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# “Entrepreneurial solutions for nonprofits”

## Business and organizational strategies for creating earned income

*An intensive three-day workshop for Board members and senior executives*

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### INTRODUCTION

The pressures impinging on the nonprofit sector today are daunting: Costs are climbing, traditional sources of financial support are increasingly unstable, the number of nonprofits competing for funds has risen dramatically, the ranks of people in need are escalating, and the calls for accountability from donors and others are more demanding than ever before.

During the past few years, nonprofits throughout the country have been responding to these pressures by adopting entrepreneurial strategies. Some are pursuing **sustainability**, which can be achieved through a combination of charitable contributions, public sector subsidies and earned revenue. Others are pursuing **self-sufficiency**, which can only be achieved by relying completely on earned revenue. In either case, the goal is the same: To solidify the organization’s resource base and *simultaneously* expand its impact.

This double bottom line approach requires nonprofit managers to pay increasing attention to market forces, and the challenges are considerable:

- They must first create an organizational culture that embraces the concept of *earned* revenue and everything that comes with it (e.g., a higher tolerance for risk, a willingness to compete, an appreciation for margins) – a process that frequently means overcoming years of entrenched thinking
- And they need to master an array of unfamiliar business skills that will enable them to ensure the financial viability of their entrepreneurial efforts

The purpose of this workshop is to help them meet both of these challenges by giving them a theoretical and practical basis for their work. The workshop features extensive hands-on exercises, with each team working on tasks that are specific to its own organization. Participants also receive a detailed workbook that not only guides them through the ideas and decision-making tools presented during the workshop but also gives them a roadmap they can take back home to share with others.

## **PARTICIPANTS**

The workshop has been designed for senior executives and Board members. Participation is typically limited to the first 20 teams who register, with three to five members on a team.

## **OUTCOMES**

The primary purposes of the workshop are to introduce participants to the critical success factors – both business and organizational – for entrepreneurs in the nonprofit sector and to help them

- Identify and overcome whatever obstacles to entrepreneurship exist within their organizations
- Manage the changes in organizational culture necessary for nonprofits to embrace a double bottom line
- Create incremental earned income strategies  
*(designed to cover more of a program's costs, not necessarily to make a profit)*
- Start a social purpose business  
*(to capitalize on an opportunity for significant growth and profitability)*
- Design (or re-design) the organizational structures and procedures needed to support earned income strategies and business ventures

## **CONTENT**

A detailed agenda for the workshop appears on the next five pages

## **FACILITATORS**

Please see page eight for biographical information about David Peter Stroh and Jerr Boschee

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## OUTLINE OF WORKSHOP CONTENT

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### DAY ONE: *MORNING*

- **Welcome and introductions**
  
- **Presentation: “Social entrepreneurship: The promise and perils”**
  - Historical context, driving forces and outcomes:  
Why nonprofits are adopting entrepreneurial strategies
  - A definition – and eight basic principles
  - Fifteen critical success factors for nonprofits adopting entrepreneurial strategies
  
- **Small group reality check and working sessions**
  - Discussion of the key points made during the opening presentation:  
How do they apply to *us*?
    - A checklist to stimulate discussion: “How do we stack up?”
  - Exercise: “Getting started”
    - What are the driving forces steering us toward entrepreneurship?  
How will we measure success (in terms of both social purpose and financial impact)?  
What are the chief obstacles in our path? How can we overcome them?
    - A short quiz to stimulate discussion: “Will our culture be receptive?”

### DAY ONE: *AFTERNOON*

- **Presentation: “Principles of creating”**
  - Cultivating a creative orientation
  - Building “creative tension”
  - Revisiting the organization’s mission
  - Personal and organizational visioning
  - Building the right team

- **Working sessions**

- Exercise: "Revisiting mission"

Does our mission allow for a double bottom line?

What, if anything, would we need to change in our mission to support social entrepreneurship?

- Exercise: "Envisioning a double bottom line organization"

What might such an organization look like in terms of its values, who we serve and how, relationships with other stakeholders, and how we work together internally?

How does this image align with my own personal vision?

- Exercise: "Building the right team"

What are my strengths?

Am I an innovator, an entrepreneur or a professional manager?

Who can be my allies (internal and external)?

## **DAY TWO: MORNING**

- **Presentation: "Entrepreneurial strategic planning for nonprofits"**

- Introduction to "The Organized Abandonment Grid"®

How can nonprofits become more focused?

How can they balance the oft-times competing demands of "mission" and "money"?

How can they decide which programs to expand, maintain, reduce or divest?

The grid is a decision-making tool that enables nonprofits to *simultaneously* analyze the social purpose and financial impact of each program they offer -- and, ultimately, to weigh the programs against each other

- The five steps in the entrepreneurial strategic planning process

- Introduction to the core competency matrix

What businesses are we *really* in?

What products or services should those businesses deliver?

How should we segment our target markets?

- Analyzing the earned income potential of a specific program or service (six key questions that need to be answered)

- **Working sessions**

- Exercise: “Creating a core competency matrix”  
How should we re-align our current programs?
- Exercise: “Practicing triage”  
How can we decide which of our programs are needed most by the people we serve?
- Exercise: “Analyzing the competition”  
How can we identify our competitive strengths and weaknesses?
- Exercise: “Using ‘The Organized Abandonment Grid’<sup>®</sup>”  
How can we balance social purpose and financial viability?  
How can we decide which programs to expand, maintain, reduce or divest?

## **DAY TWO: AFTERNOON**

- **Presentation: “Developing an organizational culture that supports entrepreneurship”**

- The eight stages of culture change
  - Containment
  - Curiosity
  - Clarity
  - Compassion
  - Commitment
  - Choice
  - Courage
  - Completion
- Organizational traps and tips at each stage
- Leadership traps and tips at each stage

- **Working sessions**

- Exercise: “Building a strong container in our organization”  
What can we do to get the conversation started?  
How do we address people’s hopes and concerns?
- Exercise: “Stimulating curiosity”  
How can we expand people’s knowledge about the opportunities?  
How can we bring in new information to reduce their fears?

- Exercise: “Anticipating my personal traps as a leader”
  - What stages of culture change are likely to be most difficult for me to manage?
  - How can I make sure they are addressed effectively?

## **DAY THREE: MORNING**

- **Presentation: “Business development strategies for nonprofits”**
  - Bucking the odds: Why businesses fail
  - The types of businesses started by nonprofits
  - Five threshold questions for nonprofits exploring the possibility of starting a business
  - The 11 steps in the feasibility study process
  - Market research (initial screening and in-depth analysis)
  - The seven steps in the launch process
  - The basic principles of marketing for entrepreneurial nonprofits
  - Introduction to positioning strategies and stakeholder relations
  - Strategic partnerships with for-profit companies (threshold questions, critical success factors)
  
- **Working sessions**
  - Exercise: “Brainstorming”
    - What makes a good business idea?
    - How many can we come up with in 15 minutes?
  - Exercise: “Narrowing the prospects”
    - How can we narrow the playing field?
    - How should we choose our screening criteria?
    - How can we apply them consistently to all our business ideas?
  - Exercise: “Preliminary market analysis”
    - What business are we in (what need is being met)?
    - Who are our customers?
    - What are the critical success factors?
    - What are the most significant threats and opportunities?
    - What is our “unfair” competitive advantage?
  - Exercise: “Risk analysis”
    - What can go wrong? What will we do about it?

## **DAY THREE: AFTERNOON**

- **Presentation: “Redesigning organizational structures to support a double bottom line”**
  - Ten guidelines for organizational re-design
    - Re-calibrate the organization’s direction (mission, vision, values)
    - Re-think relations with the external environment (including strategic partnerships)
    - Adopt whatever changes in leadership thinking and behavior are needed to model and reinforce new expectations
    - Change the organization’s culture (underlying assumptions, norms and symbols)
    - Revise reward structures and people development strategies
    - Adjust internal reporting structures (for both vertical and horizontal decision-making)
    - Change the work that is done
    - Re-tool knowledge management strategies (gathering information, converting it into knowledge, dissemination and documentation)
    - Acquire the right technology (to carry out new tasks or make current tasks easier)
    - Build an infrastructure for continuous learning (from ourselves and others)
  
- **Working session**
  - Exercise: “Redesigning our organization”
    - What elements of organization design are most important for us to change?
    - How will we do it?
  
- **Summary and closing**
  - Recap of lessons learned during the workshop
  - Identification of possible next steps
  - The entrepreneurial journey: Some final “rules of thumb”

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## FACILITATORS

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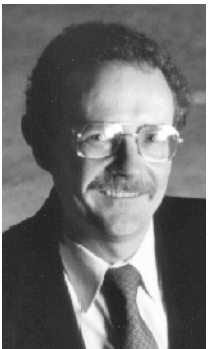


**DAVID PETER STROH** is a management consultant who has been working with organizations in the private, public, and nonprofit sectors for more than 25 years. He and Peter Senge (author of *The Fifth Discipline*) were two of the founding partners of Innovation Associates, the pioneering consulting firm in the field of organizational learning, and he has also been a Principal with Arthur D. Little and a Senior Consultant at Digital Equipment Corporation.

Mr. Stroh's expertise lies in visionary planning, leadership development, systems thinking, organization design and change management. He focuses on helping diverse stakeholders align around a common purpose and integrate their thinking to improve individual and collective performance. He is currently a Fellow with the Conflict Management Group in Cambridge, Massachusetts.

Mr. Stroh's corporate clients have included British Petroleum, Shell, Gillette, Johnson & Johnson, Procter & Gamble, Unilever, Coca Cola, Hewlett-Packard, Kollmorgen, Amalgamated Bank of South Africa, Woolworths UK, AT&T, Georgia Pacific, and Miliken. His nonprofit clients have included the American Diabetes Association, Council on Foundations, Pew Charitable Trusts, The Boston Foundation, and Cultural Survival. He has also consulted to the World Bank, National Aeronautics and Space Administration, Federal Aviation Administration, Singapore Police Force, Georgia Department of Human Resources, and City of Boston.

Mr. Stroh is well known throughout the organization development profession as an author and speaker. His articles have appeared in *Reflections: The Society for Organizational Learning Journal*, *Organization Dynamics*, *Training and Development*, *The Systems Thinker*, and the book *Transforming Work*. He is a charter member of the Society for Organizational Learning as well as a frequent speaker for the Systems Thinking in Action Conference and the Organization Development Network. Mr. Stroh has also been a National Science Foundation Fellow at MIT, where he earned an M.A. in city planning, and he graduated *summa cum laude* with degrees in civil engineering and urban studies from the University of Michigan.



**JERR BOSCHEE** has spent the past 20 years as an advisor to social entrepreneurs in the United States and abroad. To date he has delivered seminars or conducted workshops in 41 states and ten countries and has long been recognized as one of the founders of the social enterprise movement worldwide.

Mr. Boschee served as President and CEO of The National Center for Social Entrepreneurs from 1990 to 1999 and during the past 35 years has also been an executive for a Fortune 100 company, an executive for both regional and national nonprofits, managing editor for a chain of newspapers, a Peace Corps volunteer, and a frequent writer, speaker and trainer in the social service and public policy arenas.

He founded The Institute for Social Entrepreneurs in 1999 and is also a co-founder of The National Gathering for Social Entrepreneurs and The Americas-Group (formerly The Affirmative Business Alliance of North America), the first two membership organizations created for entrepreneurs in the field of social enterprise.

Mr. Boschee is currently a member of the advisory council for the National Peace Corps Association, the adjunct faculty at The School for Social Entrepreneurs (London, England), the international advisory council for the Nonprofit Enterprise and Self-Sustainability Team (which helps civil society organizations in Central Europe and South America develop entrepreneurial strategies) and the Board of Directors for MAP (The Management Assistance Program for Nonprofits), which is located in Minnesota. He served previously as a member of the adjunct faculty at the University of St. Thomas, the American Symphony Orchestra League Management Academy and The Society for Nonprofit Organizations.

His recent publications include *The Social Enterprise Sourcebook* (2001), which contains profiles of 14 nonprofits that have started business ventures; "Eight Basic Principles for Nonprofit Entrepreneurs," (*Nonprofit World*, July/August 2001); *A Reader in Social Enterprise* (2000, co-editor), a collection of 20 essays by leaders in the field; and *Merging Mission and Money: A Board Member's Guide to Social Entrepreneurship* (1998), a monograph published by BoardSource (formerly The National Center for Nonprofit Boards).