



# Social Enterprises of the Future: Practices for Sustained Social Impact



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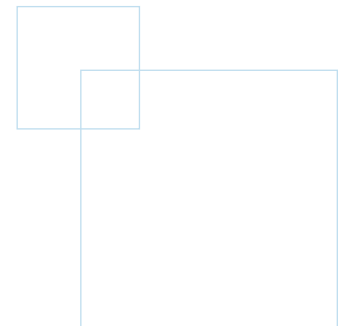
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## About SourceAmerica

Established in 1974, SourceAmerica® (SourceAmerica.org) creates job opportunities for a skilled and dedicated workforce of people with significant disabilities. SourceAmerica is the vital link between the federal government and private sector organizations that procure the products and services provided by this exceptional workforce via a network of community-based nonprofits. Headquartered in Vienna, Virginia, SourceAmerica provides its nonprofit agency network with business development, contract management, legislative and regulatory assistance, communications and public relations materials, information technology support, engineering and technical assistance, and extensive professional training needed for successful nonprofit management. SourceAmerica is an AbilityOne® authorized enterprise.

## About the National Council of SourceAmerica Employers (NCSE)

The National Council of SourceAmerica Employers (NCSE) is an independent network of executives representing nonprofit agencies (NPAs) that provide services or manufacture products under the AbilityOne Program. All NPAs in SourceAmerica's network are members of the NCSE. The NCSE Executive Committee consists of four elected officers and representatives of agencies from the six SourceAmerica Field Office areas. The president of the NCSE serves on the SourceAmerica Board of Directors, thus ensuring that the NPA community has direct input into the deliberations and policy-making decisions of the Board. The NCSE addresses issues of concern or significant relevance to NPAs and their participation in the AbilityOne Program and assists SourceAmerica with research and data collection necessary to advance the AbilityOne Program.



## Executive Summary

Social Enterprises of the Future is an initiative co-sponsored by SourceAmerica and the National Council of SourceAmerica Employers (NCSE) that focuses on the future of work and the disability community. The central purpose of Social Enterprises of the Future is to ensure the sustainability and relevance of organizations that promote the inclusion, fulfillment and economic wellbeing of people with disabilities. Our path for achieving these goals is through the co-creation of operational and policy interventions that are informed by research.

In the first phase of Social Enterprises of the Future, we engaged the disability community to design a collection of operational responses to trends impacting employment opportunities for people with disabilities. The baseline research and starting point for collective innovation is found in SourceAmerica's publication *The Future of Work and the Disability Community*. The report provides evidence to support a claim that, barring intervention or significant systems change, the marginalization of people with disabilities is likely to increase due to societal, legislative, economic and technological factors. That publication was followed by *Social Enterprises of the Future: A Collective Response*, which responds to the findings in the first report. The response includes an outline of seven operational interventions co-designed by an inclusive working group, including people with disabilities, to provoke new thought on how to sustain and increase societal impact through employment. This report serves as a resource for the execution of the initial set of models, developed in the Social Enterprises of the Future initiative.

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*Social Enterprises of the Future: Practices for Sustained Social Impact* is intended to supplement SourceAmerica's publications: *The Future of Work and the Disability Community* and *Social Enterprises of the Future: A Collective Response*. This report examines select operational issues affecting disability service organizations nationwide, including strategic planning, fundraising, succession planning, social impact measurement and advocacy impact. Research for this report was conducted internally by SourceAmerica staff and informed by trends observed in the field.

This report starts by looking at factors that contribute to the success of high-performing organizations and continues with the examination of concepts and tools social enterprises may consider during strategic planning efforts. The remainder of the report reviews the literature on select operational challenges the field is facing and highlights best practices of high-impact organizations. It also provides case studies of social enterprises that have implemented relevant and sustainable business practices and self-advocates who participated in the Social Enterprises of the Future initiative.

The report does not include an exhaustive list of challenges impacting social enterprises. The factors that are included have been identified as emerging threats to the long-term sustainability and relevance of organizations facilitating the employment of people with disabilities. Social Enterprises of the Future is intended to be the catalyst for designing interventions and leading efforts for systems change to achieve new levels of cooperation across the public, private and social sectors. This report is the final installment of the first phase of the Social Enterprises of the Future initiative.

With the publication of the final report in the series, we now move to the second phase of the Social Enterprises initiative. Over the next two years, we plan to develop a future-based community of practice who will engage in continuous learning, ideation and testing. Membership in this community will extend across sectors, and the interventions they design will include policy recommendations to complement operational approaches.

The future of work is a dynamic, transdisciplinary topic. There are economic, societal, policy and technological factors to consider. Social Enterprises of the Future offers a new model for cooperation within the disability community. It fuses evidence-based research with innovative practices of the private sector, leading to meaningful engagement with

the public sector. We have not set out to predict the future. Instead, our intention is to collectively influence it for the benefit of the disability community.

## Key Terms

Social Enterprises of the Future represents a new mindset within the community. This includes the adoption of shared terminology and frameworks, and it is reflected in the name of the initiative. Traditionally identified as community rehabilitation programs, the industry representatives engaged in the first phase of the initiative adopted the descriptor of “social enterprises” to underscore the need for change. This signifies an important philosophical shift. The shared definition of social enterprises developed by the working group is: businesses that engage with the community to address a social challenge while generating revenue.

Throughout this report, we make frequent references to inclusion. The intended meaning of inclusion, decided by the same representatives, goes beyond the general state of being welcomed in a group. Within Social Enterprises of the Future, our definition of inclusion incorporates the importance of self-determination and the right for individuals to choose the path that best fits their personal goals.

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**Section 1:**  
Contemporary  
Practices for  
Sustained  
Social Impact



Many variables impact the effectiveness of social enterprises, including the needs and expectations of their beneficiaries, geography, access to market opportunities, organization size and risk tolerance. With that understanding, this section highlights key practices found to contribute to the success of high-impact social enterprises.

## Section 1.1 Mission-Focused Culture of Change

“Good corporate culture is not accidental. High-performance organizations set, market, and monitor culture to achieve strategic objectives...A culture either works for a given enterprise – or it doesn’t – at a point in time. As strategic priorities change, so should culture.”<sup>1</sup>

The quote above comes from a Boston Consulting Group report examining commonalities among high-performing companies. Though it refers to for-profit businesses, the same holds true for social enterprises when it comes to organizational culture. One aspect of organizational culture discussed in the Boston Consulting Group report and prevalent within the literature is adaptability.

Rarely do social enterprises, or individuals within social enterprises, hit on one solution to resolve the societal and economic challenges they were established to address. Social enterprises that have sustained impact on the communities they serve continually reflect on the relevance of their mission, explore emerging systemic gaps that should be addressed and experiment with new program and service delivery models.<sup>2</sup> This does not mean that high-impact social enterprises are constantly changing their mission or the constituency they serve. Instead, they continually evaluate their performance within the context of their mission and measure it by the outcomes and impact they create.

Adaptation requires creativity. An organization’s leaders must empower employees to be creative. High-impact social enterprises create an environment where staff can recommend and explore innovative

approaches to serving the mission. This is best accomplished when organizations work directly with their intended beneficiaries and empower employees who are familiar with program execution to develop solutions that meet the needs of the community they serve. High-impact organizations have “mastered the ability to listen, learn, and modify their approach on the basis of external cues.”<sup>3</sup>

Because social enterprises operate in a world of limited resources, creativity and a collaborative mindset must be combined with a system that facilitates evaluating and executing ideas.<sup>4</sup> This can be accomplished by conducting research and implementing small-scale tests of new programs before bringing them to scale. Developing a “curious culture” can help social enterprises reimagine their operations, the programs they offer, and their idea of what is considered achievable. Social enterprises that foster a “curious culture” tend to have the following characteristics in common. These organizations:

- Foster communication, collaboration, and trust
- Encourage critical thinking and debate
- Rethink the geographical area in which they operate<sup>5</sup>

The world is never static, and social enterprises need to regularly evaluate themselves, the space in which they operate and the needs of the community they serve. While evaluating the content of this report, it is important to keep in mind that setting the strategic direction of a social enterprise may require evaluating whether the social enterprise’s culture will enable or deter necessary changes.<sup>6</sup>

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## Section 1.2 Financing for the Future

High-impact social enterprises implement financial and funding strategies that complement their organization's mission and vision. However, a sustainable business model is not just about aligning purpose and funding. It's about knowing how to plan for the future. **According to the Nonprofit Finance Fund's *State of the Nonprofit Sector: 2015 Survey 7*, in 2014 only 29 percent of nonprofits conducted long-term strategic or financial planning.** During that time, 29 percent of nonprofits broke even, 10 percent ran planned deficits, and 13 percent ended with an unplanned deficit. One piece of strategic advice the report provided was to increase engagement in the budgeting process and develop mechanisms to mitigate budget shortfalls.<sup>8</sup>

Organizations often try to make up for budget constraints by expanding fundraising efforts to raise more money. However, organizations need to look at other areas of the budget as well, especially their policy on reserve operating funds. These funds can supplement potential revenue losses, fund new projects and programs, provide additional training for staff or prepare for leadership transitions.

The 2017 *Nonprofit Standards, A Benchmarking Survey* reports that nonprofits have an average of 8.6 months of reserve funds. However, 40 percent only have between one and less than six months in reserve (this holds true for large and small nonprofits); and 13 percent have no operating reserves.<sup>9</sup> This means that over 50 percent of nonprofits have less than six months of reserve funds, putting them in a precarious position to absorb unforeseen funding or programmatic shocks.

There is no formal rule about the amount of operating reserves social enterprises should maintain. The appropriate amount depends on an organization's size, strategic plan and external factors.<sup>10</sup> Some accounting firms recommend three to six months; others recommend at least 12 months.<sup>11</sup> The best practice for establishing operating reserves is to develop an intentional, strategic plan. Organizations must determine an appropriate level of funding, develop a plan for financing operating reserves separate from programmatic funding, and establish guidelines

for using the reserves. This is not just a tool for large social enterprises, social enterprises of all sizes should have an operating reserve strategy because of the financial stability it provides.<sup>12</sup>

## Section 1.3 Leadership

Catalytic leadership is an essential element of high-performing social enterprises. Effective leaders, at all levels, inspire their staff to be creative and explore innovative ways to solve society's problems. They also know how to maintain focus on the organization's mission; managing "the tension between clear parameters and creative license."<sup>13</sup> Yet, according to Gallup's 2017 *State of the American Workplace*, 51 percent of the workforce is not engaged at work. In fact, 33 percent of employees report being engaged, and only 21 percent say they are being managed in a way that motivates them to perform. The report also shows that employees lack confidence in organizational leadership with only 22 percent of respondents strongly agreeing that their leadership has a clear direction and 15 percent strongly agreeing that their leadership makes them enthusiastic about the future.<sup>14</sup> These numbers demonstrate a sizeable leadership and inspiration gap in many workplaces in the United States. With engagement at such low levels, it is incumbent upon leaders to shift the way they operate if they want employees to be engaged and motivated to achieve the organization's desired results.

Inspirational leadership can help close the gap between the current lack of employee engagement and the potential for staff to develop creative and innovative solutions to fulfill the organization's mission and meet the needs of the community they serve. A May 2014 Harvard Business Review

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article, *Blue Ocean Leadership*, explains how this can be achieved by tying leadership strategies to the Blue Ocean business development strategy. The foundation of the concept is that leaders need employees to believe in their leadership. “When people value your leadership practices, they in effect buy your leadership. They’re inspired to excel and act with commitment.”<sup>15</sup>

Three essential elements of “Blue Ocean Leadership” include:

1. **Focusing on acts and activities.** Focus on what leaders do, not who leaders are (their values and behavioral style). Having the right values and behavioral traits is important but focusing on a leader’s actions places the emphasis on something they can change when they’re given the right feedback.
2. **Connecting closely to market realities.** Employees are asked directly “how their leaders hold them back and what those leaders could do to help them best serve customers.” Asking for direct feedback establishes a buy-in for employees to “create the best possible profile for leaders and to make the new solutions work.”
3. **Distributing leadership across all management levels.** Organizations should want to develop and empower leaders at all levels. “Extending leadership capabilities deep into the front line unleashes the latent talent and drive of a critical mass of employees, and creating strong distributed leadership significantly enhances performance across the organization.”<sup>16</sup>

Strong leadership is not only valued at the executive level of an organization, but also among the board of directors. An organization’s board fills a critical leadership role by providing the authority and strategic input to senior leadership to run the organization.<sup>17</sup> Research from Libbie Landels-Cobb, et al. indicates that when senior executives at nonprofits grow frustrated with a lack of opportunity to grow and participate in mentoring, they leave. They note that, “even CEOs are exiting because their boards aren’t supporting them and helping them to grow.”<sup>18</sup> A 2015 survey of 438 nonprofit C-suite executives, found that “in the past two years, one in four C-suite leaders left [their] position, and nearly as many...planned to do so in the next two years.”<sup>19</sup>

Developing and maintaining effective leaders is critical for mission continuity and the long-term sustainability of social enterprises. But those are not the only things at stake when it comes to retaining talented executives. High turnover rates can result in negative perceptions about the organization among stakeholders, impacting everything from funding to staff recruitment. As a result, succession planning and leadership transition will remain a concern. Succession planning is explored in greater detail later in this report.

## Section 1.4 Organizational Capacity

While developing executive leadership is critical to the longevity and relevance of an organization, it’s also important to cultivate the skills and leadership capabilities of non-executive staff. According to Giambanco in “Investing in People Pays Big Dividends,” “People provide the spark for organizational excellence”.<sup>20</sup> The article advocates for investing in employee development at all levels as an essential component to creating a high-impact organization. To that end, social enterprises need to make sure they recruit the right staff, develop the skills and leadership capabilities of current staff, and nurture their network of volunteers and champions within the community to achieve the desired social outcomes.

A recent survey about nonprofit organizations reports that 72 percent of nonprofits find staff retention/recruitment to be a challenge.<sup>21</sup> Moreover, nonprofits do not typically support leadership trainings. According to a survey by ProInspire, only 39 percent of nonprofit managers said their organization pays for training.<sup>22</sup> In addition, data from 2011 shows businesses spent \$12 billion on leadership development while nonprofits spent only \$400 million. That’s the equivalent of \$120 per employee per year for businesses and \$29 per employee per year for nonprofits.<sup>23</sup> Boston Consulting Group’s report on companies states that, “high-performing organizations invest in employee development through training and by rotating people through roles and responsibilities. These experiences are a powerful motivation and retention tool that can trump compensation and other financial incentives. Collaboration is encouraged to reduce the likelihood of parochial leadership behavior.”<sup>24</sup>

Since social enterprises and nonprofits compete with for-profit companies for the same talent pool, they appear to be at a disadvantage because they cannot typically offer the same salary and benefit incentives as for-profit companies. However, nonprofits can offer more emotional satisfaction from the work being performed along with leadership and management opportunities. Nonprofit staff value the chance to challenge themselves by learning new skills or advancing their careers more than they value increased salary or benefits. In “Engaging the Nonprofit Workforce,” researchers found that 70 percent of workers rated professional development as important or very important when asked why they selected their current job. However, the researchers also found that only 37 percent of nonprofit employees agreed or strongly agreed that their job offered opportunities for career advancement; and 45 percent indicated they did not receive regular training to perform their job, let alone training to advance their career.<sup>25</sup>

To stay competitive with for-profit entities and retain current staff, social enterprises may need to make some changes to help their employees grow. Some professional development best practices and resources for implementation are listed below:

1. Develop a budget for professional development.
2. Work with employees to create personalized staff development plans that allow organizations to “identify who is capable of growing into more demanding roles while helping employees identify their development aspirations and needs.”<sup>26</sup>
3. Seek funding dedicated to staff development. Unfortunately, grants for staff development are not common. From 1992 to 2011, only one percent of foundation giving went toward leadership development.<sup>27</sup>

Human resources are not confined to organizational staff. High-impact social enterprises successfully develop and harness the capacity of the community—volunteers, champions and donors—in which they operate. To be successful, social enterprises need to cultivate and empower members of the community to support and expand their efforts.<sup>28</sup>

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## Section 1.5 Networking

Networking is a tool for increasing organizational effectiveness, either by broadening the scope of work or geographic reach. A network of engaged stakeholders can help push an organization to consider new ideas and new approaches to solving social problems. A 2007 Harvard Business Review article called this type of networking “strategic networking”: “figuring out future priorities and challenges [and] getting stakeholder support for them.”<sup>29</sup>

This is not an easy task. Social enterprises tend to seek out and engage with organizations working on the same issue. To position an organization as relevant and identify future issues and challenges, it is important to look beyond traditional stakeholders, and seek out disruptors and people with diverse backgrounds.<sup>30</sup> The breadth of social issues being tackled and the desire for large-scale impact should drive leaders to develop shared values and goals to “engage diverse stakeholders in addressing issues together.”<sup>31</sup>

Every partnership requires reciprocity. Partner organizations and community representatives need to be committed to the projects they are collaborating on.<sup>32</sup> Whether strengthening a network of traditional stakeholders, or developing new connections, the research suggests

there are five crucial steps to cultivate and maintain long-term commitment:

- Clarify the purpose of the network
- Convene the right people
- Cultivate trust
- Coordinate actions
- Collaborate generously<sup>33</sup>

Networking should be a priority for the entire organization, not solely the responsibility of the executive team or board. Furthermore, because every organization experiences employee turnover, it's important that relationships go beyond a few individuals, which requires constant reinforcement across organizations.<sup>34</sup>

## Section 1.6 Measuring Impact

Increasingly, donors expect organizations to provide evidence of their impact. Yet, according to a study by Kim Jonker and William F. Meehan III, "Clear Measurement Counts," more than 75 percent of the 800 nonprofits they studied did not have reliable impact data.<sup>35</sup> Developing impact measurements can be complicated by stakeholder input or desired expectations. But, measuring and being able to demonstrate impact can strengthen organizations. Data can be used "to improve programs as they grow... [and demonstrate] impact in a data-driven way that is attractive to funders."<sup>36</sup>

It is important to note that high-impact organizations are always monitoring their success. Even if an organization does not have the resources to conduct a full social return on investment study, they can develop key performance metrics for programs to monitor progress and establish baseline data. Different methodologies for measuring impact are described later in this report.



## SECTION 2

# Organizational Sustainability: Strategic Planning



For social enterprises, strategic planning is about designing a framework to develop effective and efficient programs that address root causes of pervasive social problems. The strategic plan should provide context and orientation for current and new programs in a world where the environment and needs of people are constantly shifting.<sup>37</sup> Any strategic planning process should begin with a discussion of the problem the organization is trying to solve as well as the goal(s) of the planning process. Every activity the organization engages in should be on the table to evaluate its contribution to achieving the mission.

To fully grasp the problems an organization is trying to address, it is important to engage and empower a diverse group of stakeholders to contribute to the strategic planning process. Employees and volunteers (on-the-ground volunteers and members of the board) at all levels of the organization should be included to create buy-in for the plan.<sup>38</sup> Yet many organizations neglect the perspective of the most important stakeholder – the community they are serving. Too often, organizations focus on developing the perfect programs and services based upon research and expert opinion and neglect to consider the actual appeal of programs and services to potential beneficiaries.<sup>39</sup>

However, beneficiary engagement is essential to the strategic planning process. Beneficiaries provide valuable insights and perspectives on the needs of their community and inform program design and outreach efforts to increase involvement. As noted in the case study on Norris Kentle, when a fully inclusive group develops a strategic plan, it can have benefits beyond gaining stakeholder input. It can help empower the community, making them more invested in the strategic planning process and the social enterprise. (See Case Study, Norris Kentle).

Organizations operate in a rapidly changing world. Strategies cannot be static and must allow for adaptation as they are being implemented. Once a strategic plan is in place, an organization must adopt a process to evaluate it on a regular basis and update it as needed. Organizations must be able to quickly prototype programs and services and collect data on trends and opinions of frontline staff about the effectiveness of the

program to decide whether it should be continued or abandoned based upon the information available.<sup>40</sup>

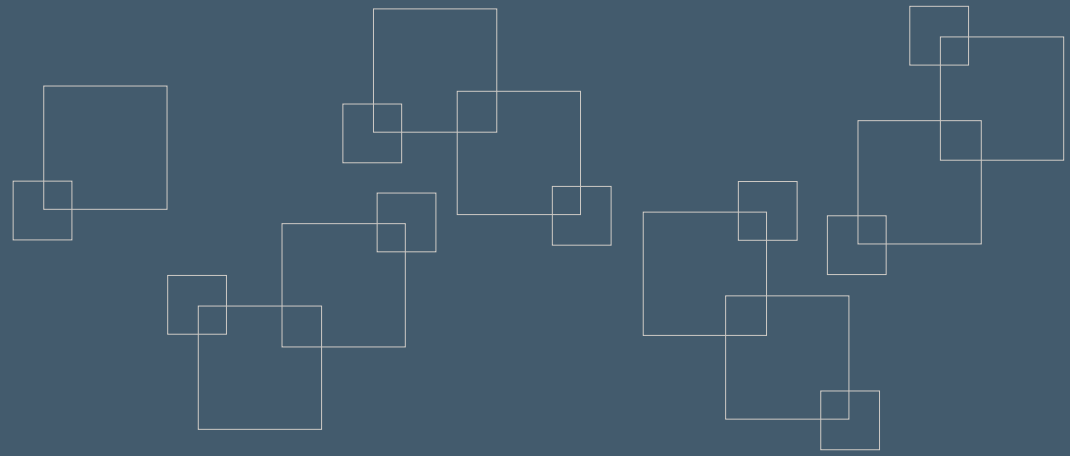
In this section, we offer models for strategic planning that emphasize creativity, adaptability and an acceptance of the unknown. Traditional top-down strategic planning is falling out of favor. Instead of trying to predict the future, nimble organizations look at general trends and set a direction for the future. They create programs and services to be tested, evaluated and scaled up, if successful.<sup>41</sup>

Each framework covered has a unique methodology for implementation and evaluation. However, there is a common supporting benefit across all of the models. They encourage and offer guidance on continuously evaluating programs and services to make sure they are having the desired impact and adapting to the evolving environment. There is a recurring theme of beneficiary engagement within the innovation process, a primary principle of human-centered design.

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## Case Study

### *Norris Kentle*



I have been with Ada S. McKinley for 11 years now. I have a cognitive and physical disability. Through Ada S. McKinley in Milwaukee, I am working primarily on their federal contracts doing custodial work.

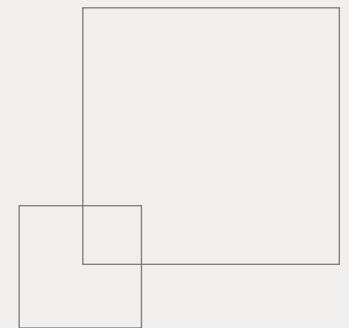
Being involved in the Social Enterprises of the Future project was my first time doing something like this. It was interesting to see different perspectives on projects and learn about what different organizations were working on. I thought that bringing CEOs and advocates together made the project better. We bounced ideas off each other and were able to work together to understand each other's struggles. I really enjoyed the time I spent working on it this year, and it made me think more about what I can do in my community, who I could get involved with.

I see organizations that work with people with disabilities struggle to get people into a work environment where other employees will try to understand the disability and treat them fairly. I think social enterprises could do a better job of educating their clients and customers on what people with disabilities are capable of. I would like to be involved in more strategic discussions in the future.

This project has made me think about whether I want to keep working for someone else or try it on my own for a bit. I got involved in producing music back in 2015. I was working with local artists and was

not focused as much on me. Now I want to work on my trademark, focus on the positive side of music and use my company to get involved in the community.

We need people behind us who truly believe in our movement, and I want to be around to say that I helped start this. At the end of the day, our ideas can push other people with disabilities to be more involved in the community because some people are afraid of being judged. You can't look at me and be afraid of my disability because I could be the person you need to talk to. I have ideas and we, as a community, need to be heard.



## Section 2.1 Scenario Planning

Scenario planning uses different versions of the future to assist organizations during their strategic planning process. The idea is not to predict the future but to prepare an organization for a variety of eventualities.

Shell pioneered scenario planning in the 1970s. The purpose was to “break the habit, ingrained in most corporate planning of assuming that the future will look much like the present.”<sup>42</sup> According to Pierre Wack, a Shell employee who wrote about scenario planning in a series of articles for Harvard Business Review in 1985, scenario planning is about accepting uncertainty and making it a part of the process. “Uncertainty today is not just an occasional, temporary deviation from a reasonable predictability; it is a basic structural feature of the business environment.”<sup>43</sup> What was true in 1985 remains true today.

Scenario planning allows organizations to create plausible stories about different futures, providing enough detail about the future to develop different strategic plans. Developing four or at most five scenarios is recommended. Two may not be enough; three runs the risk of gravitating toward the middle scenario as a compromise or the most plausible outcome; and more than five can become unwieldy.<sup>44</sup>

According to Angela Wilkinson and Roland Kupers, two former Shell employees who studied the process, the value of scenario planning “is how scenarios are embedded in – and provide vital links between – organizational processes such as strategy making, innovation, risk

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management, public affairs and leadership development.”<sup>45</sup> Wilkinson and Kupers interviewed members of the staff who were involved in developing Shell scenarios over the years. Through their research, they identified key principles that contributed to the success of Shell’s process:

- Make it plausible, not probable
- Strike a balance between relevant and challenging
- Tell stories that are memorable yet disposable when circumstances change
- Add numbers to the narrative
- Manage disagreement as an asset
- Fit scenarios into a broader strategic management system<sup>46</sup>

Like Blue Ocean Strategy and the Business Model Canvas (both discussed below), scenario planning can be adapted for use by social enterprises. Organizations working on social and community issues are not just interested in adapting their business model to remain profitable. They aspire to create lasting impact. Adam Kahane provides one example of how scenario planning can be

adapted to achieve this purpose in his work “Transformative Scenario Planning: Working Together to Change the Future.” Transformative scenario planning is an approach for people and organizations that “find themselves in situations that are too unacceptable or unstable or unsustainable for them to be willing or able to go along with and adapt to...they need an approach not simply for anticipating and adapting to the future but also for influencing and transforming it.”<sup>47</sup>

This type of scenario planning involves multiple stakeholders from inside and outside the organization who provide new perspectives on how an untenable situation can be transformed. According to Kahane, this group will work together to transform their understanding of the world they operate in and open themselves up to trusting other actors working in the same space thereby strengthening these relationships. This new understanding of the world and an organization’s relationships allows members of the group to alter their intention by “shifting how they see what they can and must do to deal with what is happening in their system.”<sup>48</sup> This in turn allows for transformative action plans to be developed to transform their situation.

## Section 2.2 Nonprofit Sustainability: Sustainability Matrix Map

This section outlines the basic concepts of the sustainability matrix map as described in *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability* by Jeanne Bell, Jan Masaoka and Steve Zimmerman and *The Sustainability Mindset: Using the Matrix Map to Make Strategic Decisions* by Steve Zimmerman and Jeanne Bell. The matrix map provides a practical framework for assessing the sustainability of a nonprofit’s operations and a guide to assist with programmatic decision-making and strategic planning for the future.

The matrix map is a visual tool that provides a snapshot of the financial sustainability and programmatic impact of an organization. It displays each activity as a relationship between financial profitability and social impact, giving organizations an opportunity to see how activities are performing and how they relate to each other. The map can also be an

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effective tool during the strategic planning process because it clearly shows which programs are lagging in financial performance or desired impact. Leaders can use this information to ensure that all activities they pursue going forward are strategically aligned and sustainable. The results of the matrix map are heavily informed by the perspective of beneficiaries which underscores the need for authentic engagement. Beneficiary groups must be fully included in the evaluation process if an organization hopes to pursue this methodology and create a sustainable organization.

The sustainability of nonprofits is dependent upon the level of impact organizations have on their target consumer (what services or products they provide) as well as their financial health – the “Dual Bottom Line.” To assess the impact and profitability of their operations, nonprofits should examine the relationship between their mix of products, services and revenue generating operations, which together make up their core activities.



Building a comprehensive matrix map involves four key steps. First, an organization lists its core activities (programs and services) and revenue generating activities. Then, the organization determines the profitability of each activity. (This will establish where the activity sits along the X axis of the matrix.) To determine profitability, subtract the net revenue generated by each program (core activities and revenue generating activities) from the net expenses required to run the program (direct, administrative and relative costs for use of common funds). Next, determine the relative impact of each activity. (This will establish where the activity is located along the Y axis.) To determine impact, rate each program offered according to different criteria. Rating scales can differ and can be weighted if preferred. The authors recommend using a 1 to 4 rating system (1 – not much impact; 2 – some impact; 3 – very strong impact; 4 – exceptional impact). Organizations can choose different criteria against which each program will be judged but the authors advise using no more than four criteria to keep the evaluations manageable. They also provide seven criteria for organizations to consider using, including:

- Alignment with core mission
- Excellence in execution
- Scale or volume
- Depth
- Filling an important gap
- Community building
- Leverage<sup>49</sup>

Organizations can choose to use any of these criteria or develop new ones.

The final step is data visualization. Each activity should be plotted on a graph according to its impact and profitability. The circles vary in size based upon the total expenses allocated to each activity and color based upon whether an activity is a program/service or revenue generating activity.<sup>50</sup>

During the strategic planning process, the matrix map brings sustainability issues into the discussion with equal consideration of

financial performance and social impact. Every program falls within a quadrant on the matrix map and each quadrant offers guidelines for what an organization should do with that program to ensure the sustainability of its business model. The map provides a new perspective on achieving balance between programs in each of the quadrants.

The top right quadrant of the matrix map represents an organization's Stars, high performing and high profitability programs and services. These programs are key to the future growth of organizations, and the general strategic directive is to invest in and grow programs in this quadrant. Organizations should also look to these programs to see what characteristics they have that contribute to their high performance. Programs that fall within the top left quadrant are referred to as Hearts. They have high impact but low profitability. These are often programs around which organizations were originally founded; and while they continue to serve the mission, they are unsustainable from a financial perspective. Sometimes that is acceptable because there are other programs, that can cover the costs of running Hearts. But, from a strategic planning perspective, the goal should be to increase the profitability of Hearts, moving them toward being at least revenue neutral.<sup>51</sup>



The Money Tree, in the bottom right of the matrix map, includes programs that are profitable but have low impact. Many times, these are fundraising programs, either specific fundraising events or general donor outreach efforts. The strategic directive for Money Trees is to grow and cultivate. Organizations should look for ways to increase the impact of these programs while maintaining their profitability. The final quadrant, bottom left, is referred to as Stop Signs. These are programs that are low on impact and are unprofitable. During the strategic planning process, organizations should take the opportunity to assess whether these programs can be revived. More often, these programs need to be shut down and their resources reallocated to increase the performance of other programs.<sup>52</sup>

Another dimension of the matrix map is its application for testing new ideas. As the authors note, the map provides decisions for what organizations should do but also pushes them to “entertain options other than the status quo and to be in a stance of rigorous inquiry about the possibilities.”<sup>53</sup> Plotting new concepts within the matrix of existing programs can provide insight on complementarity or disruption. Using the tool in this manner requires up-front development of financial projections and engagement with beneficiaries to assess potential impact. Investing the time to do so may lead to better strategic decisions and improved long-term sustainability and impact.

## Section 2.3 Blue Ocean Strategy

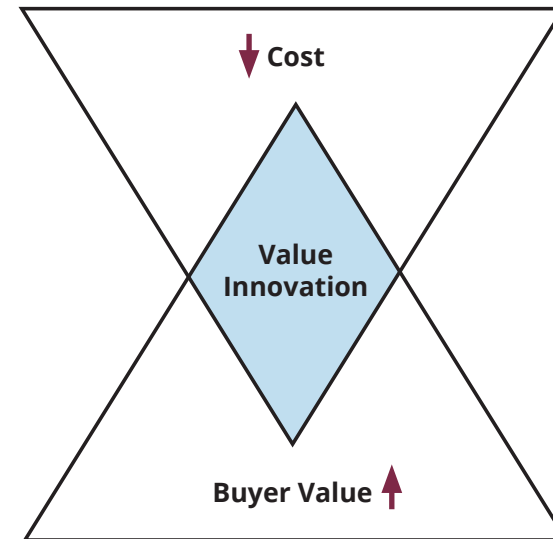
<https://www.blueoceanstrategy.com/>

W. Chan Kim and Renée Mauborgne provide a different strategic thinking process in their 2005 book *Blue Ocean Strategy*<sup>54</sup>. The heart of Blue Ocean Strategy for creating new markets is converting noncustomers into customers, reaching segments of the market that were previously untapped or out of reach. “Noncustomers, not customers, hold the greatest insight into the points of pain and intimidation that limit the boundary of an industry.”<sup>55</sup> Blue Ocean Strategy teaches companies to move beyond the current industry boundaries to open new customer segments. This is accomplished by pursuing a “both-and” approach, meaning a market-creating strategy

creates differentiation and lowers the cost of the product or service on offer.<sup>56</sup>

This requires rejecting the assumption that there is trade-off between value and cost and focusing efforts on value innovation.<sup>57</sup> The creators of Blue Ocean Strategy describe value innovation as a change in focus. “Instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space.”<sup>58</sup>

## Value Innovation: The Cornerstone of Blue Ocean Strategy



### The Simultaneous Pursuit of Differentiation and Low Cost

Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates.

Six principles are associated with blue ocean strategy. The first four relate to the formulation phase:

- Reconstruct market boundaries
- Focus on the big picture, not the numbers
- Reach beyond existing demand
- Get the strategic sequence right

The last two principles guide the execution phase:

- Overcome key organizations hurdles
- Build execution into strategy <sup>59</sup>

With these principles in mind, organizations can develop one of the core tools of Blue Ocean Strategy, the strategy canvas. Creating a Blue Ocean Strategy canvas requires detailed analysis of the current state of the market space in which an organization operates and developing a value curve representing the different offerings currently available by competitors. The factors affecting the market space are listed along the horizontal axis. The vertical axis shows the value offered to the buyer by each factor and where the company invests more as a result.<sup>60</sup>

A Blue Ocean Strategy looks at the canvas of the current market to see what segment is being underserved – prompting discovery of the noncustomers. To accomplish this, authors Kim and Mauborgne suggest the “Four Actions Framework,” which asks four key questions:

- Which of the factors that the industry takes for granted should be eliminated?
- Which factors should be reduced well below the industry’s standard?
- Which factors should be raised well above the industry’s standard?
- Which factors should be created that the industry has never offered? <sup>61</sup>

The first two questions indicate how to lower costs compared to competitors, while the last two questions focus thinking on how to create new value for customers. The framework forces a reconsideration of assumptions about the industry and customers. Only then can new market alternatives come to the fore.



This methodology is useful to social enterprises that need to reframe how they think about their mission and what they do. The value proposition remains the core focus when applying this methodology to the social enterprise world. Instead of looking at what services they provide, they need to think about the value they are providing to beneficiaries and how their needs are being met (or not met).<sup>62</sup> Regarding value creation, social enterprises should look at “eliminating compromises that the sector forces beneficiaries to make and by introducing new elements that entice non-beneficiaries to begin consuming an organization’s offerings.”<sup>63</sup> On the cost reduction side, social enterprises should look to eliminate “factors the sector takes for granted but that no longer have value, and by optimizing the offering to avoid over-serving beneficiaries for no gain.” <sup>64</sup>

## Section 2.4 Business Model Canvas Framework

The Social Enterprises of the Future working group decided to utilize the Business Model Canvas (BMC). The canvas is visual and engaging. It facilitated discussions during workgroup sessions as members worked through the ideation process to create new and compelling business models. As noted in the case study on Corina Peugh, using the canvas as a strategic planning tool facilitated a new way of thinking about the future. (See Case Study, Corina Peugh.) The concepts were easy to grasp, and as the workshop progressed all participants gained the confidence to voice their opinions.

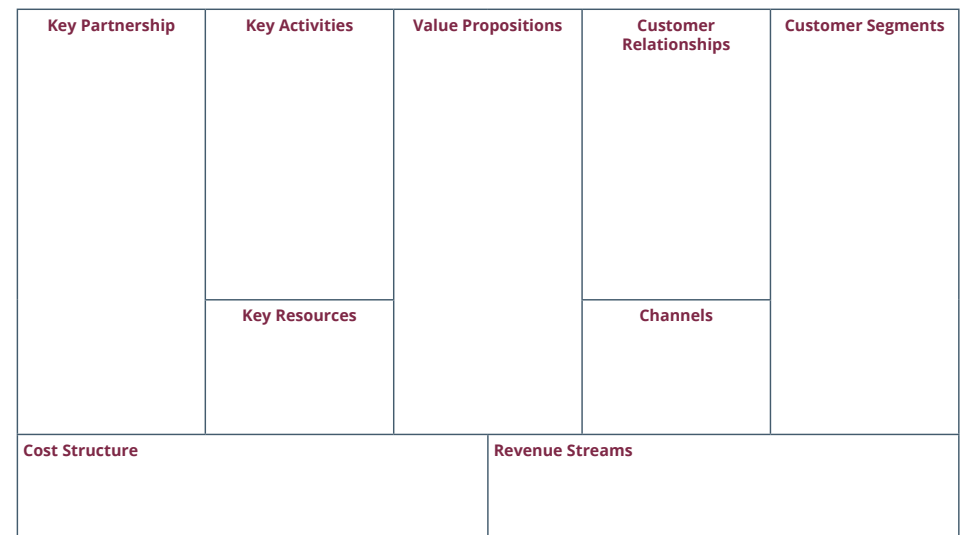
Alexander Osterwalder and Yves Pigneur pioneered the Business Model Canvas in their 2010 book *Business Model Generation: A Handbook for Visionaries, Game Changers and Challengers*. This tool was selected because the BMC has been used by Fortune 500, 100 and 50 companies. Using human-centered concepts, developing a compelling value proposition, and focusing on the needs of customer segments are key components of this tool. The framework also requires rigorous consideration of external factors affecting business models such as macroeconomic and technology trends.

Osterwalder and Pigneur define a business model as a description behind “the rationale of how an organization creates, delivers, and captures value.” To construct a business model canvas, nine building blocks are needed to capture how an organization creates value and generates revenue:

1. **Customer Segment** – The group of people being served through the business model.
2. **Value Proposition** – The products and services that create value for the Customer Segment.
3. **Channels** – How a company interacts with its Customer Segment to deliver their Value Proposition.
4. **Customer Relations** – The type of relationship the business wants to develop with different Customer Segments.
5. **Revenue Streams** – How money is generated by providing the Value Proposition to different Customer Segments.

6. **Key Resources** – Unique resources required for the success of the business model.
7. **Key Activities** – Unique activities performed by the company to make the business model work.
8. **Key Partnerships** – Unique network of suppliers and partners needed to make the business model work.
9. **Cost Structure** – Costs that are unique to operating the business model. <sup>65</sup>

### The Business Model Canvas<sup>66</sup>

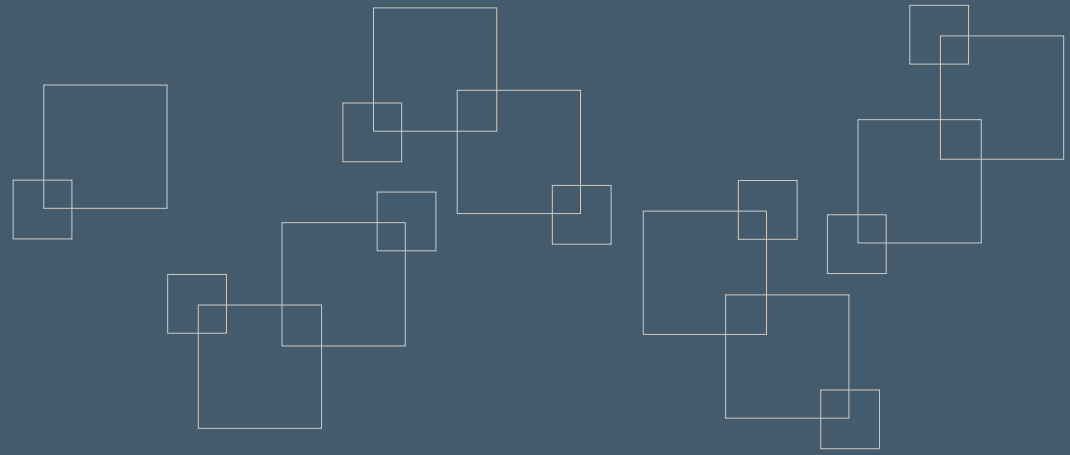


Based on the Business Model Canvas developed by Strategyzer Resources (<https://strategyzer.com/>)

The nine elements of the BMC are interrelated and invite creative approaches to designing new offerings or reimagining existing services and products. The left side of the canvas captures the feasibility of the concept, while the right reveals the desirability of the market offering. The combination of the cost structure and revenue streams segments relate to financial viability in executing the model.

## Case Study

### Corina Peugh



I have been working for the U.S. Forest Service for three years now. I got my job through the Pathways to Careers program. I was interviewed about my interests, hobbies and skills, and interned at the Forest Service before getting the job. I turn hard copy documents into PDFs and work on their Access database. I am currently being trained on their cloud system, learning how to post documents and how to determine which documents can be made publicly available and which can't. I am also part of the Green Team Committee, which works to make the office more environmentally friendly, and raises awareness about how easy it is to have an environmentally friendly office.

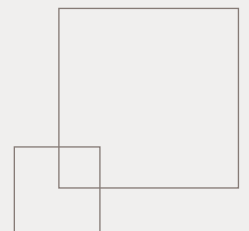
Before working for the U.S. Forest Service, I was in the STEPS Program, which teaches skills to be successful in your career; things like social skills, working with coworkers and learning how to access public transportation. I have also worked at Target helping to bag and stock products and a gas station doing similar work. My job at the U.S. Forest Service is different. I feel like I am getting the opportunity to really help my coworkers perform their job better, taking some of the burden off them.

When I was first asked about participating in Social Enterprises of the Future I was surprised and shocked to be involved in such a project. But it was interesting getting to know more about SourceAmerica and how they help other people with disabilities like me. Getting to learn about the Business Model Canvas and strategic thinking was a memorable experience because growing up I never got to learn about this kind of stuff. I was a bit nervous at first, but I was treated as an equal. My grandmother and I both agree that this experience had a good impact on both of us. And

I want other people with disabilities to have these kinds of experiences as well. It changed me, getting to know the stories of other people with disabilities in the working group. It was great to know that I am not alone and we all have similar struggles.

This process has changed my perspective on the future, that I should keep reaching for my goals. After graduating from STEPS, I dreamed of owning my own house, traveling and supporting my family the way they have supported me. But for a while I didn't think that would ever be possible. Now I have progressed and changed and gotten confidence in myself and in my current job. I know that my coworkers have confidence and trust in me, which only helps to build my confidence.

One of my hobbies is art. I dry brush onto ceramics and the art represents how I build my confidence. The colors blend together and you never get the same color at the beginning as at the end and that is how these experiences have shaped me. I now know that I can achieve my goals, even if it takes a little longer.

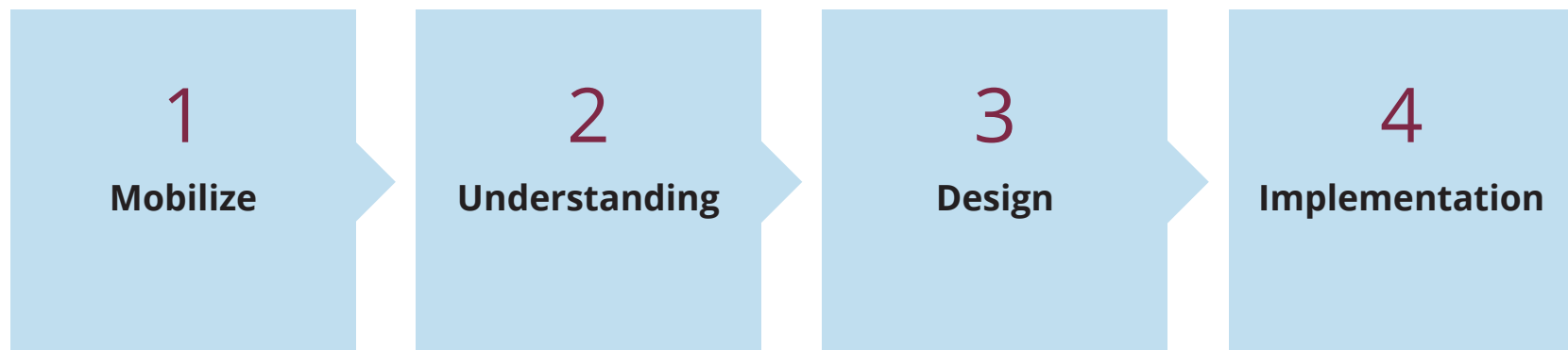


Osterwalder and Pigneur provide a step-by-step process for generating new ideas using the BMC. First, the group needs to properly “mobilize”: prepare objectives, create a plan for achieving those objectives; and make sure the right people are involved, creating a diverse, cross-functional team. “Understanding” is the next step, which involves scanning the current environment (seeing what other businesses have done and where they succeeded or failed), researching current and potential customer segments, and developing a proper understanding of the company’s current perspective and business models. The “design” phase of the process is where the group generates prototypes and tests new ideas. The design phase is the heart of the Business Model Canvas process. The authors recommend that people let go of the status quo and embrace expansive thinking. They describe this phase as requiring an “inquiry-focused design attitude” where “teams must take the time to explore multiple ideas, because the process of exploring different paths is most likely to yield the best alternative.” Effective models are ones that generate a “golden triangle,” showing a direct correlation between the value proposition, customer segment and revenue stream.<sup>67</sup>

Business models do not exist in a vacuum. There are external environmental factors that affect business models and need to be taken into consideration. According to Osterwalder and Pigneur, the external environmental factors that can affect a business model fall into four categories:

1. Key trends
2. Market forces
3. Macro-economic forces
4. Industry forces<sup>68</sup>

Detailed questions designed to tease out challenges under each factor are outlined in *Business Model Generation*. The questions are designed to focus business model developers on how different segments of the canvas can be impacted by the external environment. For example, key trends include questions about the role of technology in disrupting the market and impacting the business model design.<sup>69</sup> Technology was a significant factor considered by the inclusive working group convened by SourceAmerica for the Social Enterprises of the Future initiative.



This stimulated discussion on how social enterprises facilitating the employment of people with disabilities can adopt emerging technologies and stay ahead of trends in automation. Initial concepts designed by the working group include the accessibility consulting, connecting abilities, and gig economy models described in *Social Enterprise of the Future: A Collective Response*.

The design process is followed by a period of implementation that may focus on a single model or multiple approaches. By leveraging small, cost-effective prototypes to inform strategic decisions, a social enterprise could experiment with multiple ideas in parallel to gauge their desirability, feasibility and viability. The implementation phase “includes defining all related projects, specifying milestones, organizing any legal structures, preparing a detailed budget and project roadmap, and so forth.”<sup>70</sup> This phase also requires continual management and adaptation of the business model in response to market conditions.

Writing for Forbes, Ted Greenwald described the BMC as one of the most complete and workable business model generation strategies, bringing “clarity and simplicity to a traditionally fuzzy topic.” The same article asserts that, “the individual elements prompt consideration of a business’s full scope, while the layout encourages thought about how the pieces fit together.”<sup>71</sup> Osterwalder and Pigneur also advocate for blending strategic frameworks to generate innovative and highly desirable offerings. They suggest that the BMC and Blue Ocean Strategy are complementary frameworks with a common focus on innovation and value creation. The four action framework of Blue Ocean Strategy can apply to each building block within the canvas model to offer insight on what should be eliminated, created, reduced, or increased.<sup>72</sup> Linking the frameworks provide a holistic approach to business model design, leading to value creation focused on customer segments. This has direct applicability to social enterprises where the customer segment or another key building block is represented by beneficiary groups such as people with disabilities.



**SECTION 3**  
Funding  
Models and  
Strategies





## Section 3.1 To Diversify or Not to Diversify?

### Section 3.1.1 What Does Diversification Mean?

The financial crisis in 2008 brought to the forefront a longstanding concern within the nonprofit and social enterprise sectors about how to achieve financial sustainability, especially when there is less funding and more demands for social programs. The financial crisis saw a decrease in funding available while at the same time nonprofits saw an increase in need for their services.<sup>73</sup> This trend continues today. Results from the 2018 State of the Nonprofit Sector survey released by the Nonprofit Finance Fund show that in 2017, 79 percent of nonprofits saw a rise in demand for services and only 45 percent indicated they had the resources to meet demand. Funding and financial sustainability continues to be one of the key restrictions and chronic challenges to meeting beneficiary needs, as identified by 62 percent of nonprofits in the survey.<sup>74</sup>

Within the discussion over how to ensure financial stability and sustainability there have been debates about the benefits and challenges of funding diversification. One of the biggest challenges with the issue is that diversification means different things to different people. There are several schools of thought around funding diversification. For one, it means adding new fundraising streams. For another, it means expanding a current fundraising stream such as setting a goal for a large donor program to recruit two or three new large donors.

Determining what funding diversification means to your organization is critical. Before pursuing a new funding strategy, everyone on the team needs to know what the organization's objectives are and what resources will be needed. In "The Right Mix," Paul LaGasse breaks down funding diversity into three interrelated categories:

- "Diversity of sources" – diversity in the funding streams pursued by an organization
- "Diversity of methods for securing sources" – how an organization raises funds (social media, direct mail campaigns, fundraising events, etc.)
- "Diversity of purpose" – pursuing funds that can be used in different ways, program specific funds versus unrestricted funds.<sup>75</sup>

Pursuing diversification has the potential to bring sustainability to an organization's funding streams and reduce reliance on a few committed donors or foundations. Especially for small organizations, dependency on a primary funder can make the organization feel obligated to adjust their mission to align with the priorities of a funder. Bringing together multiple funders with a common vision and expressed dedication to the mission can ensure the organization's mission always take priority. It can also help expand an organization's network through a wider array of stakeholders that might not have been previously considered as partners.<sup>76</sup>

As organizations look at diversifying fundraising efforts they should keep in mind that fundraising should not be pursued in a vacuum. It should be strategically linked to the mission and vision. Organizations are well-served to identify natural funding fits that offer opportunities for expansion. Karen Eber Davis (Karen Eber Davis Consulting, [www.kedconsult.com](http://www.kedconsult.com)) recommends knowing the purpose of your funding diversification. Davis recommends considering four principles when organizations embark on designing a diversification strategy to find their funding fit:

1. Know what your organization is experienced at doing and what your strongest assets are.
2. Know what skills your leaders have and what type of fundraising activities best fit those talents.
3. Explore the potential income that can be brought in through a particular strategy. Most income is derived from earned revenue, individual donors, and government money, so you need to know where your activities fit within these three streams.
4. Research the funding models of other organizations, similar to your own.<sup>77</sup>

Finally, research shows that organizations positioned for growth may need to experiment with different funding sources to discover which will propel their growth.<sup>78</sup> Social enterprises should assess their future plans before considering funding diversification as they pursue long-term sustainability and impact.

### Section 3.1.2 Issues With Diversification

When weighing diversification options, organizations must keep in mind that new funding streams take time to mature. Whether an organization is starting an online funding operation or developing a major gifts program, one of the most important factors for success is the time invested in developing relationships with donors. This is why some of the literature urges caution on strategies that do not focus on one or two funding streams because “diversification is subject to the law of diminishing returns.”<sup>79</sup>

For organizations that are highly leveraged in terms of people and resources, diversifying fundraising efforts may be impractical. According to a more critical analysis by Clara Miller in “Shattering the Myth About Diversified Revenue,” when not pursued properly, diversification does not provide sustainable financials but instead is a strain on already stretched resources. She writes that, “Maintaining multiple, highly diverse revenue streams can be problematic when each requires, in essence, a separate business line. Each calls for specific skills, market connections, capital investment and management capacity.”<sup>80</sup> To properly manage funding diversification, organizations need to take a strategic approach and focus on areas where they have an advantage and are more likely to succeed.

In “How Nonprofits Get Really Big,” Foster and Fine note that: “Diversification may seem like a good idea, but in practice most of the

organizations that have gotten really big over the past three decades did so by concentrating on one type of funding source, not by diversifying across several sources of funding.”<sup>81</sup> The article goes on to state that even though these large, successful nonprofits may not have the diversity in funding streams one would assume necessary for financial stability, that does not mean they don’t diversify within an already established funding stream. The case study provided by Karen Wegmann from Fedcap describes how the nonprofit agency’s most recent strategic plan attempted to do just this, diversify within existing funding streams. For Fedcap that meant expanding the pool of government contracts that it competed for; Fedcap competed for work in multiple states around its headquarters in New York as well as contracts at different levels of government, federal, state and municipal. Because its diversification is all within the government contact funding stream, Fedcap is utilizing the relationships, skills and knowledge already acquired through years of working on government contracts.

This is borne out by research into funding sources. According to Bridgespan, the largest nonprofit organizations trend toward a single donor who accounts for 78 percent of revenue. Among the 30 large nonprofits they surveyed, 27 relied on one type of funding.<sup>82</sup> This suggests that financial stability is not achieved through a diverse fundraising portfolio but instead by focusing on a limited number of funding streams and diversifying within those streams.

*Results from the 2018 State of the Nonprofit Sector survey released by the Nonprofit Finance Fund show that in 2017, 79 percent of nonprofits saw a rise in demand for services and only 45 percent indicated they had the resources to meet demand.*

## Section 3.2 Funding Models

A 2009 report from Bridgespan identified 10 distinct funding models used by nonprofits. Social enterprises can take many forms and they may have a variety of funding mixes, just like nonprofits. While social enterprises and nonprofits have different business structures we can draw from the nonprofit examples identified by Bridgespan to provide a broad overview of groups of funding models.

1. **Heartfelt connector:** Organizations using this model create an emotional connection between donors and funders and the organization. The model is dependent on a large number of small dollar donors and is commonly found among groups that focus on environmental, international and medical research issues.
2. **Beneficiary builder:** This model has a mix of fee for service funding and charitable donations. The majority of funding comes from fees for services. Some of the charitable donations come from past recipients of services, but the bulk come in the form of major gifts from individuals.
3. **Member motivator:** Individual members of a nonprofit donate because the issues being addressed by the nonprofit are integral to their daily lives, and they see a collective benefit to becoming a member of the organization. The nonprofit doesn't create value/rationale for group activity, but instead connects members/donors by offering and supporting activities they already seek.
4. **Big bettor:** Large gifts from individuals or grants from foundations form the basis of this funding model. Organizations using this model are perceived as working on issues where a huge influx of money can solve the problem. Medical research institutes commonly use this model.
5. **Public provider:** Nonprofits following this model are either directly contracted by the government to provide a service or tap into government grants and funding to provide a public service. Organizations that provide housing, education and other human services may follow this model. While this funding may serve as the primary funding source at the start of an organization, many will branch out to other funding sources to reduce their single source dependency.
6. **Policy innovator:** Nonprofits that fall under this model may rely on government money, but they are not implementing a typical government program. They provide innovative solutions to social issues and secure government funding by positioning their solutions as having a greater impact and being more cost effective than current government intervention.
7. **Beneficiary broker:** These organizations offer their services to beneficiaries as a middleman between the beneficiary and the government service. Organizations charge a small administrative fee for services they provide, and beneficiaries choose the organization they want to work with.
8. **Resource recycler:** In-kind donations make up a majority of the organization's revenue, and the organization redistributes the donated goods among beneficiaries at a below market rate. About one-quarter of the organization's funding comes from large and small cash donations that pay for administrative and overhead costs.
9. **Market maker:** These organization offer services that are not provided through market forces because even though there is money available to pay for the service, it would be unseemly/unlawful for a for-profit organization to do so (e.g. organ donation). Funding primarily comes from fees and/or donations.
10. **Local nationalizer:** Organizations using this model typically focus on social issues that have a broad appeal across communities – poor schools, child mentoring, environmentalism – but whose interventions are locality specific. In this model a national organization uses affiliates to give broad social issues a local focus. Funds are raised locally, either through individual or corporate donations. Little money comes from government contracts or grants.<sup>83</sup>

There are many factors that determine the funding model and strategy an organization pursues. For example, smaller nonprofits may be able to operate based on generous individual or foundation donations, but as an organization grows they may need to rethink their funding model and strategy.<sup>84</sup> Foster, Dixon and Hochstetler note that when organizations reach a certain size they hit a wall. Their research identified two walls,

typically occurring around \$1 million and \$10 million in revenue, where the funding model organizations had been operating under can no longer sustain the growth of the organization. At that point, leaders at the nonprofit need to “either recognize the need for change and adapt, or to understand that beyond certain points growth is unlikely.”<sup>85</sup>

Finding the right funding model is a process. In their paper, “Finding Your Funding Model,” Peter Kim, Gail Perreault and William Foster describe four steps organizations should follow to find the right funding model:

1. **Assess current funding practices within the organization.** Identify current and past funding strategies that were both successful and unsuccessful. Research historical data on fundraising trends and determine what motivates current donors and a realistic pool of potential donors.
2. **Examine what others are doing.** A peer organization could be one that works on similar issues or is comparable in size. When examining peers, it is important to understand their funding model and mix, as well as how they use their funds. It is also important to note differences between business models and how such differences impact funding approaches.
3. **Conduct a cost/benefit analysis.** When weighing a decision to change funding models, it is important to keep in mind the potential impact on the distribution of current resources and the subsequent need for new resources.
4. **Move forward with a new funding plan.** Develop a well thought out plan for pursuing new funding sources. Pilot the new sources and realize that it can take two to three years for a new funding model to take hold.<sup>86</sup>

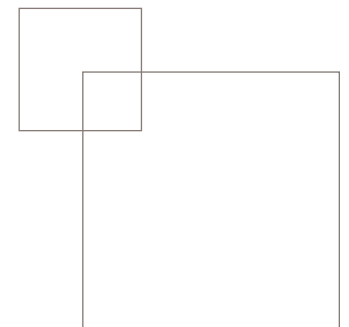
### Section 3.3 Key Characteristics of Funding Practices of High-Impact Social Enterprises

While it is possible to group funding models and sources into similar categories, funding plans are as varied as the social enterprises that develop them. However, there are best practices that are common among high-impact social enterprises. Research indicates that high-

impact social enterprises invest heavily in developing a limited number of primary funding streams. There is no magic number of funding streams that determine success. Social enterprises need to evaluate their efforts, along with what peer organizations are doing, to determine their ideal number.

Funding efforts should be strategically tied to the social enterprise’s mission, allowing for targeted efforts towards identifying funders who fit with the mission.<sup>87</sup> According to Peter Kim, Gail Perreault and William Foster in their paper “Finding Your Funding Model,” making sure that funder motivations match the social enterprise’s mission and vision is an important step in identifying a suitable funding model.<sup>88</sup>

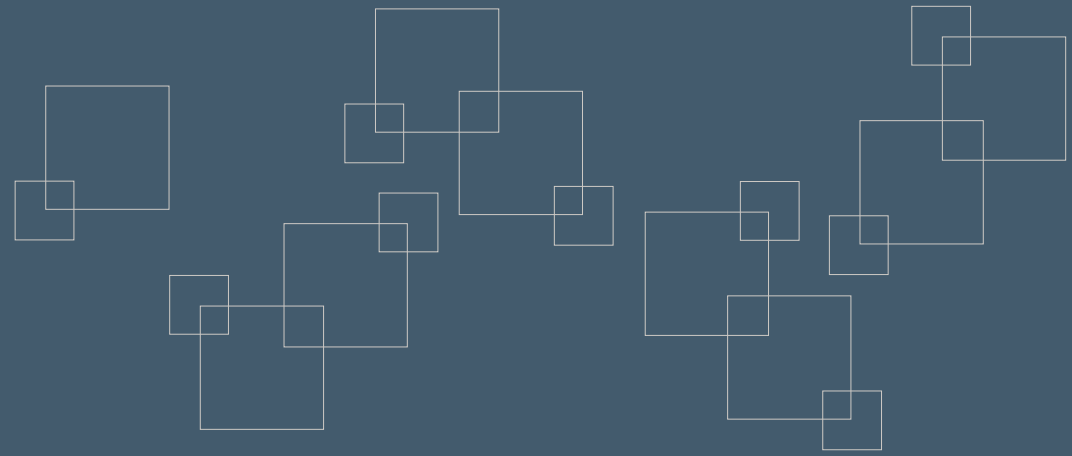
A strategic plan for generating operating funds should not just focus on day-to-day programmatic operations but should also consider future and reserve planning. Reserve funds can help provide more financial stability to organizations by mitigating funding short falls and reducing risk exposure.<sup>89</sup> Finally, a social enterprise’s leadership team (including the board) must be willing to invest staff time and other resources in funding activities. It is just as important to spend time raising funds as it is to develop and implement programs and services.



## Case Study

### *Fedcap*

### *An Interview with Karen Wegmann*



Fedcap has a business structure that strives for relevant, sustainable impact. We recognize that our services must change to remain relevant over time. We also recognize the importance of investing in our infrastructure components of talent, technology and finance to remain sustainable and continue to impact the lives of individuals through increased economic well-being. Our focus is on long-term sustainable growth, measuring our quality through “metrics that matter.” Thus, we established key metrics that everyone in our organization can focus on within a programmatic structure of education, health, workforce development and economic development. Key metrics are both programmatic and financial. Financial metrics include working capital, debt service coverage ratio, investment ratio and accounts receivable turnover. We also look at trends for days of cash on hand and accounts receivable over 120 days.

In 2010, our current strategic plan was developed to provide a roadmap to diversify and grow. These two components ensure our sustainability, because as a nonprofit, if you are not growing, you are shrinking. With size comes the need for diversification of programs and populations and thereby increased income. We incrementally update the strategic plan annually and fully update it every two years. The plan is shared throughout the organization so staff at all levels know what it includes.

We pursued funding diversification by expanding a funding stream we have been cultivating for years – government contract work. In addition to developing new funding streams and pursuing combinations of funding streams, we diversified by funder, geography and population. We not only support Federal Government contracts, but we have also developed relationships and contracts at the city and state level, as well as within the

commercial sector. At the same time, we are not dependent on funding from a single state. Our headquarters are in New York, but through our growth strategy, we now operate in Massachusetts, Maine, New Hampshire and Delaware.

Our strategic plan and business model have fueled significant growth across our four practice areas. Through our programs, we are able to reach diverse populations, including people on the autism spectrum, veterans, those in foster care, previously incarcerated persons, and those who receive support through welfare programs and Temporary Assistance for Needy Families (TANF). We develop programs and services to support, train and educate individuals so they may achieve economic well-being through independence. Annually, our growth has consistently been a mix of 55 percent through organic expansion and 45 percent through mergers and acquisitions. Both are supported by state of the art technology, using a pipeline software and performance benchmarking.

The approach we took was one of looking forward to the future and understanding how we can make the most impact. We diversify strategically, expanding to meet the needs of new populations, and evolving our approach to serve those we have traditionally supported. In looking at these new areas, we identify best practices to offer services that will create the most impact on individuals with barriers to employment and economic security.

**SECTION 4**  
Succession  
Planning



An important responsibility of the CEO and board of directors is to create a succession plan to ensure stability of the social enterprise. There is a tremendous amount of uncertainty around leadership transitions; and the success of a transition to new leadership will impact the social enterprise for years, for better or worse. It is a task that many try to avoid because social enterprises are often led by a founder who has devoted their life to the creation of the organization. And it can be difficult to envision the organization without that leader at the helm.<sup>90</sup> In addition, leadership transitions frequently occur at difficult times for social enterprises or can create a sense of vulnerability and uncertainty within the organization. This is why it is critical to be prepared for leadership transitions.<sup>91</sup>

However, research shows that many organizations and their boards are unprepared. According to a 2015 report by BoardSource, “only 34 percent of boards have a written succession plan...yet, 50 percent of boards will be confronted with replacing a CEO within the next 5 years.”<sup>92</sup> Failure to anticipate and plan for leadership changes can compromise the ability of social enterprises to continue to fulfill their mission, cause them to miss out on strategic opportunities to grow, and in the most severe cases lead to organizational failure.

## **Section 4.1 Role of the Board of Directors**

Succession planning is one of the primary responsibilities of any social enterprise board of directors. The board should always take a long-term view of the sustainability of the social enterprise, and this includes succession planning and executive transition. Because of this, the board has an important role to play in ensuring leadership transitions are successful.

One explanation for why social enterprises fail to articulate a succession plan is fear of offending the current executive.<sup>93</sup> To that end, boards should not approach succession planning as simply a process to replace a CEO. They should take the opportunity to examine the strategic vision of the organization to determine what skills will be needed to lead in the future at all levels.<sup>94</sup> Succession planning and leadership transition periods can offer organizations an opportunity to assess their impact and where they want to go in the future. The case study interview with Tom Ahmann

*The board should always take a long-term view of the sustainability of the social enterprise, and this includes succession planning and executive transition.*

identifies the importance of an engaged board in the succession planning process along with many of the other issues covered later in this section.

Boards must consider some key questions when developing succession plans for current leadership transitions and preparing for future transitions:

- How are the key roles and power defined among organizational leaders? Is this approach working now? Will it continue to work well over the next five years?
- What, if any, changes might we consider in the relationship between the board and executive? This includes how we make important organizational decisions, and how we nurture and develop future leaders who understand both our roots and our future.
- What about our organization is working especially well? In what areas do we have goals we believe will increase our impact, and how do we prioritize our focus on these goals?
- When we experience executive or other key leader transitions, how do we take this opportunity to advance leader development?<sup>95</sup>

Additionally, succession planning should not be completed by the board in a vacuum. It should involve the current executive as well as staff at various levels. The board should have open discussions with the executive director. Topics the board should engage the executive director in include: a realistic timeline for succession; the executive director’s future role with the organization (if any); and the skills a new leader needs to move the organization forward. One recommended step is for the board to form a leadership transition committee focused on developing a succession plan for the CEO as well as any leadership position within the organization.<sup>96</sup>

## Section 4.2 Build a Leadership Pipeline

Succession planning should not be solely focused on the executive director or CEO of a social enterprise. Leadership is important at all levels of an organization and successful succession plans acknowledge that the process is first and foremost about ensuring leadership continuity.<sup>97</sup> According to research from BridgeSpan Group “only 30 percent of C-suite roles in the nonprofit sector were filled by internal promotion in the past two years – about half the rate of for-profits.”<sup>98</sup> The same study also found that among for-profit companies it took twice as long for externally hired executives to become productive, compared to executives that were hired from within, “and that as many as 40 percent of externally hired executives fail within the first 18 months.”<sup>99</sup> If their research on the success of externally hired executives also holds for the nonprofit sector then the low rate of internal promotions to the C-suite level is concerning.

This is not to imply that organizations should only look internally to fill leadership positions. There is no single approach that will work best for every organization. There are many variables to consider, not the least of which is whether to promote from within or prioritize external candidates. In contrast to the data from the Bridgespan Group, the Harvard Business Review found that “industries facing the most disruption have brought in higher-than-average numbers of outsiders recently.”<sup>100</sup> If an organization is going through a transition, outside leadership may bring a fresh perspective and a willingness to break with traditional operating procedures. Time will determine their success rate relative to situations where internal candidates ascended to leadership positions.

*Leadership is important at all levels of an organization and successful succession plans acknowledge that the process is first and foremost about ensuring leadership continuity.*

Regardless of the final decision on whether to promote internally or look outside for executive positions, failure to develop internal leadership can have lasting programmatic effects. The literature indicates that “an organization that fails to develop its people will find it more difficult to effectively achieve its goals.”<sup>101</sup> Nonprofit board and executive leaders would be wise to look at for-profits as a model. “Corporate CEOs dedicate 30 to 50 percent of their time and focus on cultivating talent within their organization.”<sup>102</sup> Given that many social enterprise executives barely have enough time to fulfill their current obligations, dedicating a considerable amount of time to leadership development may be difficult. However, to ensure the long-term relevance of an organization, succession planning must be afforded a high priority.

## Section 4.3 Executive On-Boarding

The process of replacing a chief executive does not end once the new executive director or CEO has been hired. Equally as important as finding the right person is giving them the tools to succeed through a proper on-boarding process, which can last up to a year.<sup>103</sup> However, according to a survey from the BridgeSpan Group, 46 percent of CEOs reported receiving little or no help from the board when they first started. The survey results portrayed “nonprofit boards as frequently disengaged or ill-equipped to effectively support their new leaders.”<sup>104</sup>

However, it doesn't have to be that way. The boards of social enterprises can take steps to help manage a successful transition, including:

- Facilitating contact between out-going and in-coming executives. And establishing guidelines for the future role (if any) of the out-going executive with the organization.
- Thinking strategically about the mission and goals so priorities and milestones can be set for the new executive.
- Developing a collaborative relationship between the executive and the board, including setting up guidance for how and how often the new executive should interact with and report to the board.
- Ensuring that a new executive has the time to learn about the organization, its strengths, weaknesses, challenges and opportunities to grow.<sup>105</sup>

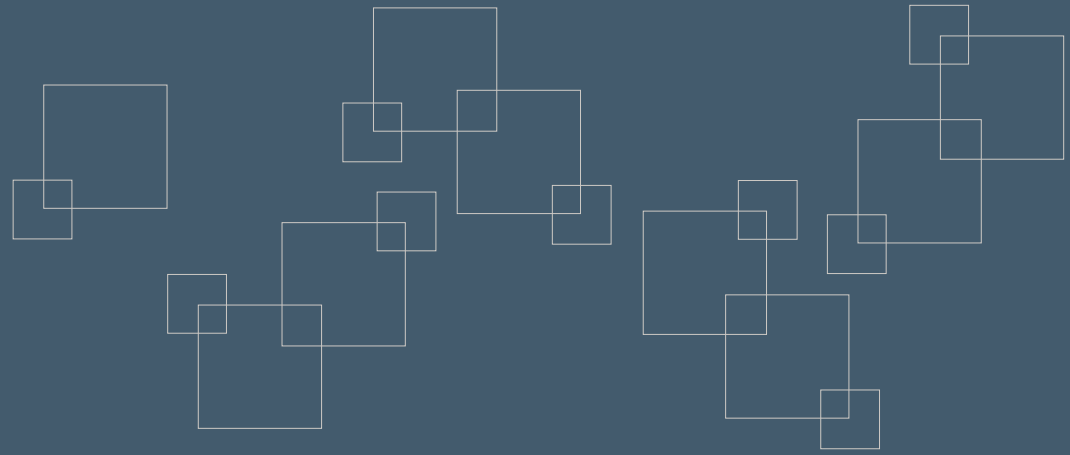
(See Case Study, ReadyOne Industries.)



## Case Study

### *ReadyOne Industries*

#### *Interview with Tom Ahmann*



I have acted as an interim CEO several times for ReadyOne and the discussion below on leadership succession is based on my observations over the years.

There is no right or wrong answer to succession planning. It is a process that many organizations and their boards struggle to successfully complete.

While nonprofits within an industry share a similar mission, they are all different and the process of hiring a new CEO is going to be different for each. Many CEOs of nonprofits are getting to an age where they will be retiring soon. Unfortunately, organizations and their boards are probably not as prepared as they should be to undergo the CEO hiring and transition process.

Many decisions need to occur during the process of hiring a new CEO, but each decision should be governed by what is going on within the nonprofit at the time of the leadership transition. Is the nonprofit stable and secure in its mission? Is it looking to grow and expand? Is it struggling and unsure of its future? Knowing the current state of the organization is key since it will influence one of the first decisions that needs to be made. Should you search internally or externally for a new CEO?

Choosing to promote from within may be a good path for organizations that are stable and prioritize continuity with their current direction. They are not looking to shake things up with a new CEO but are simply replacing a retiring leader. Smaller agencies are unlikely to have a successor to their current CEO waiting in the wings, while some of the larger agencies may have been grooming an internal replacement (or multiple replacement options) for years.

The benefit of promoting from within is that the new CEO will already know the organization's culture, have a full understanding of the mission and will

likely have been heavily involved in developing the strategy for fulfilling that mission. They will know the staff, the organization's constituents and other stakeholders so the on-boarding process will be quicker.

One concern when hiring from within is that elevating one staff member, who used to be on the same level as others, can lead to alienation of those passed over for the CEO position. This can result in resignations of some senior staff.

For those who do not have an internal candidate prepared to take over and are looking outside the organization, there are several things to consider before hiring an external candidate. First, this may be a good option for organizations that are struggling or are looking to change direction and need a different perspective. Second, hiring a consultant to assist in the leadership search can be expensive, and there is no guarantee they will be able to find a match. A frequent challenge we face in the nonprofit sector is competing on the basis of salary and benefits with the for-profit world. Third, bringing in a CEO unaccustomed to the nonprofit culture (particularly the culture of serving people with disabilities) can be challenging. Nonprofits continually face a balancing act between their mission and the bottom line. Many CEOs from the for-profit world have difficulty with this balance.

My final observation is that while leadership successions are difficult processes, it is a crucial job of a nonprofit's board. While boards are not responsible for day-to-day operations, they need to know enough to make good long-term decisions. And good decisions about a new leader is crucial because leadership transitions are difficult times for organizations.

**SECTION 5**  
Social Impact  
Measurement



## Section 5.1 What is Social Impact and Why Measure It?

There is an increased importance being placed on measuring impact to establish relevance, gain partners and receive funding. As a result, social enterprises often collect metrics to satisfy funders. Grants received from foundations or the government often require social enterprises to measure their performance to justify how the funds are being used to achieve outcomes. According to the 2017 “Nonprofit Standards, A Benchmarking Survey,” 55 percent of organizations reported “that some portion of their funders have required more information than was previously required, meaning organizations may be facing additional administrative burdens.”<sup>106</sup>

When viewed as a requirement to access funding, social impact measurement can appear burdensome, taking vital staff time away from the core mission. Additionally, data collected to comply with donor requests is unlikely to provide actionable information and more likely to result in data collection and reporting being relegated to a compliance activity. Data requested by funders mostly focuses on inputs and outputs, the number of clients served, hours spent training, hours spent in employment and total wages paid. It is used to track where their money is going. For social enterprises, this data serves as an end, complying with funder requests, instead of as a means to provide insight into effectiveness and impact of their programs.<sup>107</sup>

But this is not social impact measurement. Social impact measurement takes data collection to a different level. It looks at outcomes, data collected from customers or clients that measures the positive and negative effects of the products or services being offered. This requires collecting data on how customers are being served, including what they find value in, what they want and need out of programs, and what their expectations are for the services being provided. And it is comparative, impact measurement is about comparing the outcomes of a social enterprises activities to the previous status quo.

Under the broader topic of program assessment, measuring social impact is an essential activity used to demonstrate the fidelity and relevance of a social enterprise’s performance. The quantitative and qualitative dimensions of data are a powerful tool for demonstrating the importance of the organization to a variety of stakeholder groups. Social impact measurement can also be used by organizations internally to inform and guide the strategic planning process.

Social value created through impact is an intangible asset and can mean different things to different stakeholders. Before undertaking any social impact evaluation, the organization should consider the purpose of collecting the metrics. Determining the purpose and end use of the information is the first step toward designing an approach to capture and analyze the data. It will ensure that the organization is using the correct metrics, puts those metrics into context, viewing them through the appropriate context allows organizations to set expectations around what the metrics will say about the organization’s impact.

## Section 5.2 Implementing Social Impact Measurement

Social enterprises continue to identify data collection and reporting as a major challenge. Research from the BDO Institute for Nonprofit Excellence’s 2017 nonprofit benchmarking survey indicates some of the main constraints around collecting data to measure social impact include lack of a consistent framework for measuring and recording impact (42 percent), shortage of human resources to collect data (38 percent), and financial constraints to collecting data on impact (30 percent). Only 11 percent of social enterprises reported that they experienced no challenges.<sup>108</sup>

It is important for leadership within a social enterprise to be clear about what they are trying to measure and what they want to get out of any social impact measurement. This is important regardless of whether the impact measurement is conducted in-house or through a third party. Organizations must have a strategy for data collection as well as the capacity to collect, evaluate and use data. Since measuring for social

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impact goes beyond collecting data on outputs, it requires a different data collection mindset for an organization. Data collection efforts need to align with an organization's strategic plan and the vision of where the organization is going so the most relevant indicators are used.<sup>109</sup>

But aligning data collection efforts with the most relevant indicators is still not enough. Successful organizations do not treat data collection as a standalone activity, separate from their program activities. Data collection is most effective when viewed as an integral part of any program. Data should be continuously collected and fed back into program operations, creating a "virtuous cycle of feedback that repeatedly inspires staff to reflect on what is working and what can be done differently to get better results."<sup>110</sup>

Organizations need to build a "data culture" where staff continuously seek out new ways to use metrics to improve the programs and services

they offer. The collection of data should not be viewed as a standalone task. It should be integrated into the operation of programs and services, assisting social enterprises in decision making as they adapt to a continually changing world.<sup>111</sup>

There are a few pitfalls to keep in mind when conducting a social impact evaluation that can skew results. For instance, one challenge social enterprises face is safeguarding against over-attributing change to the activities of a single organization. Social enterprises operate in complex environments where a number of actors are tackling the same social issues and a variety of factors can impact outcomes. Therefore, measuring the impact of a single actor can be difficult.<sup>112</sup>

In their white paper, "Measuring Social Value: A Social Metrics Primer," Babita Bhatt and Tessa Hebb provide an introduction to social impact measurement and identify four factors that can skew the results of a social impact evaluation:

1. **Deadweight:** Refers to accounting for what would have happened regardless of the activities of the organization.
2. **Attribution:** Realizing that the activities of other organizations may also have positively (or negatively) impacted results and accounting for those activities.
3. **Displacement:** Refers to considering the potential negative impacts of the organization on others who did not benefit from a program or activity.
4. **Drop-off:** Takes into consideration the long-term sustainability of a program and whether there is a diminishing return on benefits over the long run or the program is able to be maintained at a consistently high level.<sup>113</sup>

## Section 5.3 Frameworks for Measuring Social Impact

This section reviews different frameworks for measuring social impact. It provides a brief description of the frameworks along with benefits and limitations. It does not provide a prescriptive methodology for conducting social impact measurement.

### Section 5.3.1 Impact Reporting and Investment Standards (IRIS)

IRIS is a metrics-based system for measuring social impact. The catalog of IRIS metrics was launched by the Global Impact Investing Network (GIIN) in 2009 and continues to be managed and updated by GIIN.<sup>114</sup> The IRIS library offers over 400 standardized metrics for organizations to use covering social, environmental, and financial issues. IRIS metrics are focused on determining the effectiveness of impact investments in companies and other organizations. While not designed specifically for social enterprises to measure their social impact, some of the metrics can be used for this purpose. For example, IRIS metrics measure client stratified product impact, product quality and performance, job placement rates, individual training rates and supplier information.

IRIS does not rate or evaluate the performance of users of the standards, though it does allow individual organizations to benchmark their own performance against peers through other frameworks. IRIS is considered one of the most comprehensive sets of metrics available for assessing impact investment. If an organization is targeting impact investors (or funders), IRIS is a useful tool to track and report progress since it allows for comparison between organizations.<sup>115</sup> Like other metric-based assessment tools and frameworks, IRIS is not perfect, but it offers an important reference point for social enterprises to evaluate the impact of their investment in programs and services.

### Section 5.3.2 Social Return on Investment (SROI) Ratio

Unlike IRIS, SROI is a principles-based method for measuring social impact that places greater importance on stakeholder views than outputs. The concept of return on investment (ROI) or profitability ratio



is familiar to those within the business community. ROI is a useful tool to determine the impact or profitability of an investment by simply dividing the benefit of an investment by the total cost. In the business world, this is a simple calculation. But in the world of social enterprises, measuring the social aspect of a return on investment is not just about determining the profitability of a program or service. Use of this method requires organizations to properly identify the scope of what is being measured and consider the correlation and causation. This requires an objective analysis of outcomes that are unrelated to the organization's programs or interventions.

#### Sample formula:

$$\text{SROI} = \text{Present Value of Impacts} / \text{Value of Inputs}$$

When measuring SROI, the first step is to identify the scope of the evaluation. Is the whole organization being evaluated or just a specific program or service? What outcomes are being evaluated? Who are the relevant stakeholders? Having a focused scope of analysis ensures SROI

will be a more impactful measurement. The next step is to identify the indicators that will be used to measure activities and inputs and assign a value to each activity/input. The value that is assigned should reflect the positive and negative impacts each activity and input has on the organization's beneficiaries; and the influence each activity and input has on achieving the final outcome. Finally, a monetary value must be assigned to the impacts to calculate their value in relation to the value of the inputs.<sup>116</sup>

SROI's major drawback is that it is considered highly subjective since it places value on the views and opinions of stakeholders. Yet if developed thoughtfully and conducted in a rigorous manner, the results can be just as valuable as those produced using more quantitative methods.

### **Section 5.3.3 “Right-fit” Data Collection: CART (Credible, Actionable, Responsible and Transportable) Approach**

Data collection, monitoring and evaluation, and social impact assessments all come with a cost in both time and money. Staff time needs to be dedicated to collecting and evaluating data instead of program implementation. And either additional money needs to be raised to cover the costs of data collection, especially if a consultant is hired to advise on data collection and evaluation or current funds need to be reallocated to data collection instead of being used for programs and services to advance your theory of change. Given the costs, CART can help determine if data is appropriate for the organization and that the data being collected is the right data. It is not a prescriptive social impact measurement tool, but it does guide social enterprises to determine the right type of data to collect, whether that is social impact data or actionable monitoring and evaluation data.<sup>117</sup> The methodology is outlined in full in *The Goldilocks Challenge: Right-Fit Evidence for the Social Sector* by Mary Kay Gugerty and Dean Karlan. Information on the Goldilocks toolkit can also be found on the Innovation for Poverty Action website (<https://www.poverty-action.org/right-fit-evidence/toolkit>).

Using CART to determine the type of data to collect first requires developing a theory of change for the program or service. A basic theory of change follows a four-step process. First, identify the problem, what needs are you trying to address with the program. Having defined the problem, the next step is to identify the specific programs and actions the social enterprise is going to take to address the problem. Next, identify the outputs, these are the specific activities that an organization is undertaking to implement the program, the deliverables. Finally, identify the outcomes, the results created by the outputs.<sup>118</sup>

Once you have your theory of change mapped, it will guide the process of determining the appropriate data to be collected on the program using the CART principles. Data collected using CART principles can be used for social impact measurement if a randomized control study has been conducted to enable a comparative analysis of the outcomes of a social enterprise's activities to what would have occurred without the intervention. However, the true benefit of CART is that it ensures social enterprises are collecting the right data, that the data proves (or disproves) the theory of change and that it is actionable data that a social enterprise can use to change their activities, if it is required.<sup>119</sup>

Through the lens of your theory of change, a social enterprise needs to determine if the data being collected is credible. The data collected, and the metrics used, should credibly be able to measure progress towards confirmation of the theory of change. The data must also be able to be validated and collection procedures need to be consistent and reliable.<sup>120</sup> The data should also be actionable. What is measured should be able to be used to improve programs to fulfill the theory of change.<sup>121</sup> As mentioned earlier in this section, a lot of social enterprises collect data because of the request of funders. It may be a difficult conversation to have, but if the data requested by funders is not actionable data that can be used by the social enterprise to improve their programs, it should not be collected.

Data must be collected responsibly. This goes beyond good data collection practices. Social enterprises have a responsibility to ensure that their limited resources are being put to the best use. This means that before collecting data, a social enterprise needs to look at the benefits and costs of collecting data, realizing that the time and money spent on data collection is time and money away from program implementation. That does not mean that data should never be collected, but a social enterprise needs to be comfortable with the trade-offs, making sure they are responsibly collecting relevant data.<sup>122</sup>

Finally, data must be transportable, in other words, will it help determine whether the program would be successful or not in other situations? Social enterprises might think that they only need to

collect data to validate their specific programs in their specific setting. But social enterprises are established to change endemic problems within society. Whether or not the social enterprise collecting the data intends to establish similar programs in other geographic locations, it could be useful to other social enterprises working on the same issue. While the program might need to be adjusted to deal with geographic or population differences, data collected and shared with other organizations should be able to help determine if the program is replicable in other settings.<sup>123</sup>



**SECTION 6**  
Advocacy to  
Drive Inclusion





## Section 6.1 The Vital Role of Advocacy to Social Enterprises of the Future

The decision to engage in advocacy activities can be a difficult choice for social enterprises. Many are worried about potential negative consequences, including concerns about how stakeholders may view their brand in light of political activities they may participate in.<sup>124</sup> But this takes a limited view of advocacy. One of the central goals of social enterprises is to affect social change through awareness building and direct interventions and create political change through policymaking. Social enterprises that don't have an advocacy strategy are neglecting a critical role of high-impact organizations and leaving a void in the debate around social issues that could negatively affect their operations.<sup>125</sup>

Lobbying state or federal legislators is just one activity in an advocacy toolkit.<sup>126</sup> Other activities include grassroots organization and outreach, research, education and voter registration. Societal sentiments will not be changed through programs and services alone. To create lasting change, social enterprises must advocate for their issues and community. They need to create a feedback loop where their work with the community at the grassroots level helps inform policy and legislative activity so that legislation that is enacted helps further their mission and impact on the community.<sup>127</sup>

Organizations that are effective advocates are embedded in the community. They are not outsiders advocating for change; they are a part of the community whose goal is to elevate the voice of the people they are serving.<sup>128</sup> Advocacy efforts can:

- Raise awareness about the social issues people are facing;
- Inform the community being served about the progress being made towards changing societal attitudes;
- Increase awareness about the programs and services being offered to the targeted community;
- Provide a voice for the community they are serving to create lasting change.

## Section 6.2 Characteristics of Successful Advocacy Campaigns

There is no foolproof advocacy strategy. Advocacy is an art, not a science, so there are no prescriptive steps to follow that guarantee success.<sup>129</sup> However, there are common characteristics among social enterprises that are implementing effective advocacy campaigns.

### Section 6.2.1 Advocacy with Purpose

Advocacy with a purpose is about advancing an organization's mission, and there are many ways social enterprises can position themselves. An article for *Stanford Social Innovation Review*, "Should you Agitate, Innovate or Orchestrate?" identified three different purposes for the advocacy of social movements – agitation, innovation and orchestration.

An **agitator** brings the grievances of specific individuals or groups to the forefront of public awareness. An **innovator** creates an actionable solution to address these grievances. And an **orchestrator** coordinates action across groups, organizations, and sectors to scale the proposed solution.<sup>130</sup>

Social enterprises can play all of these roles, but they tend to have a focus and strength in one area – which is what defines the purpose of their advocacy. These different advocacy purposes have different objectives and require varying skills, tactics and personnel. It is important to keep these roles and the purpose behind advocacy in mind when developing an advocacy strategy because the tactics used will be determined by the role an organization decides to pursue.

*One of the central goals of social enterprises is to affect social change through awareness building and direct interventions and create political change through policymaking.*

## Section 6.2.2 Sustained Strategic Advocacy

Most often advocacy is thought of as advocating in support of or against a piece of legislation, but an advocacy strategy is more holistic and not just reactive to legislative activities. Effective advocacy campaigns are ever present. Although they may not get “the win” right away, through targeted, consistent efforts they can achieve small wins that lay the foundation for greater social changes.<sup>131</sup> It also means going beyond policy advocacy and engaging with businesses and the local community.

Sustained advocacy does not mean jumping at every opportunity to weigh in on an issue that could affect your work. Advocacy efforts need to be tactical and tailored to the current political environment. It may not be the right time to bring an issue (or solution) to legislators because of the political climate, but the ground work can be laid for when there is a political opening. Healthcare reform is a common example in the literature of sustained tactical advocacy. Healthcare reform groups, after the failure to push through reform in the 1990s, focused on building a foundation for change when political circumstances were more favorable. They developed media campaigns, worked with think tanks and universities on research, built grassroots support, formed coalitions, and sought common ground with groups opposed to reform, so they could respond to critics who did not support their efforts. Finally, after the 2008 election, when Democrats were in control of the presidency and both houses of Congress, they saw their opening, and after rounds of negotiations the result was the Patient Protection and Affordable Care Act.<sup>132</sup>

The case study interview with Reggie Hughes from Palmetto Goodwill touches on this topic. (See Case Study, Palmetto Goodwill.) In the case study, Hughes describes how the nonprofit agency started its advocacy efforts at the federal level and then strategically expanded efforts to the state and local level. When expanding to the state level, Palmetto Goodwill focused on issues that the state could act on and that directly impacted the daily lives of the population they are serving, in this case transportation.

## Section 6.2.3 Dedicated Advocacy Funding

Funding for advocacy can come from a variety of sources including individual donors, foundation grants or fundraising events. One of the difficulties with raising money for advocacy is that donors do not consider it to be as important as securing funding for programs and services. To be successful, organizations need to approach advocacy the same way they approach service and program funding, by developing a strategy specifically to raise money for advocacy projects.

Like other initiatives, advocacy requires investing in cultivating a network of organizations to collaborate with, developing staff skills, conducting research and establishing an advocacy infrastructure, which requires funding. There are laws and regulations that govern the amounts nonprofits can raise and spend on advocacy efforts as well as the type of advocacy they are allowed to engage in. Before engaging in advocacy activities you should consult your General Counsel.

Fundraising for advocacy should follow a similar template as program and service funding requests. The social enterprises should clearly articulate how funds will be used, what the goals are and why advocacy matters to achieving the goals. Fundraising for advocacy should also be tied to a social enterprise’s overall fundraising strategy, though a new funding stream may need to be nurtured.<sup>133</sup>

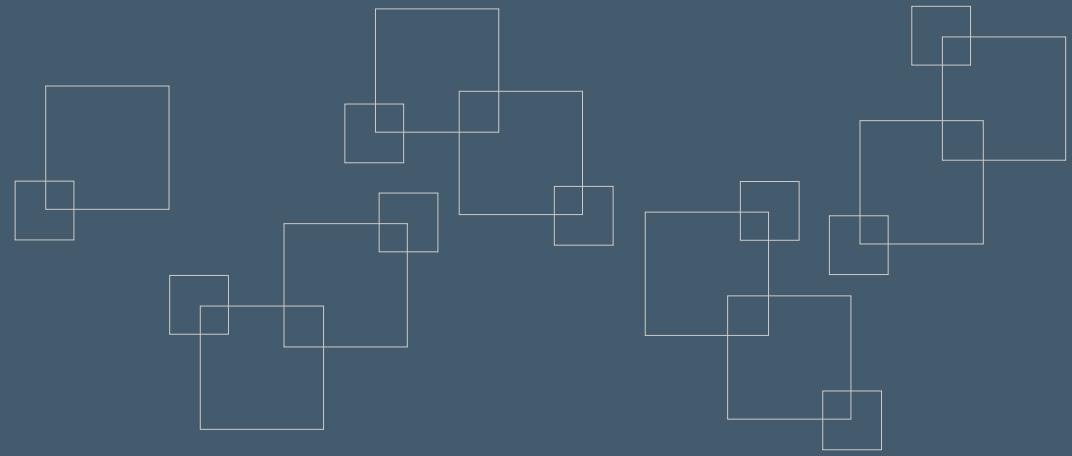
## Section 6.2.4 Engage the Community and Expand Your Network

Advocacy should be informed and influenced by work in the community. This community could be geographical, the neighborhood or city a social enterprise operates in, but can also mean the larger community of people who are engaged and impacted by the issues the social enterprise is mobilized around. Community engagement is necessary to ensure the group being served is aware of the programs and services being offered. Engaging the larger community in which you operate is particularly important when the change being pursued requires a societal shift in thinking. The larger community brings diverse viewpoints and interests into the conversation to develop common ground on solutions.

## Case Study

### *Palmetto Goodwill*

### *Interview with Reggie Hughes*



Goodwill South Carolina's advocacy efforts began in 2014. At that time there were no congressional champions in the state. So, we began by identifying congressional leaders we wanted to approach. Then we scheduled meetings with members in their Washington and the district offices, held information sessions and conducted tours of our sites to increase awareness about our mission and the programs and services we offer. Now we have four congressional champions, with two more pending.

We are also working to increase our influence at the state level. We are currently developing our own congressional champions program for representatives and senators at the state level in South Carolina. We have seen these efforts succeed. For example, we worked with state Sen. Marlon Kimpson on transportation issues, specifically with the public bus system. One of the major barriers our employees face is a lack of access to transportation near their homes to get them to work. We conducted a study looking at where our employees live and work to develop alternate bus routes that provide greater access to transportation. This study was submitted to the Council of Government's transportation planning group for consideration.

But our advocacy efforts are not confined to legislators. We are also trying to raise awareness about our programs and the skills and talents of our clients throughout the community. We have started to host "lunch and learns" for community leaders. For many, hearing about our efforts and our people was an "aha" moment. They left these events energized and eager to take the information they learned about this untapped pool of skilled

workers back to their leadership. This year we are planning to expand our advocacy efforts by targeting businesses who may be able to benefit from our services. We identified certain local U.S. Chamber of Commerce events in which we intend to participate.

Last year, we started a fundraiser dedicated to raising money for advocacy efforts – the Hippie Dash 5K. Folks in Charleston love running 5Ks, and we decided this would be a perfect event to bring people together, have fun, raise awareness, and raise money for a good cause. We also use this event to network with local businesses. The 2017 run was sponsored by United Community Bank, and a South Carolina Army National Guard Unit supported the event. Sponsors and supporters are listed on the event website - <https://palmettogoodwill.org/hippiedash/>.

This type of event has several benefits for our organization. We have already covered networking, but it is also cost efficient to stage. The event in 2017 cost \$9,000 and brought in \$32,000. In the past two years, we have raised \$50,000 from this event to support advocacy, education and awareness efforts. The event is particularly effective at raising awareness within the Charleston community. In 2016, we had approximately 200 participants, and in 2017, we nearly doubled that number with over 350 people participating.

Our advocacy efforts have resulted in increased job placement, increased community awareness and increased partnerships with businesses.

Returning to the healthcare example, one of the main strengths of that effort was the network of organizations – healthcare workers and providers, think tanks, universities, labor unions, etc. – that was brought together over two decades to achieve change and lay the ground work for healthcare reform under the Obama administration.<sup>134</sup>

### Section 6.2.5 Adding Digital Advocacy to Your Toolbox

Efforts to increase community engagement and enlarge your network of supporters can be aided by digital communication and advocacy. Digital advocacy is not a substitute for traditional advocacy methods but complements them and allows social enterprises to quickly circulate information to their community. Digital advocacy can help social enterprises expand their network and mobilize supporters beyond the local community in which they work. Depending on the digital resources an organization uses they can provide a cost-efficient method of amplifying the organization's message and advancing its goals.

Digital advocacy allows for faster response when an issue emerges. Though digital campaigns require time to set up, they are not as labor intensive as organizing an advocacy day or initiating a traditional grassroots campaign. A 2016 article in *Stanford Social Innovation Review* "Transforming Activism: Digital Era Advocacy Organizations,"<sup>135</sup> describes

*Digital advocacy is not a substitute for traditional advocacy methods but complements them and allows social enterprises to quickly circulate information to their community. Digital advocacy can help social enterprises expand their network and mobilize supporters beyond the local community in which they work.*

the tactics of rapid response activist organizations. The article highlights the work of GetUp!, an Australian campaign to prevent the deportation of asylum seekers. Members can mobilize a new campaign in five hours, allowing the group to respond to issues the day they break.<sup>136</sup> But organizations should have rules in place for governing the use of digital advocacy tools because once information is put out into the world it is very difficult to control what happens with it.

Digital advocacy should not be thought of as an add-on to your advocacy strategy, it should be fully incorporated from the beginning. Some principles to follow when incorporating digital advocacy include having organizational leaders commit to the full utilization of digital tools, which requires investing in a digital infrastructure and online presence and training staff to properly use the tools. Second, digital advocacy, like other advocacy efforts and external communications, needs to be driven by the values of the organization. Organizations should research the digital advocacy tools that are compatible with and amplify their mission and values. Third, the impact of digital advocacy efforts needs to be measured and tracked so you can test different digital communication outreach tools and determine which tools work best for reaching your constituents. Finally, organizations should invest strategically in digital advocacy tools, which can be expensive to set up. This is one place where data collected on the effectiveness of different outreach tools can be helpful.<sup>137</sup>

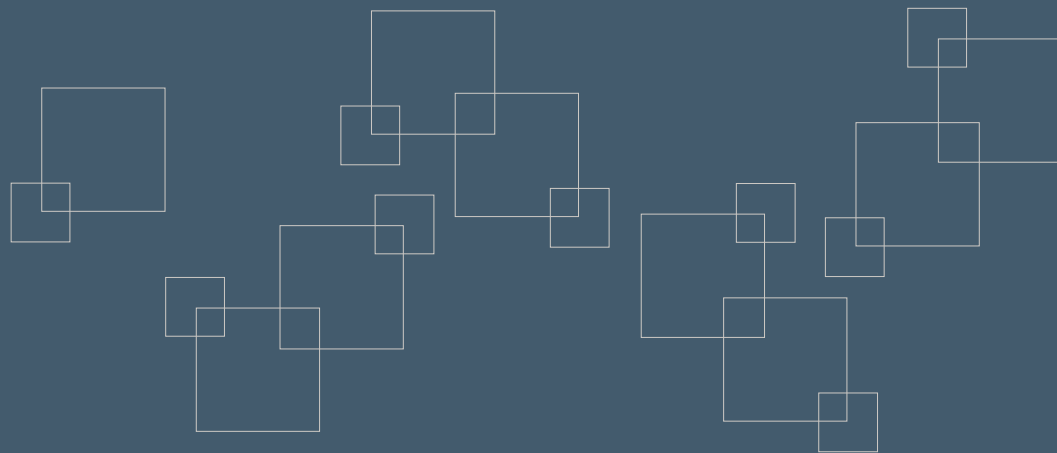
### Section 6.2.6 The Power of Self-Advocacy

Who delivers a message matters and the most impact advocacy messages often come from people directly impacted. This is not to say that subject matter experts or paid lobbyists don't have their place, but there is no better advocate than someone from the impacted community. Self-advocates who are influencers within the community have a level of credibility that people outside of the group lack. They not only can speak on behalf of their group but also to them.<sup>138</sup> Mobilization of self-advocates and your grassroots network can demonstrate there is a collective need that should be addressed, that there is momentum around solving a social problem or that there is agreement on a solution to a social problem.

## Case Study

### *A-Team*

### *Interview with Barb LeDuc*



The A-Team started in Wisconsin to unite people with diverse abilities and their families. The organization is dedicated to grassroots advocacy efforts, creating awareness in the community, and advising those who care for citizens with special needs, to ensure they have a full array of service choices. In 2011, the A-Team began to coordinate stakeholders and families in a strategic effort to expand grassroots efforts on a state and national level. Today, Wisconsin has 12 active A-Team chapters and thousands of members, and the movement is steadily growing across the country. There are now twelve states actively engaged in the A-Team mission. Collectively, A-TEAM Wisconsin and A-TEAM USA chapters ensure a full array of service options are available to individuals with disabilities. The A-Team focuses on member engagement, education, and empowerment to speak and act in a unified yet authentic manner on issues that include employment, home and a meaningful life.

The A-Team system operates on three tiers – advocacy, awareness and advisement to ensure sustainability of the team. One-time and disconnected actions of traditional advocacy platforms do not offer the versatility the A-Team system offers. Furthermore, a comprehensive tool kit and specialized materials created in cooperation with self-advocates and family members offers a consistent road map to successfully implement teambuilding and advocacy campaigns. Templates for agendas, plans, legislative events and public relations are included. Simple training on advocacy, sharing one’s story and growing knowledge around the issues of the day are accessible to A-Team members. This organizational approach helps members develop confidence in taking on paid advocacy groups that have agendas and ideas

that are exclusive and one-sided. A-Teams are inclusive. All choices matter, and all choices are important. They are designed to provide stakeholders and families with a platform where their experience will be respected and recognized. The A-Team engages stakeholders and family members throughout the grassroots process from pursuing issues that affect their lives to developing actions in response to them.

The A-Team is not political at its core. It is about uniting both sides of the aisle in a respectful dialogue to educate and ensure choices remain with individuals, not government. It has built a solid reputation on a state and national level for cultivating personal relationships and bipartisan solutions. One example is the successful passage of Joint Resolution #51 that A-Team Wisconsin championed in partnership with Republicans and Democrats alike to gain a unanimous vote in both the Assembly and the Senate in June 2017. The A-Team activity engages champions from both parties who support the message of individual choice.

The A-TEAM has become a leader in the grassroots movement because stakeholders and families with passion, integrity and commitment to making the world a better place for all founded it. It is not constrained by the formal expectations that confine other advocacy groups and government programs. Instead, it is led and expanded organically through the efforts of individuals with disabilities and their loved ones. The message is simple. Ensure all choices that promote independence. United for Choice!

The case study interview with Barb DeLuc from the A-Team describes how the nonprofit agency's self-advocacy campaign included not just people with disabilities but family members as well. (See Case Study, A-Team.) The A-Team wanted to tell inclusive stories about the impact of disability and what employment meant, not just to the self-advocates but to their families and the wider community. This inclusive approach ensures that advocacy efforts focus on issues that directly impact the lives of people with disabilities and their families. The training provided by the A-Team empowers people with disabilities and their family members to not only tell their story with legislators but gives them the confidence to use the knowledge and skills to advocate for themselves outside of the legislative context.

## Section 6.3 Measuring Advocacy Impacts

The impact of advocacy efforts is notoriously difficult to measure. Much like the social impact of social enterprise services and programs, there can be a number of mitigating factors that lead to the success or

failure of advocacy campaigns. The challenge is to filter out variables the social enterprise cannot control. Focus on measuring impact of variables under the control of the social enterprise to determine where efforts are succeeding and where a strategy adjustment is required to increase impact.

An example framework for assessing the development and effectiveness of advocacy campaigns was developed by Redstone Strategy Group. As outlined in a 2013 article in *Stanford Social Innovation Review* "Assessing Advocacy," the framework does not look at specific outputs (e.g. number of congressional visits, letters to key legislators, etc.). It is a qualitative assessment of the factors that affect advocacy efforts. The framework consists of nine conditions that may be used to develop a successful advocacy campaign or to evaluate a campaign to determine why it did or did not have the intended outcomes.

### A Successful Advocacy Campaign

1. **Functioning venue(s) for adoption** – The relevant legislative, legal and regulatory institutions are functioning sufficiently for advocacy to be effective.
2. **Open policy window** – External events or trends spur demand for the solution.
3. **Feasible solution** – A feasible solution has been developed and shown to produce the intended benefits.
4. **Dynamic master plan** – A pragmatic and flexible advocacy strategy and communications plan is ready for execution.
5. **Strong campaign leader(s)** – Central advocates can assemble and organize resources to execute the strategy and communications plan.
6. **Influential support coalition** – Allies can sway needed decision-makers and help the campaign leader pursue the solution.
7. **Mobilized public** – A relevant public audience actively supports the solution and its underlying social principles.
8. **Powerful inside champions** – Decision-makers who can overcome the opposition support the solution and its underlying principles.
9. **Clear implementation path** – The implementing institution has the commitment and ability to execute the solution.<sup>139</sup>



# CONCLUSION



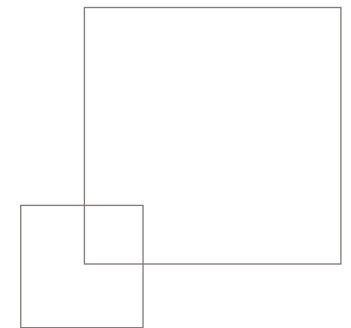


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*Social Enterprises of the Future: Practices for Sustained Social Impact* is a resource guide for the execution of the initial set of models and new operational interventions outlined in *Social Enterprises of the Future: A Collective Response*. This report provides best practices and frameworks used by high-impact social enterprise on topics identified as current challenges to the disability community. This information is provided to assist the strategic planning process of all members of the disability community, including social enterprises, advocacy groups and research organizations. Each has an important role to play in creating a more inclusive future for all.

Social enterprises must instill operating practices that allow them to rapidly respond to changing environmental conditions to maintain relevance. The information presented in the *Future of Work and the Disability Community*, *Social Enterprises of the Future: A Collective Response* and *Practices for Sustained Social Impact* provides a necessary starting point. From here we must continue to engage in research, purposeful dialogue, operational adjustments and policy creation. We cannot overstate the importance of designing programs that provide a meaningful future for all. As the field evolves, we must not lose sight of the need for equal opportunity for people across a diverse range of disabilities. The complexity of the challenges we face will continue to increase, therefore we must begin the work of imagining and creating the future now.

Social Enterprises of the Future establishes a new platform for collaboration to affect systems change. We must test ideas and learn from the outcomes to continue a cycle of innovation that drives societal impact. The release of this report signals a transition to the second phase of Social Enterprises of the Future. The coming years offer an opportunity to test, measure and learn through a new community of practice focused on the future. Recognizing that the variables that impact organizations throughout the United States are unique, it was our intent to provide concepts and tangible examples that can be modified and scaled as necessary. The trends we have identified throughout our research will continue to evolve, so we must commit to continual learning and adaptation.



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