re~r	.0007072	.0004	1.78	0.074	-.00007	.001484	8.95376
BPlan~ne*	.0305116	.02743	1.11	0.266	-.023242	.084265	.109827
BPlan~wo*	-.0375843	.01561	-2.41	0.016	-.068186	-.006983	.277457
BPlan~ee*	-.0325676	.01805	-1.80	0.071	-.06795	.002815	.115607
BPlanT~r*	.0232643	.04832	0.48	0.630	-.071448	.117977	.037572
firstm~n*	.0028489	.01711	0.17	0.868	-.030688	.036386	.280347
firstm~r*	-.0266696	.01749	-1.52	0.127	-.060956	.007617	.141618
Secmot~n*	.0061631	.01864	0.33	0.741	-.030365	.042691	.196532
SecMot~r*	-.0058104	.0177	-0.33	0.743	-.040499	.028878	.17052
Propos~d*	.0219683	.01652	1.33	0.184	-.010407	.054343	.771676
Propos~f*	.0094423	.01905	0.50	0.620	-.027892	.046776	.239884
Propos~s*	-.0233232	.02236	-1.04	0.297	-.067144	.020498	.095376
Propos~n*	.1147005	.03844	2.98	0.003	.039363	.190038	.023121
Champi~t*	-.0052702	.01453	-0.36	0.717	-.033754	.023214	.393064
Champi~f*	-.0239414	.02294	-1.04	0.297	-.068898	.021015	.069364
Champi~s*	-.0035381	.02118	-0.17	0.867	-.045047	.037971	.138728
Champi~d*	.0077637	.02651	0.29	0.770	-.044191	.059719	.089595
Champi~e*	-.0394895	.01976	-2.00	0.046	-.078217	-.000762	.078035
Reltom~n	.0016618	.00841	0.20	0.843	-.014818	.018142	4.51445
NotOpe~t*	.0295289	.03886	0.76	0.447	-.046636	.105694	.060694
Operle~r*	-.0436279	.01996	-2.19	0.029	-.082758	-.004498	.176301
Operon~o*	-.0478184	.01949	-2.45	0.014	-.086016	-.009621	.15896
Operth~e*	-.0426389	.01894	-2.25	0.024	-.079761	-.005517	.208092
OperSi~n*	-.0131374	.02191	-0.60	0.549	-.05609	.029815	.176301
initia~g*	.0099926	.01731	0.58	0.564	-.023944	.043929	.312139

initia~t*	-.0288294	.01691	-1.70	0.088	-.061972	.004313	.514451
initia~s*	-.0174595	.01973	-0.88	0.376	-.056139	.02122	.124277

MARGINAL EFFECTS – OUTCOME 6

variable	dy/dx	Std. Err.	z	P>z	[95% C.I.]	X
Ventur~g*	-.1202319	.06278	-1.92	0.055	-.24328	.002817	.919075	
Number~s	.0276305	.01019	2.71	0.007	.007649	.047612	1.92775	
ACH*	.0245257	.03595	0.68	0.495	-.045929	.09498	.127168	
Educ*	-.0167238	.02557	-0.65	0.513	-.066835	.033387	.115607	
Environ*	-.0267525	.02547	-1.05	0.294	-.076675	.02317	.057803	
Health*	-.0119572	.02882	-0.41	0.678	-.068442	.044528	.101156	
Human_~s*	-.0005842	.02675	-0.02	0.983	-.053014	.051846	.294798	
Public~y*	.0154916	.03235	0.48	0.632	-.047916	.078899	.17052	
Opero~ve*	-.0408345	.0291	-1.40	0.161	-.097867	.016198	.16185	
Opersi~n*	-.0477235	.02824	-1.69	0.091	-.103068	.007621	.15896	
Operel~t*	-.0277559	.03602	-0.77	0.441	-.098344	.042832	.208092	
Opertwnt*	-.0380378	.04296	-0.89	0.376	-.122247	.046171	.430636	
elevtw~e*	-.0183302	.02279	-0.80	0.421	-.062995	.026335	.150289	
twent~e*	-.0283793	.02498	-1.14	0.256	-.077335	.020576	.153179	
overfi~e*	-.0537382	.03029	-1.77	0.076	-.113107	.005631	.268786	
twofif~r*	.0336569	.03084	1.09	0.275	-.026795	.094109	.277457	
thousf~s*	.1047221	.05531	1.89	0.058	-.003681	.213125	.236994	
overfi~s*	.1236874	.06943	1.78	0.075	-.0124	.259775	.283237	
Org_~nts	.0000546	.00034	0.16	0.872	-.000611	.00072	31.1069	
Org_~cts	.0005294	.00042	1.25	0.212	-.000302	.001361	9.17341	
Orgd~es	.0005218	.00045	1.15	0.251	-.00037	.001413	14.8786	
Org_r~es	.0006489	.00038	1.72	0.086	-.000091	.001389	24.6214	
Org_re~e	-.0003298	.00101	-0.33	0.744	-.00231	.001651	1.21387	
Org_~mts	.000493	.00126	0.39	0.696	-.001983	.002969	1.3815	
Org_re~r	.0007764	.00043	1.80	0.071	-.000067	.00162	8.95376	
BPlan~ne*	.0360202	.03464	1.04	0.298	-.031868	.103908	.109827	
BPlan~wo*	-.0399033	.01603	-2.49	0.013	-.071315	-.008492	.277457	
BPlan~ee*	-.0336775	.01762	-1.91	0.056	-.068216	.000862	.115607	
BPlanT~r*	.0272035	.06009	0.45	0.651	-.090562	.144969	.037572	
firstm~n*	.0031386	.01891	0.17	0.868	-.033923	.0402	.280347	
firstm~r*	-.0279526	.01742	-1.61	0.108	-.062086	.006181	.141618	
Secmot~n*	.0068375	.02086	0.33	0.743	-.034043	.047718	.196532	
SecMot~r*	-.0063145	.01906	-0.33	0.740	-.04367	.031041	.17052	
Propos~d*	.0234402	.01722	1.36	0.173	-.010309	.057189	.771676	
Propos~f*	.0105133	.02148	0.49	0.624	-.031578	.052605	.239884	
Propos~s*	-.0244251	.02234	-1.09	0.274	-.068207	.019357	.095376	
Propos~n*	.2162615	.14693	1.47	0.141	-.071725	.504248	.023121	
Champi~t*	-.0057695	.01585	-0.36	0.716	-.036831	.025292	.393064	
Champi~f*	-.0249566	.02263	-1.10	0.270	-.069308	.019395	.069364	

Champi~s*	-.0038577	.02294	-0.17	0.866	-.048812	.041096	.138728
Champi~d*	.0086765	.03018	0.29	0.774	-.050467	.06782	.089595
Champi~e*	-.0400624	.01861	-2.15	0.031	-.076533	-.003592	.078035
Reltom~n	.0018244	.00922	0.20	0.843	-.016255	.019904	4.51445
NotOpe~t*	.0350489	.04999	0.70	0.483	-.062929	.133027	.060694
Operle~r*	-.0450602	.0194	-2.32	0.020	-.083079	-.007042	.176301
Operon~o*	-.048957	.01871	-2.62	0.009	-.085637	-.012277	.15896
Operth~e*	-.0444204	.01866	-2.38	0.017	-.08099	-.007851	.208092
OperSi~n*	-.0141125	.023	-0.61	0.540	-.059197	.030972	.176301
initia~g*	.0110921	.0194	0.57	0.567	-.026923	.049107	.312139
initia~t*	-.0319449	.01886	-1.69	0.090	-.068906	.005016	.514451
initia~s*	-.0185398	.0203	-0.91	0.361	-.058333	.021254	.124277

ORDINARY LEAST SQUARES

	Profit	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
Venturing	-.8520872	.382578	-2.23	0.027	-1.605026	-.0991486	
NumberVent~s	.2942619	.1181917	2.49	0.013	.0616528	.526871	
ACH	.2637677	.3614521	0.73	0.466	-.4475937	.975129	
Educ	-.4489898	.3766323	-1.19	0.234	-1.190227	.2922472	
Environ	-.5342143	.4615175	-1.16	0.248	-1.442511	.3740825	
Health	-.2276047	.4015014	-0.57	0.571	-1.017786	.5625764	
Human_Serv~s	-.1322408	.3296491	-0.40	0.689	-.7810118	.5165302	
Public_Soc~y	.0558857	.3475297	0.16	0.872	-.6280757	.739847	
Operonefive	-.4353016	.5174221	-0.84	0.401	-1.453622	.583019	
Opersixten	-.6236727	.5537731	-1.13	0.261	-1.713535	.4661892	
Operelevtw~t	-.2948878	.5457937	-0.54	0.589	-1.369046	.77927	
Opertwnt	-.3821313	.5448689	-0.70	0.484	-1.454469	.6902065	
elevtwentp~e	-.2724949	.3384844	-0.81	0.421	-.9386545	.3936647	
twentonefi~e	-.3567916	.4077275	-0.88	0.382	-1.159226	.4456429	
overfifty~e	-.7061179	.4919191	-1.44	0.152	-1.674247	.2620111	
twofiftyth~r	.4925745	.3120336	1.58	0.116	-.1215282	1.106677	
thousfivet~s	1.049032	.3977932	2.64	0.009	.2661489	1.831915	
overfiveth~s	1.151093	.4880744	2.36	0.019	.1905303	2.111655	
Org_rev_~nts	.0012077	.0040765	0.30	0.767	-.0068152	.0092305	
Org_rev_~cts	.005699	.0054769	1.04	0.299	-.00508	.0164779	
var26	.0070471	.0055182	1.28	0.203	-.003813	.0179072	
Org_rev_fr~es	.0086191	.0044511	1.94	0.054	-.000141	.0173793	
Org_rev_fr~e	-.0068189	.013361	-0.51	0.610	-.0331142	.0194764	
Org_rev_~mts	.0068191	.0164999	0.41	0.680	-.0256539	.039292	
Org_rev_fr~r	.0105346	.005207	2.02	0.044	.0002868	.0207824	
BPlanTimeone	.2972729	.3153759	0.94	0.347	-.3234077	.9179534	
BPlanTimetwo	-.5413278	.2345919	-2.31	0.022	-1.00302	-.0796355	
BPlanTimet~e	-.5314298	.3124523	-1.70	0.090	-1.146356	.0834968	
BPlanTimef~r	.2308548	.5173264	0.45	0.656	-.7872776	1.248987	

firstmotiv~n	.0464015	.2303185	0.20	0.840	-.4068803	.4996834
firstmotiv~r	-.3689878	.2857395	-1.29	0.198	-.9313419	.1933664
Secmotivem~n	.0127474	.2422212	0.05	0.958	-.4639599	.4894547
SecMotiveC~r	-.0497457	.2550312	-0.20	0.845	-.5516638	.4521724
Proposemgm~d	.2805534	.2453033	1.14	0.254	-.2022197	.7633265
Proposestaff	.0934275	.2471212	0.38	0.706	-.3929233	.5797783
Proposecli~s	-.2607753	.3434651	-0.76	0.448	-.9367371	.4151866
Proposefdn	1.432952	.6379897	2.25	0.025	.1773462	2.688558
Championgmt	-.0827107	.201399	-0.41	0.682	-.479077	.3136557
Championst~f	-.39852	.3777062	-1.06	0.292	-1.141871	.3448307
Championcl~s	.0049874	.2877324	0.02	0.986	-.5612888	.5712636
ChampionBo~d	.1205548	.3433893	0.35	0.726	-.5552579	.7963675
Championnone	-.7659728	.3870493	-1.98	0.049	-1.527711	-.0042343
Reltomission	.0860699	.1099018	0.78	0.434	-.130224	.3023637
NotOperat	.2573273	.4715135	0.55	0.586	-.6706422	1.185297
Operlessyear	-.6301631	.3301305	-1.91	0.057	-1.279882	.0195554
Operonetwo	-.8777609	.3483788	-2.52	0.012	-1.563393	-.1921286
Operthreef~e	-.7486183	.3098737	-2.42	0.016	-1.35847	-.1387665
OperSixTen	-.2552878	.3271347	-0.78	0.436	-.8991103	.3885348
initialfun~g	.057905	.2298276	0.25	0.801	-.3944108	.5102209
initialfun~t	-.367357	.2162976	-1.70	0.090	-.7930448	.0583309
initialfun~s	-.2524371	.2970723	-0.85	0.396	-.8370949	.3322208
_cons	2.856801	.8659174	3.30	0.001	1.152619	4.560984

APPENDIX H

Survey Questions

Before designing our own survey, we systematically reviewed a group of surveys used by practitioners and social sector consulting firms to gather data from social sector organizations that have launched business ventures. We found two surveys particularly useful – the survey used in “Enterprising Nonprofits: Revenue Generation in the Social Sector” (which was authored by Cynthia W. Massarsky and Samantha L. Beinhacker) and the survey underlying the report entitled, “Survey of Organizations Running Enterprises” (which was authored by Community Wealth Ventures).

However, we also identified a series of important questions that were not asked by these surveys that we believed would uncover data that was critical to answering our central research question. As such, we created our own survey to collect additional data about a small group of social sector organizations that have launched business ventures.²⁹

Please refer to the following seven pages for a paper version of our survey.

1. About the Nonprofit Organization

1. Basic Information

Your Name

Title

Organizational Name

One Sentence Mission

Geographic Focus

Business Venture Name

2. Organizational mission type (Select all that apply)

- Advocacy
 - Agriculture
 - Arts, Culture, and Humanities
 - Children and Youth
 - Economic Development
 - Disaster Relief
 - Other (please specify)
-
- Education
 - Employment Training
 - Environment
 - Health Services
 - Housing and Homelessness
 - Human Rights and Humanitarian Aid
- Hunger and Poverty
 - Nonprofit Field Building
 - Rehabilitative Services
 - Services for People with Disabilities
 - Substance Abuse

3. Number of Full-Time Staff in the Organization

4. Organization Age (in years)

5. Annual Operating Budget (in dollars)

6. Organizational structure

Centralization

Power sharing

Please choose one option under each heading

7. Existence of Board of Directors

Yes

No

2. About the Business Venture

For the following questions, please discuss one of your primary business ventures.

1. Venture Type

Stand Alone Business

Partnership

Franchise

Other (please specify)

2. Venture Model

Product

Retail/Distribution

Service

Licensing

Other (please specify)

3. How different is your product from those of your competitors?

Completely distinct (no competition)

Highly distinct

Distinct

Somewhat differentiated

Not at all differentiated

4. Makeup of Venture Staff

% Hired specifically for Venture

% Diverted from Other Functions

% Hired from Among Client Population

Please make responses=100%

Comments:

5. Extent to which venture is aligned with organizational mission

Perfectly

Well-aligned

Somewhat different

Very different

Wholly separate

6. Significance of venture to organization

Mission
Fulfillment
100%

90%

80%

70%

60%

50%

60%

70%

80%

90%

Revenue
Generation
100%

In terms of Mission and Revenue

* 7. Were you personally involved in the launching of the venture?

Yes

Somewhat

No

8. When starting or making a significant shift in your venture, which of the following did you do to determine your likelihood of being profitable? (Choose all that apply)

Industry analysis - examined the profitability of for-profits and other non-profits in your industry

Consumer testing - conducted surveys or interviews with potential customers to determine pricing, preferences, etc.

Pilot study - launched the venture on a small scale initially, then expanded upon proof of concept

Other (please specify)

9. When starting or making a significant shift in your venture, how certain were you that you would have a strong customer base?

Absolutely

Quite

Relatively

Not Particularly

Not At All

10. Organizational Stage When Venture Launched

Growing

Stable

Declining

Launching

3. Organizational Staff and Decision-Making

1. Does the organization have a standard decision-making system in place?

Yes

Somewhat

No

2. To what extent can your senior staff make unilateral decisions (decisions on their own)?

	All of the time	Most of the time	Some of the time	Occasionally	Not at all
Please choose one	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. How comfortable is your organization with ambiguity?

	Highly comfortable	Pretty comfortable	Somewhat comfortable	A little bit comfortable	Not comfortable
Please choose one	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. How comfortable is your organization with risk?

	Very comfortable	Pretty comfortable	Somewhat comfortable	A little bit comfortable	Not comfortable
Please choose one	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. Establishing the Venture Initially

1. To what extent did each of these stakeholders support the venture? (Please select all that apply)

	Broad Agreement	Initial Support	Sustained Commitment	Factionalism	Limited Engagement
Staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Key External Partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Existing Funders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Did you have someone on the organization's staff who was passionately leading the venture?

Yes

No

If YES, what was his/her role?

3. Did you feel like you had support from all levels of the organization?

Yes

Somewhat

No

Comments:

4. Were the right people currently on the organization's staff when launching the venture?

Yes

Somewhat

No

Comments:

5. Given the nature of your organization, how much of an advantage/disadvantage did you have relative to for-profits in your industry? (-5 to 5 scale)

	-5	-4	-3	-2	-1	0 (No Difference)	1	2	3	4	5
Before launching the venture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Since launching the venture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comment:

6. Approximately what percentage of the capital for start-up and first year operations did you have committed before launch?

	0%	20%	40%	60%	80%	100%
Total	jñ	jñ	jñ	jñ	jñ	jñ

7. Approximately what percentage of the capital for start-up and first year operations came from each of the following sources? (Please select one response for each row and sum the responses to 100%)

	0%	20%	40%	60%	80%	100%
Organizational Funds	jñ	jñ	jñ	jñ	jñ	jñ
Venture Specific Donor Funds	jñ	jñ	jñ	jñ	jñ	jñ
Equity Investment	jñ	jñ	jñ	jñ	jñ	jñ
Loans	jñ	jñ	jñ	jñ	jñ	jñ
Other	jñ	jñ	jñ	jñ	jñ	jñ

IF OTHER please specify

8. What was your expectation for how difficult it would be to launch the venture, and what was the reality?

	Complex, long and arduous	Rather difficult	Somewhat difficult	Fairly straightforward	Smooth and easy
Expectation	jñ	jñ	jñ	jñ	jñ
Reality	jñ	jñ	jñ	jñ	jñ

9. How much time did you devote to venture planning before launch? (in months)



Thank you for completing this survey. We really appreciate your help!

Sincerely,
Steven Cohen, Haviva Kohl, and Allison Van

1. If you are interested in participating in an interview or would like a copy of our final report, please include contact information below.

Endnotes

1 Jeffrey Bradach and William Foster. "Should Nonprofits Seek Profits?"

2 Ibid.

3 The Bridgespan Group is a social sector consulting firm that helps other social sector organizations address their challenges and opportunities.

4 Jeffrey Bradach and William Foster. "Should Nonprofits Seek Profits?"

5 Ibid. The two studies mentioned in the article were conducted by Yale School of Management-The Goldman Sachs Partnership on Nonprofit Ventures and Community Wealth Ventures.

6 Amy E. Knaup. "Survival and Longevity in the Business Employment Dynamics Database."

7 Since Youth Venture has not yet decided what type of business venture to launch, we were asked to explore the types of factors that make business ventures successful rather than propose venture-specific recommendations.

8 Governments earn revenue through taxes, and businesses earn revenue through sales.

9 According to Professor Mark H. Moore, all sources of social sector revenue fall into one of three categories: government, charitable contributions, or business venture income. (Business venture income includes fee income.)

10 We were interested in reviewing articles, reports, surveys, and books that evaluated the reasons for launching social sector business ventures, proposed frameworks for analyzing these ventures, and included case studies of successful and failed social sector business ventures.

11 We have discussed our literature analysis methodology in more depth in Appendix A.

12 We have included a list of the social sector practitioners we spoke with in Appendix B and the messages we sent to these practitioners in Appendix C, Appendix D, and Appendix E. We also have described the specific questions and indicators that we were interested in learning more about in Appendix F.

13 We have included the survey that we created in Appendix H.

14 We have included the regression output from our analysis of the "Enterprising Nonprofits" data set in Appendix G.

15 The "Enterprising Nonprofits" study, which was based on completed surveys from 519 social sector organizations, was authored by Cynthia W. Massarsky and Samantha L. Beinhacker and funded by the Pew Charitable Trusts. The sample for the study included established U.S. nonprofit organizations that responded to an advertisement asking if their organization was entrepreneurial.

16 Since the authors referred to similar factors by different names, we used our judgment to combine under a single name those characteristics and processes which were described in very similar ways.

17 We assigned each factor a score based on the frequency with which the factor appeared and the analytical rigor of the sources in which it appeared. We have explained our scoring process more fully in Appendix A.

18 As an extension of hypothesis (3), it is also possible that the lack of these factors may be correlated with a higher business venture failure rate.

19 We ran multiple regressions on this data set to determine which factors, if any, were statistically significant. We included the regression outputs in Appendix G.

20 Although “whether the organization is already operating another venture” and “number of ventures that the organization is already operating” were both statistically significant, it is not clear that these characteristics are actually correlated with profitability. We have chosen not to discuss these characteristics below because we have reason to believe that the significance of these characteristics is largely a result of the way that the survey data was collected.

21 We have included that survey that we created in Appendix H.

22 It is possible that those who responded to our survey were significantly more likely to want to participate given the success of their business venture.

23 Each time a factor in one of our analyses was shown to be critical, we looked to the other analysis for similar factors and determined whether those factors were critical. In cases where both analyses showed these related factors as critical, we were able to confirm the result.

24 We recommend that organizational leaders refer to Community Wealth Venture’s publication entitled “The Community Wealth Seeker’s Guide: Mapping Your Assets and Identifying Opportunities” to help guide their idea generation process.

25 We encourage organizational leaders to read Michael Porter’s January 2008 article in Harvard Business Review to learn more about the Five Forces framework.

26 U.S. Small Business Administration, “Get Ready.”

27 While there are many resources to help organizational leaders create a business plan, we particularly recommend Linda Pinson’s book entitled, “Anatomy of a Business Plan.”

28 As mentioned previously, we reclassified all of the similar factors as the same factor. As such, the factors listed on the following two pages do not necessarily match the names of the factors that the author(s) originally used.

29 We designed our survey to supplement our interviews with social sector practitioners, not to generate comprehensive findings about social sector organizations that have launched business ventures.