Historically, the nonprofit sector in the United States has received funding from three major sources, government support, private contributions from individuals, foundations and corporations, and, in the case of most human service organizations, a smaller portion from private sector ventures. In the most recent economic downturn the need for services provided by the nonprofit sector has increased dramatically, creating heightened competition for grants and government funding and overall need for support. As individual giving has remained fairly consistent over time, and the outlook for government funding is dim, the nonprofit sector has been forced to look elsewhere to widen their support base and make up for the decrease in capital.

Over the past two decades social enterprises, for-profit ventures by the nonprofit sector to enhance an organization’s mission through business techniques, have been on the rise in the United States. When looking for new, innovative means of support, many nonprofits have turned to the social enterprise as a way to create more stable funding by beginning a for-profit branch of the organization. Many Indiana nonprofits have attempted to use social enterprise in a variety of ways, and have found, through trial and error, that the concept poses several challenges to the nonprofit sector. By examining cases, such as the Middle Way Houses’ Food Works program, Global Gifts, and Stone Belt, it will become evident what common challenges occur throughout the sector and what advice these organizations would give to social enterprises just starting out.
What Challenges Encompass the Creation and Management of Social Enterprises? A Study of Bloomington Nonprofit Organizations
Kathryn Spicklemire; Faculty Advisor: Professor Al Lyons (May 2012)
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What Challenges Encompass the Creation and Management of Social Enterprises: a Study of Bloomington Nonprofit Organizations

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Historically, the nonprofit sector in the United States has received funding from three major sources, government support, private contributions from individuals, foundations and corporations, and, in the case of most human service organizations, a smaller portion from private sector ventures. In the most recent economic downturn the need for services provided by the nonprofit sector has increased dramatically, creating heightened competition for grants and government funding and overall need for support. As individual giving has remained fairly consistent over time, and the outlook for government funding is dim, the nonprofit sector has been forced to look elsewhere to widen their support base and make up for the decrease in capital.

Over the past two decades social enterprises, for-profit ventures by the nonprofit sector to enhance an organization’s mission through business techniques, have been on the rise in the United States. When looking for new, innovative means of support, many nonprofits have turned to the social enterprise as a way to create more stable funding by beginning a for-profit branch of the organization. Many Indiana nonprofits have attempted to use social enterprise in a variety of ways, and have found, through trial and error, that the concept poses several challenges to the nonprofit sector. By examining cases, such as the Middle Way Houses’ Food Works program, Global Gifts, and Stone Belt, it will become evident what common challenges occur throughout the sector and what advice these organizations would give to social enterprises just starting out.
The Emergence of the Social Enterprise

According to the National Bureau of Economic Research, the United States entered a recession in December 2007, which has affected the global economy (Isidore). All three sectors—for-profit, public, and nonprofit—have felt the strain of the economic downturn and each has had to test new strategies to succeed. During a recession, the stress and dependency on human service nonprofit organizations—which usually include charities focused on human services, children, youth, family services, homelessness, emergency assistance, and basic needs—especially increases, and many of these organizations are struggling to keep up with the challenge (Thematic Areas & Definition of Human Services Philanthropy).

According to Giving USA 2011, giving to human service organizations has been fairly unstable during the most recent economic recession (Giving USA 2011). In 2008, human service organizations received a sharp 12.7% funding drop, and while funding has slowly increased, these organizations are looking for other ways to finance operations (Giving USA 2009). Typically, these groups receive funding from three main sources: individual donors and foundations, government resources, and for-profit sector support. As neither individual nor government backing is increasing with the rising need for human services, earned income is the reasonable place to begin looking for resources.

Social enterprise and social entrepreneurship, two different techniques that utilize business measures to make a social impact, have been the topic of much debate over the past several decades as the concepts have become more and more popular with nonprofit organizations across the country and around the globe. It is important to distinguish
between the idea of social enterprise, a for-profit venture of an already established nonprofit organization, and social entrepreneurship, a nonprofit or for-profit organization created entirely with a commercial business model to address a social issue. Global Gifts, an Indiana based nonprofit fair trade store, would be considered a social entrepreneurship as it was created with a retail business model in order to address the issues of unfair treatment and wages paid to artisans in developing countries. Social entrepreneurships face many of the same issues as social enterprises in competing with market competition; however, the focus of this paper will be mainly social enterprise.

Scholars have framed the idea of social enterprise as “economic activities carried out by organizations whose ethical stance is represented by the aim of serving members of the community, rather than generating profit” (Borzaga, 6). Although there is no singular definition for the concept, it is generally accepted as a nonprofit organization using business techniques and thinking by primarily focusing on financial results and outcome for client groups and communities; or, put more simply, when a nonprofit’s program outputs meet raising money (What Is Social Enterprise?). This idea expands on the concepts of a typical nonprofit, but it is unique from business organizations in goals, values, motivators, and clientele. The emergence of social enterprise has begun to blur the boundaries between the for-profit and nonprofit sectors, creating an emerging fourth sector in our society.

Stakeholders in nonprofits and for-profit organizations have different motives, methods, and goals, and the emergence of the social enterprise has created a new level in the spectrum of operations. For example, whereas purely philanthropic programs appeal to goodwill and are mission-driven, purely commercial businesses appeal to self-interest and
are solely market-driven (Dees). A social enterprise, on the other hand, has mixed motives. It is both mission- and market-driven, with social and economic value to the organization. Beneficiaries of a nonprofit organization’s programs are typically able to pay nothing for the goods and services offered because these operations are financed through donations and grants. A for-profit organization offers its beneficiaries market-rate prices because it is funded through market-rate capital. The concept of social enterprise blends these two ideas by providing clients with subsidized rates, or a mix of full payers and those who pay less based on their ability to pay. This is possible because most of the capital for social enterprises is a mix of donations and market-rate capital, on top of the 501(c)3’s tax-exempt status. The workforce for these organizations also differs: Volunteers usually staff nonprofits, fully paid employees usually run for-profit businesses, and a mix of the two usually makes up the operations of a social enterprise (Dees).

As the nonprofit sector has grown and evolved, many factors have created an atmosphere in which social enterprises have the ability to thrive. Many nonprofit leaders are now looking for ways to fulfill their missions without depending solely on donors (Dees). Financial sustainability is a major concern for most nonprofit organizations, and as sources of funds available are shifting to favor more commercial approaches, it has become more and more acceptable for nonprofits to pursue these for-profit ventures (Dees). Competition for traditional funding is becoming greater each year, foundations are being stretched thin, and government resources are lacking. On the surface, social enterprises look like the perfect solution; however, many challenges encompass the creation and management of these commercial undertakings.
The Concerns of the Social Enterprise

In contrast to for-profit companies, nonprofits are forced to measure a double bottom line of success, looking at the financial stability of the organization as well as the degree to which the mission is being fulfilled. A major concern of undertaking a social enterprise is that the mission will fall to the wayside and the focus of operation will be making a profit. A nonprofit’s legal 501(c)3 status is dependent on its mission furthering operations, so organizations must be careful, in beginning social enterprises, to remember their duty to the clients and communities they serve. This concept of mission slide is a concern of all nonprofit organizations but becomes even more relevant as for-profit ventures are begun.

Finances are not the sole concern when beginning and managing a social enterprise; resources, both financial and human, must be secured and maintained for good management (Zietlow, John). Taxation and legal issues can arise if the organization fails to prove the enterprise’s worth in promoting its mission, and measuring the success or failure of the enterprise can be extremely difficult, as the double bottom line is even riskier than normal. In his paper on the commercialization of nonprofit work, Dees points out that many nonprofit organizations also do not have the business-specific organization and managerial skills to succeed in commercial markets, and obtaining these skills can be costly (Dees).

As more organizations look to social enterprises as sources of financial stability, it is important to examine the experiences of those already in existence before beginning the process of pursuing commercial competition. This study will look at the social enterprises
created by a number of human service organizations in Bloomington, Indiana; the
challenges each enterprise has faced in its start-up and management; and suggestions from
each organization’s leadership on what to consider when starting a social enterprise.

A Survey of Bloomington Nonprofits

Purpose and Methodology

The challenges of social enterprises have been debated thoroughly over the past
decade (in J. Gregory Dee’s *Enterprising Nonprofits* and John Zietlow’s *Social
Entrepreneurship: Managerial, Finance and Marketing Aspects*, for example), and the
purpose of this paper is to observe actual examples of social enterprises in the
Bloomington, Indiana, community and to analyze the challenges and successes these
human service organizations have faced (Dees, Zietlow, John). Each nonprofit will answer
a series of questions about the creation and management of the social enterprise, as well as
offer advice to organizations looking to begin their own social enterprises. Through these
observations, we will be better able to tell whether it is possible to balance the double
bottom line of profit and mission when undertaking a social enterprise, and what
organizations in Bloomington have done to combat these challenges.

Human service organizations were chosen based on their location in the city of
Bloomington and their participation in a social enterprise. Middle Way House, Inc.; Habitat
for Humanity; and Stone Belt have all begun for-profit ventures in the Bloomington
community and wished to be included in the case study. Global Gifts, although it actually
falls under the category of social entrepreneurship, faced similar challenges and added a
different aspect of comparison. These four case studies will allow for an analysis of the most common operational and management challenges surrounding social enterprise, as well as the many benefits these for-profit ventures can have for an organization’s mission.

**Middle Way House, Inc.**

*Mission: The mission of Middle Way House, Inc., is to end violence, both structural and interpersonal, in the lives of women and children.*

Middle Way House, Inc., was incorporated as a 501(c)3 nonprofit in 1971 to provide crisis services to people in the Bloomington community (Middle Way House, Inc.). Since its beginnings, the organization has focused in on assisting abused women and children but has expanded its services to include not only crisis intervention but also housing, legal services, childcare, employment opportunities, and prevention and outreach. The programs have grown substantially over the past four decades; in 2010, Middle Way House helped 215 women and children with emergency shelter, 41 women and 105 children with transitional housing, and had a total of 23,796.5 volunteer hours (Middle Way House, Inc.). Throughout its history, Middle Way House has begun two social enterprises, Confidential Document Destruction and Food Works, to further the mission of the organization by providing employment opportunities and training for its constituents.

**Habitat for Humanity of Monroe County**

*Mission: The mission of Habitat for Humanity of Monroe County is to eliminate poverty housing by building simple, decent, affordable homes in partnership with qualifying families.*

Habitat for Humanity of Monroe County was founded in 1988, 12 years after its mother organization, Habitat for Humanity International (Habitat for Humanity of Monroe
County). Until 1997, the nonprofit was entirely volunteer-based, but it has grown immensely since its creation and now has more than 10 full-time staff. In just over 20 years, Habitat for Humanity of Monroe County has constructed more than 100 homes, housed more than 360 people, and maintained a 0% foreclosure rate. Habitat homeowners help to continue growth by paying interest-free, no-profit mortgages, which are put back into Habitat’s programs (Habitat for Humanity of Monroe County). The organization began its social enterprise, ReStore, a discount home improvement store, as a means to gather unrestricted income to cover operational costs.

**Stone Belt**

*Mission: The mission of Stone Belt is to, in partnership with the community, prepare, empower, and support persons with developmental disabilities and their families to participate fully in the life of the community.*

Stone Belt was begun in the basement of a church in Bloomington in 1958 by nine families who wanted to provide educational services for their children with disabilities. Today, the organization has its own headquarters on East 10th Street, with more than 2,500 clients served and more than 500 employees (Stone Belt). Stone Belt promotes lifelong learning by helping individuals with disabilities gain employment and providing housing for those who need it. The Manufacturing Services program functions as a business, maintaining contracts nationwide with clients and training adults with disabilities in the skills necessary to complete a job. Milestones, an outpatient clinic for those with developmental disabilities, is also an example of social enterprise within the organization.
Global Gifts

*Mission: The mission of Global Gifts is to provide hope and opportunity to developing world producers by paying fair wages and supporting business development for producer cooperatives.*

As mentioned earlier, Global Gifts is an example of social entrepreneurship. The entire nonprofit organization was set up with a business model from its beginnings. Global Gifts is a nonprofit fair trade store that works with artisans in more than 40 countries, guaranteeing fair wages and treatment. Although the organization is set up as a retail initiative, which sets it apart from a social enterprise, many of the challenges in competing with for-profit companies remain similar. Global Gifts was set up as a business to enhance its mission, and any revenue earned goes back into fair trade operations.

Although Global Gifts does not fall under the same category as the other three examples, it is important to include here because it faces many of the same challenges as a social enterprise. Social entrepreneurships must still manage the double bottom line of bringing in revenue and addressing a social issue. As a volunteer with the organization, it became apparent that in the Bloomington community there is great support for the mission of Global Gifts, but the prices must still remain competitive with other stores in the area.

The Cases

For each organization, I conducted an interview with a member who was involved in the development and management of the social enterprise. The questions were crafted to gather insight into why the social enterprise was created and the challenges the
organization underwent in the startup, how the social enterprise benefits the organization, and how the organization manages the double bottom line of profitability and serving its constituents. Finally, each person was asked to provide advice for future organizations looking to begin a social enterprise of their own.

**Middle Way House**

Charlotte Zietlow, previously the economic development coordinator at Middle Way House, worked directly on the creation of both Confidential Document Destruction and Food Works during her time with the organization. The programs were direct results of the Welfare Reform Act in 1996, which decentralized the way that welfare was delivered, as the board of directors and executive director realized that the women who came to Middle Way House would have to go to work in order to support themselves and their children (Zietlow, Charlotte). The dilemma that Middle Way House encountered was that many of the women were not competitively employable due to a lack of skills, difficult employment histories, and emotional challenges. Still wanting to provide each woman with the support she needed, Middle Way House found it was important to create businesses with supportive environments that would provide job training and monetary support. According to Zietlow, Middle Way House works on the “empowerment model,” meaning that each service provided helps to create economically self-sufficient women, who are then able to recreate their lives (Zietlow, Charlotte).

In 1996, before beginning Confidential Document Destruction and Food Works, Zietlow took a preliminary first step and created the Bloomington Area Microenterprise Initiative (BAMI), a microenterprise program now known as SEED Corporation, alongside
the Small Business Development Center, Bloomington Urban Enterprise Association, the City of Bloomington, and a group of local banks. BAMI provided a class on “How to Start a New Business” and SBA guaranteed loans, and the program was the only one of its kind in Indiana (Zietlow, Charlotte). The enterprise skills and knowledge Zietlow and other Middle Way House employees gained during this initiative were crucial to the creation and success of both social enterprises.

Confidential Document Destruction

Confidential Document Destruction (CDD) was created at the recommendation of the Solid Waste District, due to the sheer number of requests the company received for the service at its recycling center. Middle Way House had no capital to start the business; however, the Indiana Department of Environmental Management provided a grant for the initial creation (Zietlow, Charlotte). Confidential Document Destruction was the first operation of its kind in the region, so competition was nonexistent in the beginning; the biggest issue the business faced was marketing. Zietlow found it difficult to educate potential customers as to the importance of shredding confidential documents in a swift and secure manner. As CDD had finally grown a solid clientele, national and Canadian companies began to enter the market. Not only did these organizations have more capital to purchase advanced equipment, Zietlow noted that Middle Way House had never run a business before and did not completely understand what it took to maintain a business—spending money on upgrading equipment, for example.

For-profit companies also had the ability to minimize the labor costs involved with the operation, reducing the number of jobs necessary to be effective and efficient in the market. Middle Way House did not have this option, as one of the main goals of CDD was to
provide jobs to the women who came to Middle Way House for support (Zietlow, Charlotte). These women also brought issues to the workplace, and many times would not have been kept on as employees in a competitive, for-profit environment. Part of Middle Way’s mission was to help them become better employees, adding an additional setback when trying to keep up with the for-profit competitors that were now overtaking the market in the Bloomington area.

**Food Works**

Zietlow took on the creation of Food Works in 2002, after CDD had already been established. Food Works was started as a catering service aimed at providing tasty and healthy food, which included fresh fruits and vegetables, for large day-care programs. At the time Food Works began there were two vendors providing similar services but, according to Zietlow, the food they served was “boring, tasteless, high in sodium and sugar, and not appropriate for children” (Zietlow, Charlotte). Middle Way House took advantage of the opportunity to provide children with healthier options, while furthering the mission of the organization by giving women more work training opportunities and a source of income. The organization received several grants for startup expenses and also contracted with other programs that provided Food Works with fully equipped commercial kitchens, allowing the business to begin with almost no financial burden on Middle Way (Zietlow, Charlotte). The Villages, an organization that helps those in the child welfare system and provides quality childcare and early childhood development services in Indianapolis and Bloomington, was Food Works’ first client, and immediately more requests began to come in. The organization went from providing 50 lunches to 1,250 lunches within a year and a half.
After five years, Food Works began to shift from feeding childcare programs to upscale catering. According to Zietlow, the business was competitive in both quality and presentation and had a steady stream of customers from the beginning. However, many of the same issues encountered with CDD began to affect Food Works. It was always a challenge for the businesses to remain entirely competitive when the employees brought complications to the job. Neither business was originally intended to bring in profit, but both businesses progressed well and allowed the women to become good at their jobs, acquire better business skills, and feel proud of the work they were doing. While some of the board and staff looked at the business wanting more, many recognized the large difference these businesses were making in the lives of the employees, Zietlow noted.

Recently, both Confidential Document Destruction and Food Works have been transferred to new management; CDD is now operating as American Shredding and Food Works is being run by Bloomingfoods, a cooperative grocery that has operated in Bloomington since 1976 (Catering Good Works and Good Food). According to Zietlow, in the case of CDD, some major employment problems led to a loss of business. Along with deteriorating equipment, increased competition and a loss of tight management caused CDD to be much less competitive in the market of document destruction. In the case of Food Works, tight management was also an issue, as well as the fact that the recent recession led to a loss of some of its best customers. In both situations, outside management offered solutions to many of these issues and brought increased business and more possibilities for sustaining operations. Both American Shredding and Bloomingfoods have committed to employing women from Middle Way House and returning a portion of the revenue back to the operations of Middle Way House. Zietlow noted that, for both
businesses, “with the proper management, the sky is the limit.” She is very optimistic that Middle Way House and the women it serves will still benefit greatly from these efforts (Zietlow, Charlotte).

**Habitat for Humanity of Monroe County**

Habitat for Humanity of Monroe County (HHMC) had very different intentions with the creation of ReStore than Middle Way House did with its social enterprises, CDD and Food Works. While Middle Way House’s main goal was to provide employment and support opportunities for the women it serves, Habitat for Humanity’s objective was to create a means to raise undesignated funds. HHMC started out as a completely volunteer-based organization, but as its operations grew its need for paid staff and overhead costs grew as well (Habitat for Humanity of Monroe County). Although this means that the organization is able to reach out and help more people in need of affordable housing, it also brings with it the dilemma of how to raise the funds necessary to support the administrative side of daily operations. In 2007, 66.4% of human service and educational nonprofits reported inadequate overhead funding, and about half said the reason was because foundations want to support programs and not administrative expenses (Rooney). These organizations also reported that corporate funders, government and state grants, and other private funding sources do not pay enough for administrative expenses. Overhead spending is crucial to the operations of most nonprofit organizations, but donors in general do not like to give to pay staff, rent, and utilities; instead, they want their support to go directly to the programs and services of an organization. This means that many nonprofits that are attempting to operate with insufficient administrative funding are forced, like HHMC, to look for outside sources of revenue to cover these costs. Andrew Baker, the donation intake
According to Baker, ReStore fits directly into the mission of Habitat for Humanity by providing housing needs—which include furniture, appliances, and building materials—at affordable prices while simultaneously raising funds with less than 10% overhead cost to build houses for partner families. The revenue from ReStore helps to fund the overhead costs of HHMC, but also to sponsor specific houses built by HHMC each year (Baker). The first ReStore house was built in 2009, and the enterprise aims to sponsor at least one house each year. The business operates as a thrift store; community members, companies, and other organizations donate new or gently used home improvement items, and ReStore offers these products at 50% to 70% off retail prices (ReStore). ReStore benefits HHMC with undesignated funding and the community of Bloomington with affordable home improvement items and by preventing usable items from being put in landfills.

ReStore faces obvious competition in the retail market, the biggest of which is Goodwill (Baker). Goodwill is a nonprofit social entrepreneurship, meaning the organization was created with business principles to address a social issue. While Goodwill is also operated as a thrift store, ReStore attempts to avoid direct competition by focusing on building materials and appliances, leaving Goodwill to deal in books, clothes, and movies. Baker noted that being located in Bloomington also helps business because the mission of the organization brings in regular customers. To ensure that ReStore remained focused on the mission of Habitat for Humanity while expanding the store and bringing in profit, marketing became essential. The Habitat for Humanity brand is well known and
respected by the general public, and bringing that name recognition into the store increases business while reminding the staff, donors, and clients of the mission behind the operations (Baker). When Baker started at ReStore, only the sign outside mentioned HMMC; now there are posters in the showroom and a billboard by the cash register with information about current partner families in waiting, allowing customers to make the connection between their purchases and the families that HHMC serves (Baker).

As profits from ReStore continue to grow each year, the social enterprise has been able to sponsor more Habitat houses. The ReStore houses are built specifically for those partner families that work at ReStore to help finance the building of their home. This direct connection deepens ReStore’s relationship with the partner families and the mission, and allows customers to meet those who are affected directly by purchases and donations (Baker). While there are definitely challenges in management—including balancing accountability to HHMC’s clients, customers, donors, volunteers, and board members while attempting to grow a successful business—Habitat for Humanity of Monroe County continues to grow each year, and the operations of ReStore are helping to make that growth possible (Baker).

**Stone Belt**

Stone Belt has several programs with aspects of social enterprise, including the Manufacturing Services and Milestones Community Clinic. Each program provides a different service for Stone Belt’s clients and the Bloomington community while bringing in profit for the organization, Manufacturing through contracts with nation wide businesses and Milestones through clinical services in the city. Leslie Green, CEO of Stone Belt, spoke
of the possibilities for expansion and how Stone Belt has balanced the double bottom line of program services and mission with the possibility of profit.

**Manufacturing Services**

Stone Belt Manufacturing Services provides individuals with developmental disabilities the opportunity to work and develop professional skills through fulfilling the needs of businesses. In a similar manner to Middle Way House’s Food Works and CDD, Stone Belt provides its clients employment training, a safe and supportive environment, and a pay check for their hard work. For the past 37 years, Stone Belt has been subcontracting manufacturing jobs in fields such as light assembly, product packaging, document destruction, and light fabrication (Green). The Manufacturing Services program now has over 30,000 square feet of manufacturing space in two facilities, and it continues to grow.

The organization faces many challenges in the operations of its Manufacturing Services because its employees would not typically be competitively employable. While the mission of the organization is to help those with disabilities gain work and social skills, it is difficult to run a competitive business with those challenges (Green). However, the mission of Stone Belt brings interest to the programs, and the employees of Stone Belt are dedicated and proud of their work. Since its creation, more than $2 million in revenue has been brought in to Stone Belt through the Manufacturing Services program.

**Milestones**

Green spoke mostly of the Milestones Clinic and Health Resources as the social enterprise within Stone Belt. The organization has always participated in some health
research, but in 2000 Stone Belt began Milestones in order to provide outpatient clinic and community services for persons with developmental disabilities and their children.

According to Green, the program has 26 practitioners and more than 2,000 clients and its revenue exceeds its costs each year. Milestones began in the Stone Belt building with few resources, but it has grown into its own building and continually brings revenue back to Stone Belt as a whole.

In its startup, Milestones did not, and still does not, face for-profit competition. Milestones provides services to a population that most other companies and clinics do not have the capacity to serve (Green). The program was started to serve a specific niche of the Bloomington population that had gone underserved for decades; it now serves not only Stone Belt clients but also those in Bloomington with disabilities, who do not regularly seek the services of Stone Belt. The largest challenge for Milestones has been trying to determine which programs it is able to deliver without going under financially (Green).

Many patients at Milestones are Medicaid clients, and Medicaid reimburses very poorly. While Milestones aims to help as many clients as possible, it struggles to remain profitable to Stone Belt when so many of its clients are on Medicaid. This encompasses the innate struggle of the double bottom line: How do you remain true to your mission while attempting to make a profit? Green and the director of the Milestones division, Maureen Gahan, work to balance those two as efficiently and effectively as possible, and Milestones serves more clients and brings in more revenue each year.
Conclusions

The Double Bottom Line Challenge

Although each organization has challenges specific to its programs, many of those challenges center on the operational ability to balance the double bottom line of profit and mission. The measurement of profitability for the organization is especially difficult for social enterprises, more so than a typical nonprofit or for-profit organization. While a nonprofit will often continue providing services to its clients despite financial losses, and a commercial enterprise can quickly determine to cut services that do not bring in revenue, a social enterprise cannot easily make either decision. A social enterprise must find a way to serve clients with a critical social need while worrying about bringing in potential profits to the specific program as well as to the enterprise’s mother nonprofit organization.

Jerr Boschee, founder and executive director of the Institute for Social Entrepreneurs, created a “Strategic Marketing Matrix” for social enterprises to measure their programs in an effective manner. The purpose to the matrix is to allow board members and senior managers to more objectively evaluate social enterprises, and to ensure that an organization is concentrating on performing extremely well in a few areas rather than trying to overextend its programs and services (Boschee). The first level of the matrix analyzes whether programs have a “significant” or “minimal” social impact, and “positive” or “negative” financial returns. On a very basic level, these indicators assist in the analysis of which programs an organization should “expand,” “nurture,” “harvest,” or “kill.”

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<th>Strategic Marketing Matrix</th>
<th>Positive Financial Return</th>
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The social impact is measured by how many people need the product or service, regardless of ability to pay. When looking at financial return, it is important to look at the opportunity for growth in the market, the fixed and variable costs associated with the service, and projected profit or loss. In this way, an organization is able to see quickly, on a basic level, how well a program is balancing the double bottom line and whether it is an effective use of time and resources (Boschee). For example, Middle Way House’s programs, CDD and Food Works, provided a significant social impact. Each program allowed for clients of Middle Way House to gain valuable social and work skills, as well as financial support. The programs helped further the mission of the organization by allowing the women to become economically independent and make a fresh start, away from abuse and domestic violence. However, the board of directors looked at these enterprises closely and found that neither was providing the financial support necessary to continue; thus, they were forced to find new management to “nurture” the businesses. The new management would still provide the social impact of the program while minimizing the resources used by Middle Way House.

Habitat for Humanity and Stone Belt see different results when looking at the same matrix. ReStore has a significant impact on HHMC’s clients and the Bloomington community. The store revenue not only provides support for staff and overhead cost it is also allocated to building Habitat houses in the Bloomington community. ReStore also falls in the category of providing “positive financial returns” to Habitat; with both criteria met,
HHMC has the opportunity to expand the business and still remain true to the mission of the organization. Stone Belt’s social enterprises also provide a social need for its clients, as well as “positive financial returns” for the organization. Both Habitat for Humanity and Stone Belt have been able to balance the double bottom line of profit and mission, and each has been expanding since it started.

This process of analysis is difficult, and according to Boschee, the nonprofit world is particularly fond of turning a blind eye to programs that are not performing. Most nonprofits will lower standards so a program can be kept, change management, appoint a committee to study the program and look to other organizations for examples of success, or provide more funding in an attempt to boost performance (Boschee). The challenge of nonprofits operating in the for-profit sector is that commercial competition will not put up with low-performing programs. For-profits also often have the time and money to invest in updating and enhancing performance. Nonprofits must ensure that the mission is upheld, and often do not have any more resources to put into the enterprise. In these cases, organizations must be prepared to look at whether the operation is actually worth financing. Strategic marketing and analysis are crucial parts of any social enterprise and can mean the difference between successfully balancing the double bottom line and essentially wasting money on a noncompetitive product or service.

After observing social enterprises in Bloomington, it has become apparent that while social enterprises can help to accomplish either bringing in financial support or furthering the mission, it is extremely difficult for an organization to balance both. In Middle Way House’s case, the organization attempted to bring in revenue while also providing women with work training and jobs; however, the operations were fiscally
irresponsible, so the enterprises were dropped. In the cases of Stone Belt and Habitat for Humanity, revenue from the enterprises has been steady; however, the organizations are not focused on measuring how each enterprise is actually enhancing the mission. An organization must remain consistent with its original intent for the enterprise and take the time to continuously evaluate the performance and necessity of the programs.

When looking at the original question (Is it possible for an organization to balance the double bottom line of raising revenue and promoting its mission?), I have found that the growth and expansion stages of a social enterprise can be promising for an organization; however, if for-profit competition begins to enter the market or the organization becomes too focused on profit versus mission, the social enterprise can become either fiscally or operationally irresponsible. An enterprise becomes fiscally irresponsible when it is not bringing in revenue to sustain itself, as most organizations have other programmatic expenses and cannot afford to pour funding into a program that was intended to pay for itself. When an enterprise is bringing in funding for the organization but does not help support the mission of the organization in a significant manner, the business should not fall under the umbrella of a tax-exempt, mission-driven, human service organization. Social enterprises, like most businesses, have a small chance of survival, and most nonprofit organizations do not have enough resources to invest in competitive equipment and human resources while still focusing on their mission.
The Advice

Each interview conducted ended in the same question: “Do you have any advice for future organizations looking to start social enterprises in their own nonprofits?” The advice from all organizations centered on knowing what it takes to run a business.

Zietlow, from Middle Way House, discussed the importance of a good understanding on the part of both the CEO and the board as to what it takes to start and maintain a business, in terms of both time and financial resources (Zietlow, Charlotte). Micromanaging and lack of experience became problems within the businesses at Middle Way, which led to poor management decisions. Zietlow noted that businesses are difficult to establish and maintain, especially as nonprofit organizations, and clear levels of authority are crucial to a successful operation.

Baker, of Habitat for Humanity, noted that it is important to hire adaptable and diligent people to begin and manage a social enterprise. Because a social enterprise has to deal with many challenges that most commercial businesses and nonprofit organizations do not, the management must be versatile and flexible (Baker).

Green, from Stone Belt, also mentioned the importance of having a strong starting staff. She talked about how Maureen Gahan, who originally worked in Stone Belt’s Residential Services, knew about the client needs and was crucial in adapting what had already been discovered in the mental health field for those with disabilities (Green). Gahan was passionate, energetic, and had the business skills and client knowledge to create a successful enterprise.

The overall theme from all of the organizations was the importance of planning. It is important to approach the social enterprise with a business plan that accounts for analysis
of the financial and social benefit of each program. Specific management structure should be discussed, and a clear understanding of the financial and human resources necessary for competitive operation should be decided upon prior to beginning a social enterprise. With proper planning and management, these business ventures have endless possibilities for reaching and serving new clients, providing undesignated revenue to the organization, and increasing the organization’s breadth. However, they can also be dangerous for an organization to undertake, so proper research and analysis is important for any organization looking to begin the process of creating a social enterprise of its own.
Bibliography

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