Newsflash

firelight FOUNDATION

July 18, 2013

Dear Friends,

Many organizations are on the search for a source of income to support their organization and its programs in the long-term. Firelight tries to encourage our partners to develop multiple sources of support, rather than relying solely on external donors.

In their publication on developing a financing strategy, CIVICUS defines three different types of sustainability:

- <u>Benefit Sustainability</u>: this means the benefits of development work continue to be felt by communities and individuals, whether or not the project or organization continues.
- <u>Organizational Sustainability</u>: this means that the organization is able to continue to do its work. It has a vision and a financial and organizational infrastructure to support the achievement of its vision.
- <u>Financial Sustainability</u>: this is part of organizational sustainability. It has to do with the ongoing ability of the organization to generate enough resources to work towards its vision.

Over the years, as our partners work toward financial sustainability, Firelight has funded many different income-generating initiatives. From broiler chickens to tie and dye, we have funded it all! Some of these businesses have succeeded and supplied a steady source of income to the organization, helping their programs continue beyond Firelight support. Other businesses have not succeeded. We are trying to learn from those that have succeeded. Below we are sharing some lessons learned through our partner Basilwizi's successful grinding mill project. We hope you will find their experience useful as you work on developing a financing strategy for your own organization.

Sincerely,
The Firelight Team

(Open for Proposals) The Ockenden International Prize for Organizations working with Refugees and Displaced People
(Resource) Developing a Financing Strategy - CIVICUS
(Interview) Learning from the Field - Launching a Grinding Mill Business - Basilwizi
(Article) 8 Basic Principles for Nonprofit Entrepreneurs
(Resource Library) Social Enterprise Alliance - Knowledge Center

(Open for Proposals) The Ockenden International Prize for Organizations working with Refugees and Displaced People

A $75,000 prize, which is open to applications from organisations with projects, programmes or activities that help refugees and displaced people in Africa, the Middle East or Asia.

The prizes' prime objectives are to:

- Raise awareness of the scale and range of challenges faced by refugees and displaced people.
- Recognise and reward organisations giving inspirational and highly effective support, and enabling self-reliance.
- Share experience and learning about what works and leads to real change in the lives of refugees and displaced people.

Selection Criteria:

- Applicants must be registered as a charity.
- Applicants must be financially sound with high standards of governance.
- The project submitted must benefit refugees or displaced people anywhere except the United Kingdom.
- The project submitted must have been initiated no earlier than May 1, 2010 (i.e. no more than 36 months before the opening date for the current year's applications).
- Helping refugees and displaced people must be the prime focus of the project rather than an ancillary benefit and there must be a strong emphasis on promoting self-reliance.
- The applicant must be able to show that there have been measurable achievements and outcomes leading to real change in the lives of those helped.
- Where possible evidence of independent external evaluation should be provided.
- The judges will, in particular, look for:
    - Initiatives that promote self-reliance among refugees and displaced people.
    - Approaches that have proved to be highly effective in improving the lives of refugees and displaced people.
    - Work which has been carried out in especially difficult circumstances.
    - Organizations with strong governance and financial management.

Process:

- Applicants can apply on their own organization's behalf or nominate a non-profit partner or affiliated organization.
- Applicants must include a copy of their organization's most recent accounts with their application and also, if nominating a partner or affiliate, a copy of that

organization's most recent accounts.
- Two runners-up, second and third from the short-listed finalists, will win $10,000 each.

The deadline to submit applications is **31 July 2013**. The online application form is available here: http://www.ockendenprizes.org/2014-prizes/entry-form

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(Resource) Developing a Financing Strategy – CIVICUS

What is financial autonomy?

Financial autonomy does not require that an organization be 100% self-financing (financed completely from income it earns). It does require that an organization is not wholly dependent on one source for its financing. A mixture of different sources of financing is needed. But this does not exclude donor funding, or contributions from private individuals.

An organization has financial autonomy when:

- It is able to make its own decisions about how it generates and spends it funds;
- It is able to reject "strings attached" funding because such funding does not fit with its values;
- It is able to make its own decisions about how much to pay its staff.

Very few civil society organizations have complete financial autonomy. They are always accountable to stakeholders for how funds raised in the name of development are spent. What they should be aiming at is the ability to survive without compromising their vision or their values. This won't happen if, for example:

- The organization relies on only one major donor, and the withdrawal of that donor's support will mean the end of the organization. What if the donor insists that the organization pay salaries that are so low they will end up compromising the quality of the work? What if the donor expects the organization to follow the donor's agenda at the expense of its own?
- The organization relies only on foreign donors who may change their funding priorities at short notice.
- The organization relies entirely on earned income and has to do work that generates income, irrespective of whether or not it fits with the values or vision of the organization.
- The organization spends money in a way that is not cost efficient and cost effective and so wastes its resources.

The best route for an organization to go if it wants financial autonomy is to develop a financing strategy that ensures maximum autonomy from any one source of finance.

From "Developing a Financing Strategy" by CIVICUS. The full document that helps an organization develop its financing strategy is available here: https://civicus.org/resources/toolkits/266-developing-a-financing-strategy

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(Resource) Learning from the Field - Launching a Grinding Mill Business - Basilwizi

Large income-generating activities seem particularly difficult for organizations to launch successfully. Often times people working at NGOs and CBOs do not have business experience. This makes it difficult to know how to do a market analysis, write a business plan, or estimate overhead costs. Even successful businesses often take many years to generate a substantial profit. If the business is successful, sometimes it can divert the focus of the organization's staff from their programmatic work toward the business. This can make the core work and mission of the organization suffer. We have seen many organizations struggle when they try to establish a business to fund their activities.

However, one of our partners in Zimbabwe, Basilwizi, has successfully launched a grinding mill business funded by Firelight in 2010. We asked them some questions about what they learned in the process. We were impressed by their answers and asked if we could share this with the wider partner network. In their thoughtful fashion, they responded:

> *Basilwizi is not an expert in this type of approach to community empowerment. Our strength is on advocacy and community mobilisation and we give credence to the success of the grinding mill to a well mobilised community which has an agreed upon need. Therefore, as we continue to learn and get inspiration from the Firelight Foundation team, we are also hoping to contribute to knowledge and best practices development. Basilwizi therefore has no restrictions on the sharing of components of our work with the world as this is believed to help in the betterment of children's lives the world over.*

With thanks to Basilwizi, here are some of the lessons they learned in the process of establishing a grinding mill business.

You mentioned that the grinding mill is now supporting students with school fees and is being run by the community. How many students has the grinding mill supported?

> *The grinding mill is currently supporting eight children(2 females and 6 males) with school fees, uniforms and food supplies. All these children are at secondary level.*

Firelight has supported many grinding mills, but often organizations face challenges in implementation and some grinding mills never result in supporting the community or children. We are curious to know how this process went for you.

Did you face any challenges in the construction or implementation? How did you overcome them?

The challenges faced during the construction of the grinding mill were around sourcing of construction materials and payment of the builders. However, it is pleasing to learn that community participation in form of labour contribution was excellent. The committee organized the community to mould earth bricks, ferry river sand and water. The Village Heads also played an important role of motivating the community members to work as a team. Through high level lobbying skills by the grinding mill committee, a well wisher and manager at Musuna Resort was sort to contribute to the orphans and vulnerable children's project by offering a tractor which was used to ferry river sand, concrete stone, stones and other raw materials to the site. Assistants (for labour) for the builder and food for members working at the project came from community contributions. Villages were working in turns through community labour pooling system and each village provided for its food requirements and other essential needs during their working days. The project faced hurdles to acquire a business stand, a process which is facilitated through the local authority which is located 70km away and highly inaccessible. However, due to very strong working relationships between Basilwizi and the Hwange Rural district Council, this process was hastened in view of the purpose of the project, that of supporting Orphans. The application for the stand upon which to construct the grinding mill was allowed to skip a full council sitting resolution and was allocated quickly to facilitate commencement of construction. The other delay was from Zimbabwe Electricity Supply Authority (ZESA) which delayed to install the power for the grinding mill. Again, Basilwizi had to intervene and provided transport for the ZESA technicians to go to site and inspect the building. A local business man came in with 'in-kind' donation of free labour in laying electrical conduits in the building. The capacity of the community members on record keeping, project management and conflict management was low hence the project had to conduct a capacity building training to effectively and efficiently run the project.

We know there were other costs to getting the grinding mill operational than the $5,500 provided by Firelight. What was the total cost and where did you source the necessary resources?

The cost of the grinding mill was $9,700.00. Basilwizi contributed about $2,600 from our reserves on Human resources budget, the community contributed about $800 in food and labour while the balance came from a local business man in the form of electrical conduits and technical labour in the actual laying of conduits and installing the grinding mill.

How long did it take before the mill started earning an income?

It took almost a year for the project to start earning income owing to challenges cited above.

How much income does the mill produce per month?

Monthly income for the grinding is averaging $210.00. The project is dependent on the availability of good harvests in the area and government grain loan schemes. When communities receive grains from grain loan scheme, the grinding mill project also earns better incomes.

How is this income used?

This income is used to;

1. *Paying school fees and food provisions for 8 children at Neshaya Secondary School.*
2. *To maintain the grinding mill/running costs(buying grease, sieve when broken)*
3. *Paying electricity bills.*
4. *Paying the mill attendant.*
5. *Paying monthly licenses to Hwange Council.*

In its original conception, we believe the mill was meant to cover school fees for children from Musuna, yet we continue to see school fees included in the proposed budget. Help us to understand why.

Indeed the concept is to pay school fees and thus what is already happening. The inclusion of the school fees in the proposal, the organisation considers the income the project is generating, which is not yet enough at the moment to cater for the targeted children even though at least managing to support eight and yet the number of OVC who need education support is increasing. There is also the aspect of social expenditure on items like sanitary ware and other special needs for the girl child which is not directly catered for in the current budget, which we have encouraged the grinding mill committee to consider too. Project running costs are also exorbitant and many a times expenditure outweighs the income levels. The total number of identified needy children was 15 and hence the need to solicit further education assistance to cushion the grinding mill project. Basilwizi had planned to see through to "O' level those children already supported by grant money while the grinding mill enrolls its own batches of OVC in a phasing out manner.

Do you expect to cover more children's school fees in the future? If so, please explain your plan for increasing the income.

In view of the ever increasing number of OVCs that need support we have a deliberate intention to cover more children's school fees if funding is available and also through the grinding mill revenue. The plan is to venture into intensive support to local fishers through enhancing their access to profitable markets to increase income levels in the community which in turn is hoped to increase business at the grinding mill. If grinding mill project could generate more income some of the money could be used to buy one or two deep freezers where they could store fresh fish for reselling and generate more income in addition to the actual grinding mill *income. This is an add-on income generating activity building on the already existing intervention as way of diversifying income sources. The foundation is already laid out in that the grinding mill has electricity and a capable committee running the business.*

Several times now you have mentioned conducting conflict management training with the group running the mill. What is the nature of the conflicts they face?

This training was really very helpful. Project committee members had problems of pre-conceived ideas that former committee members earned monthly incomes. This resulted in changing of members in the management committee so often as incoming committee would pullout after realisation that operations were purely voluntary. There was also lack of transparency regarding incomes earned by the grinding mill itself with some community members having suspicions on others running the committee. After the conflict management training, there were no reports to Basilwizi highlighting problems that were likely to affect the running of the project.

What advice would you give another organization that is attempting to establish a community-run grinding mill?

A grinding mill project is very beneficial and important if properly managed. Foremost there is need for the needs assessment and to establish a fundamental monitoring and evaluation system for project members to monitor own progress. Lesson learnt on the Musuna project is a critical need for the feasibility measurement of project funds against the bill of quantities. The Musuna scenario established that the initial budget was only enough to purchase the grinding mill not enough to fund the structure and other initial costs. There is also need to consider the aspect of capacity building on the part of project beneficiaries to support the core intervention. The community must be responsible for identifying an income generating project which they have to marry to the existing needs in the community like the Musuna scenario. If this is done, the community will be sure to support the project and see it grow through sacrifices like we saw in Musuna. As lessons learnt from Musuna grinding mill project, committee members need a thorough training in records keeping and conflict management. Conflict within the project members can destroy the income generating project but these trainings assist to minimize such anomalies. Again, Musuna project committee members lacked knowledge on financial record keeping of their project but are currently in a position to effectively run the project with limited external technical support. The management committee is now able even to produce graphs that depict the financial standing of the project as well as the production strata. Further to that ownership of the project needs to be clearly defined to enhance participation at the project by communities involved. It's imperative to have project members have authority and control over their project so as to enhance sustenance of the project. Finally, it is vital to involve government line ministries responsible for small enterprises who are usually vested with powers to steer communities through such projects.

(Article) 8 Basic Principles for Nonprofit Entrepreneurs

Thinking about establishing a business to generate income for your organization? This short article by Jerr Boschee draws from the experiences of other organizations, to save you from heartache.

Here is a taste:
The nonprofit sector has traditionally been driven by a reliance on philanthropy, voluntarism, and government subsidy. Earned income has been viewed as something extra.

Social entrepreneurs have turned that formula on its head: On the revenue side, earned income has become the *primary* goal. Philanthropy, voluntarism, and government subsidy are welcome, but not central.

This is a tectonic shift, and not well understood or accepted by many in the sector, for two reasons.

First, they fail to perceive the difference between “innovation” (doing something new) and “entrepreneurship” (doing something that makes money). “Social entrepreneurship” becomes a convenient label for almost any new approach that has a social outcome. But it’s one thing to design, develop, and implement a new program—and quite another to sustain it *without depending on philanthropy and government subsidy.*

And that leads to the second problem. Those who confuse innovation and entrepreneurship are also prone to forget the most important difference between *earned* revenue and *donated* revenue. One can lead to sustainability and self-determination. The other cannot.

Go to page 10 to view the article.

(Resource Library) Social Entreprise Alliance - Knowledge Center

Want to go deeper on social entrepreneurship? There is a social enterprise library filled with articles, toolkits, case studies, and more at the following link:
http://toolbelt.se-alliance.org/search/resources?filters=tid%3A304%20tid%3A26&retain-filters=1

As part of the Firelight Foundation’s Capacity Building Program, Firelight provides “Newsflashes” to share relevant resources and information with our active granteepartners via weekly emails and via post on a monthly basis. We hope that by facilitating access to information for grassroots, community-focused organizations, programming for children and families, as well as organizational development, is enhanced. Past editions of the Firelight Newsflash can be found on our website: http://www.firelightfoundation.org/resources/newsflash/.

We welcome your comments, feedback and ideas for upcoming Newsflashes at newsletter@firelightfoundation.org.

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Eight Basic Principles for Nonprofit Entrepreneurs

These lessons from the pioneers in the field could save you many heartaches.

BY JERR BOSCHEE

After hovering around the edges of the nonprofit sector for years, social entrepreneurship has moved into the mainstream. Venture philanthropists, traditional grantmakers, boards of directors, nonprofit entrepreneurs, consultants, and academics are all rushing to the table—many without the tools they need.

They can find those tools by turning to the experiences of the pioneers in the field—nonprofit veterans who've been quietly making mistakes and learning from them for decades. Here are eight basic principles that have emerged from those travails as articles of faith:

1 *Earned* income is paramount.

The nonprofit sector has traditionally been driven by a reliance on philanthropy, voluntarism, and government subsidy. Earned income has been viewed as something extra.

Social entrepreneurs have turned that formula on its head: On the revenue side, earned income has become the *primary* goal. Philanthropy, voluntarism, and government subsidy are welcome, but not central.

This is a tectonic shift, and not well understood or accepted by many in the sector, for two reasons.

> *Innovation can take a nonprofit only so far.*

First, they fail to perceive the difference between "innovation" (doing something new) and "entrepreneurship" (doing something that makes money). "Social entrepreneurship" becomes a convenient label for almost any new approach that has a social outcome. But it's one thing to design, develop, and implement a new program—and quite another to sustain it *without depending on philanthropy and government subsidy.*

And that leads to the second problem. Those who confuse innovation and entrepreneurship are also prone to forget the most important difference between *earned* revenue and *donated* revenue. One can lead to sustainability and self-determination. The other cannot.

Innovation is a precious resource, and it served as the primary engine of nonprofit growth through the 1970s and 1980s. But innovation can take a nonprofit only so far. Without self-generated revenue, nonprofits will remain forever dependent on the kindness of strangers—and that's a risk social entrepreneurs are unwilling to take. They're passionately committed to their mission, but they're just as passionately committed to becoming financially self-sufficient—*in order to do more mission!* And as traditional sources of funding became less available during the 1980s and 1990s, more and more nonprofits discovered the importance of paying their own way—and became genuine social entrepreneurs.

2 Be a player or don't play at all.

Peter Drucker began preaching a new gospel to nonprofits in the early 1990s that has helped social entrepreneurs sharpen their organizational focus and expand their impact.

When Jack Welch took over as CEO at General Electric in 1981, he asked Drucker to tell him the *single* most important thing he could do to improve the company. Drucker's answer was simple: If your products or services are not number one or number two in the market, kill them. In other words, *stop trying to be all things to all people.* Since then,

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Stop trying to be all things to all people.

Drucker has repeatedly urged nonprofits to do the same. He calls it "organized abandonment."

Drucker's advice runs against the grain of the traditional nonprofit mentality, but most nonprofit executives *will* admit that they're spread too thin, that they're trying to do too many things for too many people, and that they're therefore unable to give *any* of their clients the attention they deserve. Organized abandonment gives them a way out of the morass.

The process can be agonizing. It isn't easy to kill programs, especially if they're beloved by board members or funders. And there *is* an important caveat: Being a social entrepreneur does *not* mean eliminating a program just because it loses money. If a nonprofit is the best or the only provider of a program that's critically needed, it has an obligation to continue the program—and a managerial challenge to find other sources of revenue to cover the cost.

Fundamentally, organized abandonment relies on a nonprofit's ability to be honest with itself—exceedingly difficult for *any* organization, nonprofit or otherwise. But the results have been worth it, and the ultimate winners have been the clients. Social entrepreneurs have discovered that reducing the number of programs they offer actually enables them to serve more people—because they have the time and resources to expand their efforts.

3 Starting a business venture is *not* the only path to success.

Many nonprofit board members and executives are daunted by the prospect of social entrepreneurship because they think it means starting a business venture, something few know how to do.

But creating a business isn't the only way to be successful as a social entrepreneur. In fact, the most fertile ground for most nonprofits is something called "earned income strategies," which have nothing to do with starting a business venture.

The two approaches differ substantially in terms of purpose, expectations, and structure:

Earned income strategies: Experience has shown that almost every nonprofit has opportunities for earned income lying fallow within its existing programs. The opportunities may be tiny or they may be huge, but exploiting them can have a significant cumulative impact. By turning inward and searching for pockets of opportunities, nonprofits can register impressive gains, often raising their percentage of revenue from earned income by as much as 15% within one to three years.

Business ventures: Once a nonprofit has gained experience with earned income strategies, it may want to consider launching a formal business venture—but the goals would be much more ambitious and the strategy completely different. The *only* reason for a nonprofit to start a business venture is to exploit a specific opportunity for significant growth and profitability—a substantial difference from earned income strategies, which are designed primarily to cover more of a program's costs, without any real expectation of making a profit or even reaching a break-even point.

The pioneers in the field have also discovered that the chances for success will be dramatically increased if the organization creates a "skunkworks"—a completely separate entity insulated as much as possible from the day-to-day operations of the parent organization. That means having a separate board, separate staff, separate compensation policies, and as much independence as possible.

4 Unrelated business activities are dangerous.

Most nonprofit entrepreneurs have discontinued the attempt to mount businesses unrelated to their mission. Twice (in the late 1970s and mid-1980s), nonprofits chased the chimera of a cash cow—the apocryphal unrelated business venture that would operate almost as a perpetual motion machine, without much need for supervision, churning out floods of cash to fund the nonprofit's mission.

Those nonprofits learned a painful lesson: Attempting to start an unrelated business venture means they were hit with a double whammy. They were trying to start a business (which they probably didn't know how to do), and they were trying to start it in an arena they knew nothing about! At least by eliminating the second aspect, they could improve their odds.

The business ventures being started by nonprofits today are therefore emerging directly from their core competencies and basic strengths—from their missions, the programs they have already perfected, and the assets they have developed in the process. This also avoids trouble with the IRS, since their ventures are mission-related and no threat to their tax-exempt status.

Instead of unrelated businesses, nonprofits have been concentrating on two types of ventures:

Affirmative businesses. John DuRand of Minnesota Diversified Industries (MDI) invented the concept of an "affirmative business" in the early 1970s, and it has since become the most common form of social enterprise. Unlike a sheltered workshop, an affirmative business is created specifically to provide *permanent* jobs, *competitive* wages,

> *The greatest danger is under-capitalization.*

career opportunities, and even ownership for people who are disadvantaged, whether it be mentally, physically, economically, or educationally. Employees have included people who are developmentally disabled, chronically mentally ill, recovering substance abusers, former convicts, visually impaired, physically challenged, members of inner-city minority groups, and others. Over the years, DuRand took MDI from an initial investment of $100 and seven employees to a $68 million business employing more than 600 people who were developmentally disabled. Recently, dozens of other nonprofits have followed his example.

Mission-driven product or service businesses. Many nonprofits have started businesses that deliver mission-driven products or services directly to clients, although payment may come from a third party such as a government agency or entitlement program or from a private insurance company. Unlike affirmative businesses, few of these businesses actually employ the people they serve. Examples include assistive devices for people who are physically challenged, personal care services to help elderly people at home, interactive instructional programs for potential high school dropouts, seminars for couples contemplating divorce, hospice care for terminally ill patients, and many, many others.

5 Be patient–and don't run out of money.

Social entrepreneurs are notorious for underestimating the amount of time and money they'll need to reach their goals. According to an MIT study, significant revenue for most companies doesn't begin to flow until the *seventh* year of existence. And by the sixth year, the nature of the business has typically changed completely.

In addition, social entrepreneurs are as exposed to the vagaries of the market as any other business, and that means the greatest danger is under-capitalization. Profitability is no protection: The crucial element is cash flow. More than one profitable company has failed because it didn't have the money it needed at the time it was needed.

The rubric here is simple: Nonprofits must *invest* in their business ventures. If they cling to a *cost* mentality, their chances for success are minimal.

6 Recognize the differences between innovators, entrepreneurs, and professional managers.

Perhaps the most important lesson learned by the pioneers in the field has been one that strikes to the very heart of their self-perceptions. So often, nonprofits discover (too late) that their entrepreneurial efforts are doomed because they're being led by people with the wrong skills.

Regardless of whether a nonprofit is attempting to engage in a variety of earned income strategies or is trying to launch a business venture, it's important to understand the differences between three types of leaders.

Innovators, entrepreneurs, and professional managers are all needed in the evolution of a program or an organization, but at different times. Rarely does an individual possess more than one of the three skills.

Innovators are the dreamers. They create the prototypes, work out the kinks—and then get bored, anxious to return to what they do best, which is inventing more prototypes. Entrepreneurs are the builders. They turn prototypes into going concerns, then *they* get bored. And that's when the professional manager arrives to secure the future. They are the trustees, the ones who install the systems and other parts of the infrastructure that make sure the going concern keeps going.

Unfortunately, in the nonprofit sector, often because resources are scarce, organizations try to shoehorn people into positions where they don't fit, and many of the problems nonprofits have when they begin adopting entrepreneurial strategies arise from having an innovator trying to do an entrepreneur's job or a professional manager trying to be an innovator, and so on.

7 The "nonprofit" culture gets in the way.

What is a "culture"? In the nonprofit world, it is usually a collection of unspoken compacts that tell us who we are, who we serve, why we serve them, and how. We rarely pause long enough to examine the tenets of our cultures, but new employees absorb them almost by osmosis. Within weeks of their arrival, they understand what it is about *this* organization that makes it different from *that* organization.

But culture eats change for breakfast, and any nonprofit that hopes to become entrepreneurial, regardless of whether it's starting a business venture or pursuing earned income opportunities within its programs, must undergo a radical set of changes. Here are five of the most important ones:

Be willing to take risks. There is a myth that entrepreneurs love to take risks. Not true. But they *will take* risks. That's part of what makes them entrepreneurs. Unfortunately, there's no more risk-averse entity than a nonprofit board of directors. To a degree, this is as it should be: The board is the steward of scarce resources. Too often, however, the

There are a lot of wannabe social entrepreneurs.

result is a mentality that shies away from anything new until success can be guaranteed, and nothing is more antithetical to entrepreneurship. Nonprofit entrepreneurs enter the game knowing that three-quarters of what they try will fail, but they have the personal and institutional courage to make mistakes, learn from the experience, and start all over again. As Ben Cohen, the founder of Ben & Jerry's, is fond of saying, "To stumble is not to fall. It's just a way of moving ahead more quickly!"

Make tough choices about staff members. Some of a nonprofit's longest-serving, most loyal staffers won't understand the principles of entrepreneurship, or won't agree with them, or won't have the skills to live in an entrepreneurial world; compassionate out-placement is the only solution for both them and the organization.

Relinquish control. Too many layers of approval weigh down an organization's ability to move quickly–a hallmark of entrepreneurship, where opportunities appear on the radar screen for an instant and then blink out of existence. Changing a nonprofit's culture means eliminating some of those layers.

Emphasize market pull. Changing its culture also means aggressively adopting the type of "customer focus" mentality that eludes most traditional nonprofits. Regardless of their protestations to the contrary, nonprofit planners still begin too often with the needs of their own organization, not with the people they serve.

Price more aggressively. For-profit service companies build a 50% gross profit margin into their pricing strategies in order to have a 3-5% net profit margin at the end of the year—their definition of success. Nonprofits, however, are usually gleeful if they can cover their direct costs, a reaction that bars them forever from achieving any significant progress financially. If nonprofits are going to be serious about financial self-sufficiency, they *must* adopt more aggressive pricing policies. Doing so may be difficult in the short run, but, over time, it's the only sure way to be certain all of the organization's direct and indirect costs are covered.

8 Remember the Noah Principle.

The final lesson learned by the pioneers in the field has been the importance of making a commitment. There are a lot of wannabe social entrepreneurs in the world, who talk and plan and talk and plan and talk and plan—but never *do* anything! The courage to act is in distressingly short supply.

True, there aren't any guarantees—except for one. If you always do what you've always done, you'll always get what you've already got. As Wayne Gretzky, the Hall of Fame hockey player, has often pointed out, "I always missed a hundred per cent of the shots I never took."

So the pioneers have learned to live by the Noah Principle: No more prizes for predicting rain.

You only get a prize if you build an ark. ■

Selected Resources

Boschee, Jerr, *Social Entrepreneurship Videotape.*

Brinckerhoff, Peter, "Are You Financially Empowered? A Quiz," *Nonprofit World*, Vol. 15, No. 1.

Cohen, Jan, "You've Got to Know When to Hold 'Em, Know When to Fold 'Em," *Nonprofit World*, Vol. 17, No. 1.

Emerson, Jed, "Famous Last Words of Failed Nonprofit Entrepreneurs," *Nonprofit World*, Vol. 15, No. 4.

Lauer, Larry, "Using Your Organization's Culture to Build Productivity and Reputation," *Nonprofit World*, Vol. 11, No. 6.

Muehrcke, Jill, *Are You Sitting on a Gold Mine? Fundraising Self-Assessment Guide.*

Muehrcke, Jill, ed., *Enterprise*, *Leadership Series.*

Skloot, Edward, "Seeking Earned Income Ventures," *Nonprofit World*, Vol. 7, No. 4.

Wilson, Leslie, "A Study in Nonprofit Entrepreneurship," *Nonprofit World*, Vol. 6, No. 6.

These resources are available from the Society's Resource Center, 608-274-9777, Ext. 221, www.danenet.org/snpo.

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