



FIVE YEARS OUT- WHAT HAVE WE LEARNED?

Over the past five years, ASE staff has worked with hundreds of nonprofit organizations that were considering or already engaged in social enterprise development. Its' most refined and successful coaching model is the Social Enterprise Academy, which typically provides twelve months of training, mentoring and financing assistance to cohorts of eight to ten not-for-profit organizations.

The organizations which have proven to be the best fit for success at starting a new business already have established programs and annual budgets of at least \$350,000, have in-house expertise and a market, meaning someone is willing to pay for it. By definition, social enterprises are public benefit entities which directly address pressing social problems. It is often the case that the ventures launched through the Academy re-tool programs that are free to poor people as fee for service programs for those who can afford to pay. Other common models, offer services that for which there is a "captive audience" such as court-ordered education or supervision, continuing education and products which everyone needs, like tee shirts and food stuffs.

The characteristics of successful social entrepreneurial organizations are that Board of Directors and CEO are committed and enthusiastic about seeking earned income and the organization has constituents or stakeholders who can help with outreach to customers for the new ventures. Finally, it is crucial that the organization assemble a "social enterprise team" including representatives of the Board and senior staff who make at least an eighteen month commitment to the project. In ASE's experience, no matter how passionate, "Lone Rangers" will fail.

Academies are strengthened by the fact that they utilize other organizations as strategic partners in a collaborative ecosystem of support for fledgling social entrepreneurs. *Five kinds of expertise* are recruited:

Management Support Organizations that focus on training and TA for nonprofit organizations (OneOC, Nonprofit Management Center, Executive Coaches of OC, Executive Service Corp etc)

Other groups that do *Business Development TA* for small business start ups (Small Business Development Centers, SCORE chapters, Private Incubators & Accelerators

Networks of Business Owners/Managers who are willing to volunteer as mentors and judges (Angel networks, Young Presidents Org, the Entrepreneurs' Organization, Vistage groups etc)

A College or University that want to engage their students in real (not hypothetical or imagined as good ideas by the students) organizations that developing mission-related businesses to address social problems. [Students might participate in the whole process or just be invited to presentation events.]

Foundations or Businesses who will sponsor Academies because they share our commitment to making the social sector more effective and self-sufficient, as well as to economic (job) development.

To date, 254 organizations have graduated from an ASE Social Enterprise Academy. Through the years, ASE has commissioned six program evaluation studies. The results validate that the program is:

- Enabling not-for-profit organizations to develop the skill sets and resources that will allow them to attract growth capital and increase revenue from earned, rather than donated income;
- Building overall organizational capacity enabling not-for-profit organizations to improve organizational performance by applying business practices and analytical thinking to their everyday operations;
- Creating community-based change in the broader local not-for-profit marketplace by promoting convergence between the best practices of business and philanthropy.

In spring 2014, we surveyed all Academy graduates who completed the program at least one year ago. A robust 75% of those we reached (83) had launched their venture and 69% were still in business. Although many did not answer our question about how much new revenue had been generated, we project revenues in excess of \$8 million based on those who did.

Participants reported a number of benefits from the Academy. All valued the chance to see how business principles could be blended into their charitable purpose orientation. Getting the tools to do reliable market research, and to develop a business model with solid financial projections was crucial to getting started. They also really appreciated having colleagues from other organizations going through the process with them. Peers share networks, helped each other with market research and were sources of support in periods of breakdown.

“Knowledge about social enterprise has pushed us to understand what our competitors are doing. It has made leadership of the[organization] more aware of concept and shifted how we look at our existing social enterprise type revenue generating activities.”

“Our Social Enterprise allowed us to purchase properties and to fund and start many programs that were a benefit to the community.”

Ideally, all Academy graduates would launch their social enterprise within a year, so we are keen to understand what happened when they don't. The answer always boils down to money and time. While 33% of those who have not yet launch cited financing for as a barrier, a majority (53%) said that lack of staff was the primary hindrance. This reinforces our conviction that an internal team, as well as a community Advisory Board, are critical to success. Starting any new business is challenging. Bloomberg recently reported that 8 out of 10 fail within eighteen months of start-up. Since not-for-profits' culture and practices are often resistant to business ventures, having a chorus of support really helps to ensure that the right work gets done and that seed capital is secured. It is encouraging to note that most of those who have not yet launched are still committed to doing so.

We are also pleased to report that, as far as we can tell, only three ventures “birthed” by one of our Academies have failed. An additional six decided not to pursue their venture due to the emergence of other programming opportunities (usually fee for service contracts for mission-related services) which consumed staff and other resources that would have been deployed for the social enterprise. 100% of those participating in our surveys say that they would recommend the Academy to their colleagues. As a result, most Academies have been over-subscribed.

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