

TAKING THE PLUNGE INTO SOCIAL ENTERPRISE

By Rus Kinzinger

“Nonprofits have to recognize that they’re businesses, not just causes. There’s a way to combine the very best of the non-for-profit, philanthropic world with the very best of the for-profit enterprising world. This hybrid is the wave of the future.” (Bill Strickland)

The idea of self-support intuitively appeals to nearly every chief executive of a nonprofit organization. It conjures-up longing thoughts of escaping “the man,” and evokes hopeful images of self-determination. But is social enterprise right for your organization, and for that matter, do benefits outweigh the inherent costs? In this article, we will examine both with a serious bent towards practicality

To start, let’s agree to define social enterprise (SE) solely as *the business of a nonprofit that earns income for a social purpose*—though admittedly there are other competing definitions which add a social and/or environmental component. Now, ask yourself these threshold questions.

- **Is a business in line with my organizations’s core values and mission?** One of the great benefits of a new initiative is that it forces leadership to articulate the core principles upon which an organization is built. Do you know yours? Do your staff? Do you know your mission? Though asking these questions may at first blush appear condescending, it is not intended to be. Many organizations miss the transformational potential of a well-designed mission statement by failing to recognize in daily decisions. The same can be said of core values
- **Do I have organizational support?** Have you discussed your idea with key staff, and do you have their support? Where does your board align on social enterprise? Take the time to build support. In the process, listen carefully and watch closely to see if anything might signal that the idea should be left on the drawing board.
- **Do I have organizational capacity?** Let’s face it, social enterprise is expensive. It’s costly in dollars and it is costly in foregone uses of time and energy. Even before entering the fray of organizations clamoring to start a business, be prepared to walk away from an idea at the earliest stages if it is not right for your agency. Who will head the business? Do you have the accounting skills in place to handle a business? Be careful not to let natural enthusiasm cloud your judgment. Move boldly, but with caution.
- **Is my organization financially ready?** This is essentially a balance sheet question. Will your organization’s financial health support a business proposal? Can you cash-flow the business while it gets up and running? Can you borrow if not? For that matter, where does your agency stand on the subject of borrowing? (It has been said that the highest use of an asset on the social side is to bring about

an *outcome*, and the highest use of an asset on the business side is to produce a *revenue*.)

- **Am I prepared to operate our social enterprise as a *business*?** Remember, whether you introduce a social or environmental outcome into the mix or not, social enterprise needs to return a profit. A thriving business is a sustainable business. In the words of a friend of mind: Mission requires margin. And nothing will more energize an organization than a profitable step in the direction of self-determination.

Good luck! Talon Company is always ready to help if the need arises.