

BLOOD:WATER MISSION: A CASE STUDY TO ADOPT A  
SOCIAL ENTERPRISE MODEL

A thesis submitted to the  
Department of Education of Belmont University  
in partial fulfillment of the requirements for the degree

MASTER OF EDUCATION IN NONPROFIT LEADERSHIP

By

Matthew Kevin Clark

December 2012

B.A., Hope College, 2010

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## ABSTRACT

This is an action research project designed to study the growing trend of social enterprise, the trends in philanthropy, and apply the knowledge to the 501(c)(3) nonprofit organization Blood:Water Mission. The case study will determine how the organization could benefit from adopting social enterprise within its current nonprofit model or aspects of the social enterprise model in order to increase overall organizational revenue and sustainability. The research reviews current and relevant literature on the subjects of social enterprise and philanthropic trends, features four interviews from three nonprofits; one for-profit social enterprise, as well as featuring a collection of internal data from Blood:Water Mission as well as data looking at philanthropy and consumer spending. It is discovered that social enterprise can benefit the organization if implemented while offering a great product or service, has a solid business plan, and doesn't create mission drift.

## CHAPTER ONE: INTRODUCTION

When one takes an overarching and unbiased look at the nonprofit and social sector in America, one will notice many organization's titled, or self-titled, as social enterprises. Some social enterprises are identified as nonprofit organizations, while others are identified as for-profit organizations (as defined by United States tax codes). While the term social enterprise can be used and defined in many ways, one thing that identifies all social enterprises is the common theme of using business for the greater social good. For the purposes of this research, the author has created a working definition of social enterprise as: creating economic value that mutually benefits both organization and its beneficiaries. Also a working definition of a social enterprise organization as: an organization that generates a relative large portion of its overall revenue by means of earned revenue to serve its mission.

While taking an objective look at the social enterprise organizations TOMS and Warby Parker, two for-profit organizations that have seen large gains in annual revenue since their inceptions, it can be seen that the organizations also claim to have generated relatively large revenues to fulfill their mission, for the greater social good. Both organizations have created social value while generating revenue in a manner that is considered earned revenue. While earned revenue is not something that is exclusive to social enterprises, it is something that distinguishes organizations from those that generate revenue through grants and individual donations.

While relative success by social enterprises can be seen, even causing some



scholars like author Nic Frances to claim that the way to create the most social good is through the free markets (2008), it again should be noted that social enterprise is not a concept limited to for-profit organizations taking advantage of the free markets. The Internal Revenue Service has claimed that a nonprofit organization can earn revenue as it is related to the organization's overall mission. This is a decision that the Internal Revenue Service has ultimate authority on, and can challenge (Inc, 2011). This means nonprofit organizations could take advantage of social enterprise and create economic value for both the organizations and their beneficiaries, similar to how TOMS and Warby Parker operate.

This research was carried out to identify nonprofit organizations that adopted a social enterprise model, it became clear that most were healthcare and educational organizations, though some exceptions exist like the Girl Scouts of America and Goodwill Industries. With this in mind, the author developed a plan to research whether or not a specific nonprofit organization not in a health care or educational related field could adopt social enterprise to increase overall revenue for its mission.

This research was carried out to determine whether the 501(c)(3) organization, Blood:Water Mission, could benefit from integrating a social enterprise model, or aspects of the social enterprise model in order to increase overall organizational revenue to thereby increase organizational sustainability.

Blood:Water Mission is a 501(c)(3) nonprofit, grassroots organization that was founded in 2004 with the mission to empower communities to work together

against the HIV/AIDS and water crises in Africa. It is headquartered in Nashville, Tennessee and has a field office in Kigali, Rwanda. The organization currently receives nearly 100% of its revenue from private individual donations, corporate grants, and private grants. The organization obtains revenue from these streams through direct asks by the organization, radio-a-thons, artist recognition. The organization was co-founded by the GRAMMY award winning band Jars of Clay, who frequently talks about the organization and mission from stage, through organizational fundraising campaigns, and/or as a result of marketing or word-of-mouth recommendations.

## CHAPTER TWO: METHODOLOGY

### Model of Research

This research project was a case study which analyzes and synthesizes current research on the topic of social enterprise and data from the nonprofit organization Blood:Water Mission as well as data from sources relevant to philanthropy and government, and applies it to the specific question: Should Blood:Water Mission incorporate a social enterprise model for increased revenue? The case study was designed to research trends in the social enterprise and nonprofit sectors, research trends in philanthropy, as well as research the annual revenue of Blood:Water Mission, and conclude whether or not the organization could benefit from adopting a social enterprise model, or aspects of the model.

### Approach to Research

Data was secured from the sources and then triangulated for this project, including:

- 1) A broad search of current literature discussing social enterprise and trends in philanthropy synthesized into a literature review.
- 2) A collection of key informant interviews from social entrepreneurs working in a similar field as Blood:Water Mission.
- 3) A collection of data from Blood:Water Mission regarding annual revenues as well as data from relevant sources in the fields of philanthropy and government.

Literature, such as online articles, journal articles, as well as books were selected and gathered for this project based on their content related to social enterprise, trends in social enterprise, trends in the nonprofit organization sector, nonprofit organizational structures and growth, and/or trends in philanthropy. Others were chosen because of the author, editor, or publication's relevancy and/or prestige that have given them a credible voice in the current field of social enterprise or nonprofit sector. Literature was gathered through online web searches, online reference journals relevant to organizational leadership, online search databases confined to the topic, and/or through the recommendation of a current scholar working in and teaching social enterprise.

Key informants were selected for this research project based on their relative success in social enterprise, their missions to fight the effects of poverty that liken to each other and to that of Blood:Water Mission, and their proximity to Blood:Water Mission. Proximity was an important factor in selecting informants as each of these organizations have created their business in Nashville, Tennessee which is also the primary focus of their business, where Blood:Water Mission headquarters are located and would also conduct business activities if a social enterprise model or social enterprise model aspects were to be adopted.

Data was gathered for this project from annual Blood:Water Mission IRS Form 990s dating from 2005-2011 and internal unreported information for 2012, and Financial Statements for years end also from 2005-2011. Data was provided for this research by the organization for intended use of this project's research only, but can also be found online (except for 2012 information).

Data was also gathered for national philanthropic giving trends from years 2005-2011 from Giving USA Annual Reports on Philanthropy, a highly credible publication. The production and release of Giving USA is the result of the collaborative efforts of Giving USA Foundation, a public service initiative of The Giving Institute, and The Center on Philanthropy at Indiana University. As well as from an extensive study done by the US Department of Labor detailing national household spending habits from 2007-2010. These sources were selected for the credibility of their research and for their relative connections to the active research. Data was gathered and synthesized to create unique tables and graphs for this study which were then used in the analysis section of the project.

The 501(c)(3) nonprofit organization Blood:Water Mission was chosen for this project because 1) its relative young age (of nine years) which lends itself to the ability for organizational change and restructure. 2) Its size (average \$2,500,000 per year revenue) which lends itself to grow and scale the organization. 3) Its self-proclaimed core purpose of “creating community through creative social action” which the organization has leaned on to propel itself to be continuously creative and cutting edge.

The project is designed so that if a researcher wanted to compare findings for another nonprofit organization, he or she could model the research similar to this project and seek correlation. The research model was in no way specific to that of Blood:Water Mission, but was created in a way to show most relevant results for the organization.

## CHAPTER THREE: LITERATURE REVIEW

### Definition of Social Enterprise

Social enterprise has become a buzzword and has taken on many different definitions and connotations. For this research project, it was important to first identify what social enterprise is, to then create a working definition to be used throughout this report.

One example of why social enterprise is unique is because it uses the “market to strategically employ market mechanisms in decision-making to solve social problems and generate value for the greater good” (Virtue Ventures, 2012). Abu-Saifan (2012) defines social entrepreneurship as thus: “Non-profit with earned income strategies: a social enterprise performing hybrid social and commercial entrepreneurial activity to achieve self-sufficiency” (p. 22).

Battilana, Lee, Walker, and Dorsey (2012) refer to social enterprise also as a hybrid organization, one that focuses on a dual bottom line of profit and mission. A hybrid organization “enables a virtuous cycle of profit and reinvestment in the social mission that builds large-scale solutions to social problems” (10). Bugg-Levine, Kogut, & Kulatilaka (2012) defined social enterprises as organizations that “innovate to solve problems - they include nonprofit and for-profit ventures, and their returns blend social benefit and financial revenues” (p. 1).

Sabeti (2011) defines social enterprise organizations as for-benefit enterprises, meaning an organization that “generate[s] earned income but give top priority to an explicit social mission” (p. 3). Sabeti says that a for-benefit

organization can pursue a social mission while creating a “broad range of products and services that improve quality of life for consumers, create jobs, and contribute to the economy” (p. 6).

Salamon (2003) writes that a social enterprise venture by a nonprofit organization is not a “sideline or a mere revenue source but an integral component of the agency’s charitable program. The result is a thoroughgoing marriage of market means to charitable purpose” (p. 62).

From these definitions of social enterprise, a working definition of social enterprise is creating economic value that mutually benefits both organization and its beneficiaries and a social enterprise organization as an organization that generates a relative large portion of its overall revenue by means of earned revenue to serve its mission. This report uses these definitions as the lenses through which all other data is interpreted and applied to Blood:Water Mission.

### Benefits of Social Enterprise

Experts and scholars are pointing to the many benefits of nonprofits integrating social enterprise. Lyons et al. (2010) point out that among those benefits “social enterprise activities can enhance the brand/ reputation of the organization” (p. 2). Also, a benefit of integrating social enterprise “can be the enhancement of management and overall business capacity of the organization” (p. 2).

One loud and with authoritative voice preaching the benefits of social enterprise is expert Kris Prendergrast, the former President & CEO of the Social Enterprise Alliance (2007). She wrote that integrating social enterprise by

nonprofits can benefit in many ways “including supplementing revenue sources, increasing operational effectiveness, attracting talented leadership, and enabling greater flexibility in pursuing mission.”

Another benefit of seeking earned revenue is that it does not come with the same stipulations as a gift from a donor, meaning “it can be used for whatever purpose the nonprofit’s leaders deem most important, including operating support for programs that have proven their worth and “overhead” that philanthropic and government funding typically do not cover” (Foster & Bradach, 2005).

Snibbe (2006) reviewed a study done on organizations seeking commercial revenue and found that “generating income gives organizations greater self-sufficiency, helps them attract and retain staff, and bestow a greater reputation on the organization” which in turn, generates more sales, and cyclically increases reputation (p. 19). Lyons et al. (2010) concur with these benefits as they also found that social enterprise provides an organization with sustainability, more consistent cash flow, a chance to have unrestricted funds, diversification of revenue base, increased business capacity, brand awareness, new employment opportunities, and a chance to expand mission (pp. 7-9).

Bugg-Levine, Kogut, & Kulatilaka (2012). found that a peripheral side effect of social enterprise was that, when done right, social enterprise can attract investors or donors to the organization. Social enterprise “can be a powerful force for change...and generate opportunities that fuel economic growth and improve people lives” (p. 4), things that are very attractive to a donor.



Light (2008) discovered that the benefits of social enterprise aren't only for the organization itself, but for the greater social good as it can "rebuild public confidence that charitable organizations are capable of helping people by changing the 'social equilibrium'" (p. 9). Light found that if successful social enterprises garner media attention, coverage may begin to attract donors and create positive buzz for the social sector as a whole, which has been seen in a bad light because of scandals (p. 9).

Rupert Scofield (2011), author and CEO of FINCA, an organization providing financial services to the low-income entrepreneurs, wrote that social enterprise can change the relationship between organization and donors from being "one of dependency between a benefactor and a charity case to one of equals" (pg. 140), as the relationship moves from charitable giving to the marketplace. In other words, it creates a relationship build on supply and demand.

The benefits as presented in this report to be noted range from enhancing the organization's brand which could attract and retain donors and staff, enable flexibility and reduce dependency on traditional donors, supplement revenue streams and provide revenue that can be used for organizational overhead, increasing business capacity and effectiveness, and also rebuild public confidence in the nonprofit sector. However, not all literature will point to the benefits of social enterprise, and some even points to the negative effects of social enterprise on an organization, which is presented later in this report.

## Trend of Social Enterprise

For many reasons, social enterprise is a growing trend amongst new for-profit and nonprofit organizations. One reason is the economic downturn starting in 2008, because of the downturn a more conscious consumer has been born, and “people are looking for different, more rewarding ways of doing business – making businesses work for people and the planet” (Social Enterprise UK, 2011). Farruggia (2007) believes the trend started in the 1980s when politics caused a marketization of the nonprofit sector and organizations began commercial operations to combat budget cuts (p. 7). He wrote for organizations to operate as social enterprises, was to “begin laying the groundwork for their own survival” (p. 11), and the “social enterprise train is moving along...and organizations that wish to keep their heads above water need to purchase the correct ticket so they will not be left at the station” (p. 12).

Lyons et al. (2010) found that not only is social enterprise a trend, it is also a necessity, as nonprofits and the nonprofit sector are growing and “traditional sources of funds, philanthropy, is showing a decline after minimally keeping pace with economic growth” (p. 6). Similarly, Abzug (2007) was wary of the idea that the nonprofit sector is thriving, he believes organizations are too dependent on the government in this politically charged climate, and too much of philanthropic dollars are tied up with big players. The only way for organizations to move forward is through alternatives, “there still remains much room for business and, especially, social enterprise to experiment with combining profit-making and societal service” (p. 47).

Wolk (n.d.) also believes that the growing trend of social enterprise is due to the fact that organizations are seeking sustainability, but also because of the fact that entrepreneurs are drawn to the ability to create a social enterprise in the form of a government initiative, nonprofit organization, a for-profit business, or even a cross-collaboration between the forms.

Social Entrepreneur Nic Frances (2008) believes the trend of social enterprise stems from the fact that our world is built around markets, and while charities have tried to operate outside of markets, it has been to their own demise. Organizations should (and are beginning to) operate within the current framework of a global market to create social value (p. 172).

Others believe that social enterprise is becoming popular because of smart donors. Arrillaga-Andreessen (2012) wrote in her book, that is a guide to educate donors, that what makes social enterprise special is that “by putting [philanthropy] into investments that provide the best return, regardless of social impact, we may generate more money to give away” (p. 140). She also noticed that “social entrepreneurs recognize the power of treating the poor and underprivileged as consumers, employees, and businesspeople, giving them a central role in improving their own lives” (p. 133), something that all donors can get behind.

The literature presented here clearly shows a growing trend of social enterprise and shows why such a trend exists. External as well as internal forces are pushing new and older organizations alike to pursue other sources of revenue and ways of conducting business to thrive and survive in the current economy.

## Expert Advice in Social Enterprise

While donors contributions and organizational mission are at stake, it's best not take unnecessary risks. For this reason many leaders have written about field-tested maxims and offered them up as advice for entrepreneurs or organizations looking to dabble in the field of social enterprise. Of the advice presented in the researched literature, these key themes came up over and over: Market Opportunity, Mission, Product, and Planning.

At the Plywood People (2012) conference, Warby Parker co-founder and CEO Neil Blumenthal proclaimed that what made the company successful is that they found a niche in the market, created great products, and kept their values close to their heart above all else. Blumenthal said that once those things are met, revenue can be used to build social capital. His organization researched the market for years, drew out an intensive business plan and then launched.

Dees, Emerson, and Economy (2001) wrote “one of the most important aspects of entrepreneurship is opportunity recognition. In its purist form, opportunity recognition for social entrepreneurs is about new or different ways to create or sustain social value (p. 43).”

Rothschild (2012) offers up a few pieces of advice, “be market driven” (p.14), “the ability to meet the needs of the customer dictates success for all stakeholders” (p. 67). He also wrote about the necessity of an organization to watch the changing markets and be willing and able to adapt. This includes changing products or offering new services, changing tactics or strategies, and/or changing marketing approaches (p. 71).

One expert offering practical advice for scaling a social venture stated that creating and sticking to a strong business model, before trying to take off to guide financial and relational decision is the only way to scale (Bloom, 2012). Another expert advised however, that it is important to not get ahead of the business and begin to scale a social venture ahead of scaling the business (Ellis, 2011).

Frances (2008) advised that social enterprises have the advantage of collaborating with government entities, business entities, and other nonprofit organizations which is something that should be taken advantage of to create a sustainable future for all (p. 150). Frances also concurs that in order for his own social enterprise to be successful (as well as any social enterprise) it “will have to be as enterprising and shrewd as the very best businesses” (p. 151).

Lynch and Walls (2009) wrote in their guide to social enterprise that “a product as good as the mission is your strongest competitive advantage” (p. 99). They also emphasize the need for a great product, because costumers will not buy something if it hurts, meaning that just because your product has a social component, they will not buy inferior products (p. 102). However, with a quality product or service, it is important to emphasize the mission of your organization, because mission is what will separate you from the competition. Once those things are established, the key ingredients to grow a social venture are “market opportunity, resources, financing, and capacity, culture, discipline, leadership” (p. 150).

Horsnell and Pepin (2002) noted that key considerations when creating new business ventures are products and markets, relation to mission, whether or not it

should it be part of the charity or a separate enterprise, is it scaleable, complexity and timing, and whether or not employ or sell to beneficiaries (p. 7). However, whether creating a new venture, or integrating it into a current model, it should begin with an opportunity that “aligns with your organization's mission and core values, leverages an asset or capability that you already possess, and address a defined but unsatisfied need/want in the community” (p. 7).

Scofield (2011) wrote in his book that “building FINCA’s revenue stream was neither quick nor easy” (p. 103), but “all nonprofits regardless [of size] need to develop internal support” (p. 104). While building a revenue stream will not be easy it can be the shortest path to financial stability compared to public and private funding (p. 133).

As this report seeks to identify whether or not Blood:Water Mission should look to adopt social enterprise into its current business model, it is important to seek the advice from current social entrepreneurs. Of the literature reported, these four ideas were the keys to possible future success of a social enterprise 1) look for market opportunity, 2) align the venture with the organization’s mission, 3) create and provide a quality product that the public is demanding, and 4) create a thorough and sound business plan separate from the organization’s current business plan, but interweaving it as well. These four principles do not guarantee success, but will guide a future enterprise towards possible success.

### Trends in Philanthropic Giving

When looking at current state of philanthropic giving nationally, literature and publications are revealing a current trend that relates to the nonprofit sector as

a whole, but also specifically to Blood:Water Mission. It should be noted that these trends are largely due to the state of the United States economy, starting specifically in 2008.

Investigative journalist Holly Hall discovered that since the economic downturn in 2008, development professionals are still not able to raise the amount of money for charity as they could before the downturn, especially large gifts from more affluent donors (August 2012). Hall reported that donations decreased by \$31 Billion from 2007 to 2009 by people with annual incomes above \$200,000. The decline was not as drastic from people with incomes under \$100,000, as the total amount decreased \$4 Billion from 2007-2009. Overall, total contributions to charity fell 15.2% from 2008 to 2009 (Hall, 2012).

Barton and Hall (2010) did a study of the nation's top 400 charities and discovered that in 2009, the charities suffered their worst decline in giving in two decades, as they dropped 11%. The next biggest annual decrease was in 2001 and was only 2.8%.

In an article focusing on giving for the year 2011, Hall (2012) noted that giving to charity barely rose in 2011 for the second year in a row, just .9%, and total charitable giving was still 11% lower than in 2007, before the downturn. She also noted that "the glacial pace of the economic recovery caused Giving USA researchers to make a far gloomier forecast about when a full recovery in charitable giving will occur" (2012).

A recent study, Barton and Di Mento (2012) found that the nation's biggest foundations had no plans to increase their donations in the coming year for the

second year in a row. The study also found that the ten largest foundation's assets dropped by more than \$25 Billion since 2007 (4).

Two studies done on current trends in philanthropy relate closely to what Blood:Water Mission does as an organization focused on international AIDS care. Wales (2009) wrote "I can tell you that [giving to international affairs] remains a small percentage of overall giving," and foundations based in the US give only 23.5% of overall grant dollars to international organizations, or to organizations focused internationally (27). Another study found that there was a 7% decrease in AIDS-related funding by the US and Europe from 2009 to 2010, donations from governments to AIDS-related causes decreased in 2010, and the number of donors giving gifts of \$300,000 or more to AIDS-related causes dropped 30% from 2007 to 2010 (UN AIDS, 2011).

While many findings are showing a decline in philanthropy since the economic downturn, nonprofit sector scholar Lester Salamon (2003) found that the trend stretches back to the 1970s when personal philanthropy was 1.89% and went to 1.75% in the 80s and 1.64% in the 90s (p. 20). He also found that an increasing number of nonprofit organizations has caused unprecedented competition for public funding (p.23).

These trends in philanthropic giving tell us that the current economic decline has proven to cause a decrease in philanthropic giving to organizations such as Blood:Water Mission. These trends along with the trends of the rise of social enterprise show that organizations are looking for alternatives to supplement revenue streams. These ideas will be further developed in chapter six.



## Examples of Social Enterprise

Many organizations take advantage of social enterprise, some with more relative success than others, but nonetheless, themes and ideas emerge to paint a clearer picture of what social enterprise could look like for organization's seeking to adopt a social enterprise model.

A study of the micro-finance organization Kiva found that the organization aims to take advantage of its nonprofit status by leveraging volunteers including pro-bono professionals, and earns revenue through donations and grants, but also earns revenue through "float money" which is money that gains interest in bank accounts where donations sit before loans are distributed to beneficiaries (Coates & Saloner, 2009).

Social enterprise can take many different forms, and many organizations have found new and unique ways to utilize social enterprise. Social enterprise can operate on many different levels, including on a purely administrative level, or by involving beneficiaries in the process. Living Goods is implementing something they call micro-franchising, which sees the organization employing beneficiaries to sell health products including medicine to fellow beneficiaries. The micro-franchises buy the products at an extremely discounted rate from the organization and then sell the needed products to people in their community (Inc, 2011). Inc Magazine also reported that Girl Scouts of America generates more than \$700 million a year through the sale of cookies by troop members (p. 84), a model of social enterprise that raises the organization's revenue through the cookie sales.

The New Jersey Performing Arts Center earns more than 50% of its \$26

million in revenue through ticket sales, concessions, parking, and a new venture that has converted one of its parking garages into a mixed-use center that includes retail and housing space and will generate \$500,000 annually for the organization (Daks, 2005). Daks also reported that New Jersey nonprofit organization Community Enterprise Corporation (CEC) created a for-profit subsidiary company called the Unleashed Group to cater to dog owners and provide day-care services to earn revenue for CEC (p. 10). A CEC employee said that “filling holes in funding was the driver [to start unleashed]...creating a for-profit subsidiary can enhance our cash flow and independence” (p. 11).

A spotlight article found that nonprofit organizations in Sacramento, California were also utilizing for-profit subsidiaries including the Sacramento Children's Home operates a restaurant to earn revenue for the children's home and “other nonprofits sell cars, run printing operations, child-care centers, landscaping businesses, and other business ventures to supplement their budgets” (Johnson, 2008). Johnson found that mid-sized nonprofits were pursuing these business enterprises to lessen dependence on traditional funding sources.

Dees, Emerson, and Economy (2001) found that Pioneer Human Services also took on the venture of a printing business, and in the process attracted a hefty loan from the Ford Foundation, which loaned the organization the money to purchase the business because of predictable future revenues (p. 74).

Battilana, Lee, Walker, and Dorsey (2012) found that New York based nonprofit they dub a “hybrid ideal,” Hot Bread Kitchen is helping the immigrant population by utilizing hiring them as bakers and providing many other skills and

training. The organization uses a business model that “relies on product sales to fund its social mission” (2). Hot Bread Kitchen, as well as other highlighted organizations listed above are among a longer list of organizations seeking to take advantage of social enterprise.

These examples of social enterprise organization/ventures could be modeled by other organizations such as Blood:Water Mission, looking to supplement revenue streams. They also show that organizations taking advantage of social enterprise are gaining relative success.

### Opposing Research

Researchers Foster and Fine (2007) identified three common practices amongst 144 nonprofits identified as reaching the \$50 million revenue per year mark since 1970. Instead of seeking supplemental revenue streams, these organizations concentrated on one specific funding source. This one funding source was also very closely aligned with their mission and beneficiaries. Lastly, the organizations were building up the support staff necessary to carry out the one funding source (p. 49). This goes against the thought that diversifying revenue streams is the best way for an organization to scale.

Another study found that when organizations earn taxable income, private donors give less (Nelson, 2004). Researchers, while studying data after 1995 of 1,750 nonprofits with revenue greater than \$10 million per year, found that “for every dollar earned by arts, culture, and humanities organizations crowds out 59 cents in donations, and every dollar earned by human services and public benefit organizations crowds out 50 cents of donations” (p. 5). However, the author also

pointed out that this data is not conclusive as some donors may view enterprising organizations as self-reliant and produce donations that complement alternative funding sources.

While this opposing research is not an exhaustive comparative study, it does provide a counter argument that social enterprise may not be a good fit for Blood:Water Mission. However, while this information presented here does indeed go against the proposed hypothesis, the two scenarios presented should not deter Blood:Water Mission from continuing to research adopting a social enterprise model. These two findings that go against the hypothesis presented in this project are important for Blood:Water Mission to consider and will be discussed further in chapter six.

### *Concluding Remarks*

The literature presented in this section provides a good and clear definition of what social enterprise is and how it can be mutually beneficial to an organization and to the general public. It also shows a growing trend of organizations pursuing social enterprise and the reasons for that growing trend, as well as presenting advise from current social entrepreneurs who have field-tested information to pass along to organizations looking to also start a social venture. The literature as well as the other data presented in this project will provide Blood:Water Mission with better information on whether adopting social enterprise would be beneficial for the organization. The literature presented here does provide the organization with sizable data in favor of social enterprise.

## CHAPTER FOUR: KEY INFORMANT INTERVIEWS

The following four key informant interviews were conducted to gather information from current organizations with social enterprise models and use the information to find any trends and successes/failures that would be relevant to the hypothesis presented in this project. Key informants are Rob Touchstone of The Well Coffeehouse, Kim Molnar of Second Harvest Food Bank of Middle Tennessee, Barrett Ward of fashionABLE, and Nick Meyer of Nisolo.

Key informants were selected for this project based on their business model of social enterprise, their missions to fight the effects of poverty, and their location. Mission was an important factor in choosing the organizations because they needed to be similar to Blood:Water Mission as the information could relate. And interviewing organizations in Nashville, Tennessee was also important in selecting informants because that is Blood:Water Mission headquarters are located and where they would also conduct business activities if a social enterprise model or social enterprise model aspects were to be adopted.

### The Well Coffeehouse

The Well Coffeehouse (The Well) is a non-profit coffee shop located in Nashville, Tennessee. The organization has a mission to bring clean water to people and save lives through the sale of coffee. The organization seeks to assist in building wells internationally through the profits made in the coffee shop. The organization has partnered with other non-profit organizations to carry out their mission including Blood:Water Mission.

The Well also has a passion to address poverty in other ways. They act as a

retail location for local nonprofit organizations to sell products that support efforts to help the poor and oppressed.

The Well also has set up something called the Wishing Well in the store to meet local needs. The Wishing Well is a physical board in the store where people can post wishes on cards and other's can pick wishes and grant them. This is currently not a program of the organization, the organization acts only as a facilitator. It is something the organization will continue to facilitate until it has the ability to put revenues into granting wishes and develop it as a program.

The interviewee from The Well is Mr. Rob Touchstone, co-founder, pastoral and mission director of The Well.

*Interview of The Well Coffeehouse*

***Why is the Well a nonprofit versus a for-profit? Social enterprises can adopt either business model, was there a deciding factor to make it a nonprofit?***

I yielded the decision to my team, at first we thought we would be a for-profit social enterprise - all along we wanted to be about making money, just to give it away. We were then advised by our financial guy to establish the Well as a non-profit instead, so we wouldn't have to pay the business income tax. That way we could give more away - roughly 30% more (or \$40,000-\$50,000 more a year).

We expected to be advised to be a for-profit, but this aligned more with our mission to keep as low as an overhead as possible, and give away everything we made. It also makes sense to be a nonprofit because all of us have other jobs, we don't expect to hire any full-time staff on the administrative side of things, unless we end up having to hire someone to vet potential partners and track our projects -

this would be something way down the road though.

***Does the Well seek alternative funding sources (outside of sales)?***

No, not right now. We may eventually, but not now. We did however seek start-up funding, when we were at the conceptual phase. We created this on paper, and then sought the funding to open the doors. Our reasoning for not seeking funding now, is that we haven't put in a plan for that yet. We have just been in operation for less than four months, and we just wanted to get the doors open. We raised the money to get the doors open, and now we will let it run.

We would like to seek funding in the future to cover all of our overhead expenses - then literally 100% of what we make would be given to our partners. However, fundraising is a big job, and like I said before, all of us here have other jobs - we are operating on limited time and resources right now, and I don't foresee us hiring someone to fundraise anytime in the near future.

***Do you find that being a "social enterprise" attracts customers? What else attracts customers?***

Yes, definitely. I see everyday that we have customers coming back because of our mission. People tell us all the time that they don't want to go back to Starbucks or other coffee shops, because they see that the money they spend here goes to something bigger than themselves.

Our atmosphere is great as well - it is relaxed, safe, and friendly. I wouldn't say that we are trying to have a religious atmosphere, but we are doing subtle things to get people to ask questions through the merchandise and books that we have for sale here in the shop [Christian authors, and Christian, non-profit

merchandise]. We are inviting people into something that is bigger than themselves, which can be evidenced by our atmosphere and mission. We want people to say “I did something good today” when they come in as customers. Really, we want to help people live a bigger story. One thing we always say around here is that we hope the consumer becomes the consumed.

We are not experts in marketing or fundraising, we aren’t doing either of those things, and people are still coming in. So that is something that proves that being a social enterprise is attracting customers to the Well.

***You don’t have your own programs yet, do you see yourselves growing your own programs?***

Yeah, we currently donate our profits to partner organization’s to implement the work, but we are going to start allotting some cash to “wishes” on the Wishing Well. We want to become locally focused as well as globally focused in our programs, through the Wishing Well - that will be considered a program.

We have been in operation for a little under four months and already making a profit, so now we have a little more money to develop our programs. This is great news for us because, usually start-ups take nine months to become profitable. Now that we know we can be profitable, we will try to develop new things like putting money into the Wishing Well, and also creating a way for customers to donate to our projects on top of their order.

***Do you find that customers have become donors of the Well or partner organization? Does the organization seek to transform customers into donors again for the Well or partner organizations?***

The next level of marketing for us to communicate with customers that “we-



are committed to funding a network of water projects in ‘Area X’, come and join us as a donor.” This would be different from what we are doing now because rather than just take profits and say this is what the money did, we would actually say to customers, we are doing this - join us by becoming a donor. We can also issue a challenge to customers to help us finish funding projects.

Right now, we show people a good way to get involved, we are a good starting point for people. We create awareness for issues, and ways to help combat them.

***What do you contribute to the Well's success thus far?***

We have a great product, mixed with a great mission. People love coffee and local coffee shops, and then put in our mission of providing clean water with our profits and it is really driving our success.

***What advice would you offer a mid-sized nonprofit organization that is considering integrating earned revenue or an organization looking to adopt a similar social enterprise model like yours as their own?***

For us, our success lies in listening and acting on what God has shown us what to do. We have also been intentional to build a well-rounded team that is sold on our mission and what we are trying to accomplish. We have had a rather non-formula type growth.

## Second Harvest Food Bank of Middle Tennessee

Second Harvest Food Bank of Middle Tennessee (Second Harvest) opened its doors in 1978 with commitment from several community leaders. The purpose of the organization was to provide a central distribution center for companies, groups and individuals who wished to help provide food for hungry people in Middle Tennessee. Second Harvest's mission is to feed hungry people and work to solve hunger issues in the community.

Second Harvest was designed to collect food that would otherwise be wasted, inspect and sort this food, and distribute it to soup kitchens, pantries, and shelters serving the hungry. Now, Second Harvest is one of the largest and most comprehensive food banks and distribution centers nationwide.

Project Preserve, a service of Second Harvest that began in 1992, is a co-op program that combines products manufactured by Second Harvest and products manufactured by other producers. This program is designed to supply agencies in Middle Tennessee and other food banks throughout the U.S. with food and personal care products to meet the needs of Middle Tennessee and communities around the country. Project Preserve offers purchasing, manufacturing and logistics solutions to local partner agencies and the Feeding America Food Bank Network and seeks to reduce waste of bulk food donations by manufacturing food items into shelf-stable products (cook chill). Today, Project Preserve supplies nutritious, manufactured meals and bulk grocery products to the Second Harvest Food Bank of Middle Tennessee, as well as to 120 food banks across the country.

Cook Chill Manufacturing is a program that helps extend the shelf life of

perishable products and increase the nutritional content of food resources, while providing an easy-to-prepare meal solution for partner agencies and the Food Bank Network. Cook Chill product recipes can also be customized to meet regional and client-specific dietary needs.

The Second Harvest Food Bank of Middle Tennessee interviewee is Kimberly Molnar is the vice president of program sales and vice president of Project Preserve.

*Interview of Second Harvest Food Bank of Middle Tennessee*

***Why did Second Harvest choose to keep Project Preserve a nonprofit vs a for-profit? Social enterprises can adopt either business model, was there a deciding factor to make it a nonprofit?***

We wanted to stay within our 501(c)(3) status with Project Preserve in order to stay in-line with our overall mission to serve the needy. It was/is our goal to sell food to the needy and keep very low overhead. Also, we didn't want to be another just another for-profit company. Wal-Mart and other food brokers are our donors. We don't want to or need to compete with them. In keeping the 501(c)(3) status, and being a part of Feeding America, we had to comply with the Feeding America Corporate standards. These standards dictate how Second Harvest can handle donations (strictly monitored).

***Is Project Preserve the main earned revenue generating arm of Second Harvest? How much of Second Harvest's overall revenue is earned (approximately what percentage)?***

The Culinary Arts Center earns revenue for 2nd Harvest, we also sell lunches and do catering to earn revenue alongside Project Preserve. Overall,

earned revenue accounts for a large portion of our overall revenue before expenses. But, we operate these programs in a way where we are keeping a very small overhead, and intend for the programs to be more of a service than a major revenue generating arm of the organization. After expenses are taken out, earned revenue accounts for approximately 10-12% of our overall operating budget.

***How important/unimportant is it for Second Harvest to have diverse funding sources?***

Extremely important, we don't want to be dependent on just one funding stream. There are many aspects like the economy and politics that could dry up funding sources and leave an organization in a bad place if the only funding source they had dried up. Right now, we have noticed that as the economy changes, so does the interest of some donors. We have "benefitted" in the past couple of years of being a basic needs organization, as people saw that more people were in need of basic needs. Now that the economy is rebounding some, I think more people will be interested in donating to the arts more.

Also, Project Preserve is very important, because Second Harvest is in charge of what is happening. Meaning, we are in charge of revenue. This is important to other funding sources, because they see that you as an organization are striving for sufficiency in some manner. They know that you are not solely dependent on them.

***Does earned revenue create a level of sustainability for the organization that you believe would otherwise not be there?***

Yes, revenue that we are generating through our programs would not otherwise be replaced.

***Do you find that being a "social enterprise" attracts donors? What else attracts donors?***

Yes, this isn't something we can quantify, but when we give tours, people are very impressed by our operations and revenue generating programs (and other programs) and want to get on board. Again, donors want to see that you are trying to generate own revenue. Mission and reputation attract donors. We proudly state our efficiency claim that is 92 cents of every dollar go towards the mission. This is something donors really latch on to.

***Do you have a plan to convert customers to donors?***

Yes, once we get people connected in some way, like through catered lunches, we seek to get them to be volunteers, donors, or corporate food drive hosts.

***Is the revenue from the sale of goods used differently by Second Harvest as opposed to other sources of income? Does it make it easier to do things like marketing, infrastructure investment, etc?***

It is all used the same, whether we earn revenue or receive it in the form of a donation, we want every dollar to go towards the mission. Earned revenue it is tracked separately, but used the same. Every food bank has to purchase food because there is not enough food donations. They, as conscious consumers, like to purchase from us (rather than another food broker) because they know the money we make goes back into our mission of fighting hunger as well.

***What advice would you offer a mid-sized nonprofit organization that is considering integrating earned revenue into their funding plan?***

The same advice I would give someone who is starting a business: know your customer, have a business plan, operate as though you are a for-profit. The

last thing is a really hard thing to. Nonprofits tend to attract people that aren't business people. But an earned revenue model is a business model, and it needs to be run like one.

We got into earned revenue in the form of Project Preserve out of necessity. We needed to buy food to meet our growing demands, and as we began growing and offering to other food banks, the doors to begin selling also opened up. We quickly realized that this was something we couldn't just do half-heartily, and invested in the necessary infrastructure. Now other food banks look to us because they don't need to (and more than likely can't) invest in that infrastructure.

## fashionABLE

fashionABLE, a division of the 501(c)(3) Mocha Club, is a social enterprise brand that sells scarves produced in Ethiopia by women at risk who were exploited in the sex industry and affected by extreme poverty. The fashion line of scarves is sold online and at retail locations. As a non-profit brand, their commitment is to the development of people - the purchase of a fashionABLE scarf creates sustainable business for women in Africa, the brand recognizes that one of the biggest challenges to keeping these women off the streets is gainful employment. The brand also is generating funds through scarf sales to holistically rehabilitate women exploited in the sex industry. The "ABLE" in the brand name means this, as a consumer "you are ABLE to provide opportunities, and these women are ABLE to have a new choice."

Mocha Club is an online community of people giving up the cost of a few mochas a month – or \$9 – to fund relief and development projects in Africa. They work in five main project areas: 1) Clean Water, 2) Education, 3) Child Mothers & Women At Risk, 4) Orphan Care & Vulnerable Children, and 5) HIV/AIDS & Healthcare. The sale of scarves through fashionABLE go towards funding Mocha Club projects for Women At Risk.

Mocha Club was founded in 2005 as an effort to connect communities in America with communities in Africa. Their vision is to provide a way for people who don't have hundreds or thousands of dollars to make a difference.

fashionABLE was started by Mocha Club in 2010 with a mission to create sustainable business in Africa so that women are not dependent upon charity, but

instead are a vital part of a developing economy.

The interviewee from Mocha Club is Mr. Barrett Ward, founder and executive director of Mocha Club and creator of fashionABLE.

*Interview of fashionABLE*

***Why is fashionABLE a nonprofit versus a for-profit? Social enterprises can adopt either business model, was there a deciding factor to make it a nonprofit?***

Mission drives business, and creating a sustainable business for women in Africa was our mission. Like our other operations, I wanted it to be a movement from charity to development. I wanted to do trade with Africa (like China) - move beyond micro-lending to actual trade. I looked at indigenous products in Ethiopia (where we do our programs), and was drawn to the scarf manufacturing taking place. There are very large quantities made there.

I wanted it to be about providing opportunity for vulnerable women at the core of the business, this meant creating a model that was different from a typical business. Working with former sex workers intentionally meant modeling our business in a way that kept in mind their needs as a bottom line. We don't want to take from people in such dire need, and this effects a lot of the business - unpredictables like miscalculations, would normally mean that we could put that cost back on the manufacturer, but in our case, they don't have the ability to pay back. It also takes a lot of time to train and invest in working with former sex slaves and build a business around that as well as making money. Being a for-profit means you have to be accountable to investors (they want their ROI) - we want to be accountable to the mission, not to investors. These are the main



reasons we have a nonprofit model.

They may become a for-profit in the long run, but in our experience, it is really hard to build business in Africa - it is a lot different than building a business here. There is no timeline to move to for-profit, but it is something that will probably be considered.

***How much of Mocha Club's overall revenue is earned through fashionABLE?***

15% - If it continues to grow, we would need to separate fashionABLE out as a separate organization. If it was selling a few scarves, it fits in our current operating system. Already we are noticing this, but growth would amplify, but as we invest in fashionABLE, we get mission creep. Meaning, more time and energy is spent on fashionABLE versus Mocha Club. It is a completely different operation with staffing and brand, which makes things very difficult. In the “cute” phase, the organization could handle all of this, but with any organization there are growth pains (and in our case on both fashionABLE and Mocha Club).

***How important/unimportant is it for Mocha Club to have diverse funding sources?***

Diverse funding was really important when I looked at starting fashionABLE, it wasn't something that I was sitting around thinking about it daily, but I was looking for ideas for diverse funding and integrates my business background more.

***Does earned revenue create a level of sustainability for the organization that you believe would otherwise not be there? Is the revenue from fashionABLE used differently by Mocha Club as opposed to other Mocha Club's other sources of income?***

It does create sustainability, and I think it is good to have some diversity in our revenue. However, it is not used differently within our operations.

***Do you find that being a "social enterprise" attracts customers? Or your product?***

Both - we have a great product and brand. When we launched, our brand was a 10 out of 10 and the scarves were a 5 out of 10. Now we are working on developing better products, and I would say we are at a 8 out of 10. I didn't want to create a charitable product (Uganda beads, wooden statues), our focus from the beginning was always to create a killer product - then our brand is a deal closer.

***Do you find that fashionABLE customers have become MC donors? Does the organization seek to transform customers into donors?***

We do not track that information, however it was not our strategy to move customers to donors. I believe that if you are making a product that you believe stands alone, you can't then put customers in a loop to eventually ask them for donations. I call this mission confusion; we want them buying scarves, because we believe these scarves stand alone. To stay competitive in market, you must focus on product, not figuring out how to make them donors, because then they won't be customers anymore.

***What advice would you offer a mid-sized nonprofit organization that is considering integrating earned revenue into their funding plan?***

Stay away from it - I am not sure there is enough evidence that social-

enterprise is working. I also believe that if you are not careful, your mission can be attacked. There are a lot of risks involved starting a business with a charitable spin, if you hire a workforce that has a 75% HIV infection rate, like we did, there are inherent risks involved, and products may not be created to a high standard. In a normal business, the manufacturers are held accountable; we cannot do that in our case.

When looking at adopting some sort of social enterprise, look all the way to the spin-off stage (if it is started under the same 501(c)(3)). You have to have a clear plan and strategy as to how to avoid mission creep, and successfully launch the new venture to spin-off phase, but still have it funding your mission.

***What has the result of organizational growth/decline been since the launch of fashionABLE?***

fashionABLE has grown, but Mocha Club has held its growth pattern, and maybe even declined a bit. We definitely lost some momentum with what we were trying to accomplish with Mocha Club. I attribute mission creep and focus as the main reason for Mocha Club being stagnate.

***What do you contribute to the fashionABLE's success?***

First and foremost, a great brand. Then a solid product, and conscious consumerism.

## Nisolo

Nisolo is a social entrepreneurship endeavor focused on empowering communities through job creation and education initiatives. Nisolo's hope is to influence a growing culture of conscientious consumerism here in the United States as well as to offer job creation and access to quality education for this Peruvian community and others around the world. Through providing capital, training, or a new market to sell quality goods, Nisolo's cause is to honor the passion and potential that is so prevalent in the developing world. Their hope is to do so in a way that offers individuals opportunity and the tools necessary to help themselves. With this empowerment comes dignity, sustainability, and true change.

Through the purchase of their products, consumers support job creation as they contract impoverished producers who, through their work, empower themselves to shape their own future. Understanding the important role that education plays in growth, they have also pledged to donate ten percent of our profits to education programs in the neighborhoods where our products are made. That way, not only is empowerment offered through stable jobs, but opportunity is shaped into reality for the thousands of bright young minds willing to make lasting change in their communities. Nisolo wants you to "wear change."

The Nisolo interviewee is Nick Meyer, co-founder and vice president of business development.

### *Interview of Nisolo*

#### ***Why is Nisolo a for-profit versus a nonprofit? Social enterprises can adopt either business model, was there a deciding factor to make it a for-profit?***

Based on Patrick Woodyard's (co-founder) experiences with non-profits in the past, a for-profit model enabled Nisolo to "get the wheels" turning a lot faster and enabled us to progress the business much quicker. With a non-profit, you have a lot of hoops to jump through in order to get established, while a for-profit allows you to hit the ground running.

We also believe in the power of the private sector and the opportunities present within that market. With a non-profit you are often times having to rely on money that is being donated whereas a for-profit is focused on a product or service that drives the market and also motivates everyone within the operation. This in turn provides a more sustainable way of building up a community and truly drives economic growth.

#### ***Why did you want to start a social enterprise versus a traditional business?***

The basis of Nisolo is to empower the people we work with. Therefore, the idea of being a social enterprise is what fueled the current business of Nisolo.

#### ***What makes you a social enterprise?***

The people we work with and the cause of empowerment behind our brand. An easy way to put it with Nisolo is we focus on trade, not aid. We want to go in, work with the people, and give them an outlet to a market that appreciates their talent and in turn gives them consistent work.

***Traditional for-profit businesses get their income from sales and from investment, has Nisolo garnered any investments from people interested in Social Enterprise? Any investors that have lessor financial expectations from their investments because of the social mission of the organization?***

Our initial investment has all come from our internal network. That said, we have received interest from multiple people specifically interested in social enterprise. More and more people are becoming attracted to social enterprises because they are seeing the opportunity to do business in a way that still provides the consumer with what they are looking for while also providing them an opportunity to empower other individuals. All of a sudden it goes beyond the monetary gains, but you're also able to integrate the servant leadership that many investors want to be involved with.

***Do you find that being a "social enterprise" attracts customers? What else attracts customers?***

It certainly does. It adds an appeal to the brand and makes it more than just the product. That said, the most important thing from a business standpoint is the product itself. You must have a product that can sell itself because the cause typically won't sell the product. To further that, if you really want to make a difference within the communities where the producers live, you must be a sustainable business to maintain consistent income going to the artisans with whom you work.

***Was social enterprise (versus traditional business model) the right choice for Nisolo? Do you see it as something that other companies and nonprofit organizations should take advantage of?***

Nisolo's business model works for Nisolo, so it was certainly the right-

choice for us. An important thing to realize, however, is that no matter what you're doing, you can have a cause behind it and work to make a difference in ways more than just monetary gain. More and more people are starting to realize that, and you are now starting to see a movement that focuses on not just doing business, but conducting it in a way that positively affects others.

***What advice would you offer a mid-sized nonprofit organization that is considering integrating earned revenue into their funding plan?***

I think it's a great idea--the more you can integrate revenue into your funding, the less you have to rely on other donations.

***What do you contribute to the organization's success?***

The talent of our producers. They make an exceptional product and provide the cause and story behind Nisolo.

## CHAPTER FIVE: BLOOD:WATER MISSION INTERNAL DATA & PHILANTHROPIC GIVING DATA

Data gathered and studied from Blood:Water Mission for this research includes total annual revenue from 2005-2012 (2012 was a nine month fiscal year that ended in September) and revenue earned during those years. The importance of these two sets of data in relation to this project when looking, in detail, at the comparison of two more sets of data: the national trends of giving in the same time period, and also when juxtaposed to average household spending on non-essentials in the same time period. This comparison will be made in the analysis portion of this project.

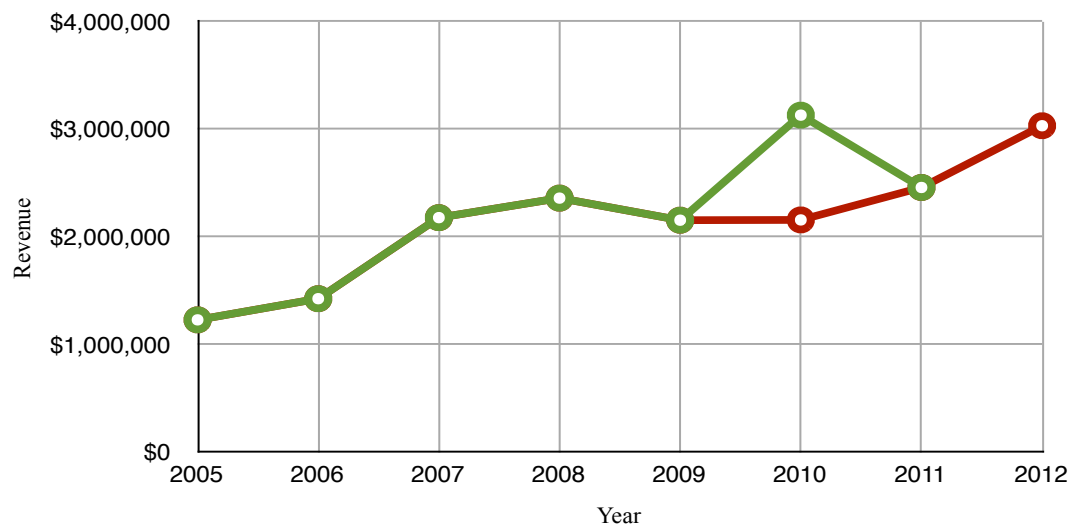
This data is relevant to this project when exploring the idea of Blood:Water Mission looking to grow its annual revenue through social enterprise, and earned revenue being a means in which to grow the annual revenue.

### Total Annual Revenue for Blood:Water Mission

The information found in Graph One and Table One show an “actual” versus “adjusted” annual revenue based on a outlier (a one-time event that was abnormal for the organization). Actual revenue was gathered by looking at reported data by the organization on annual Internal Revenue Service Form (IRS) 990s. Adjusted revenue was gathered also by looking at reported data by the organization on yearly IRS Form 990s, but taking out a outlier in the year 2010, which was a week-long radio campaign with the radio station K-Love that raised \$972,978, or 31% of the overall revenue in that year. Another adjustment was made for the year 2012, which was a nine-month fiscal year for the organization,



which started in January and ended at the end of September, in order to estimate what a full year's revenue would be for comparison to other years. It should be noted that the organization changed its fiscal years (starting as of October 1, 2012) to October-September. The adjustment for the year 2012 for this project was made by taking a three-month average of the revenue for the first nine months of the calendar year (\$758,878) and adding that to the first nine month total. By making these adjustments, a vision of the average growth of the organization based on annual revenue can be seen as a whole. Total revenue for the organization is gathered from individuals, grants, corporate support, and earned revenue.



**Figure One**

Total Revenue by Year for Blood:Water Mission - Actual versus Adjusted

Green = Actual Revenue

Red = Adjusted Revenue

The “adjusted” line takes into account an outlier and projection as previously detailed in this chapter.

**Table One**

Total Revenue by Year for Blood:Water Mission - Actual versus Adjusted

<b>Year</b>	<b>Actual Revenue</b>	<b>Adjusted Revenue</b>	<b>Percent Growth (Actual)</b>	<b>Percent Growth (Adjusted)</b>
2005	\$1,232,845	\$1,232,845		
2006	\$1,429,351	\$1,429,351	15.9%	15.9%
2007	\$2,182,081	\$2,182,081	52.6%	52.6%
2008	\$2,363,330	\$2,363,330	8.3%	8.3%
2009	\$2,158,314	\$2,158,314	-8.7%	-8.7%
2010	\$3,133,857	\$2,160,879	45.2%	0.12%
2011	\$2,462,143	\$2,462,143	-21.4%	13.9%
2012	\$2,276,635 (9 months)	\$3,035,513		23.3%

Actual Revenue was gathered from United States Internal Revenue Service Form 990s for Blood:Water Mission, Inc. 2005-2011, and internal documents for 2012. Revenue for the year 2010 has been adjusted by taking out a one-time radio campaign that raised \$972,978. Revenue for the year 2012 has been adjusted by adding \$758,878 - a predicted revenue for the remaining three months of the year.

### Blood:Water Mission Earned Revenue by Year

Data gathered based on the earned revenue for Blood:Water Mission for this section is located in Table Two and was gathered by reviewing data from the organization on annual IRS Form 990s, and also from an internal report generated by staff to assess merchandise revenue from 2009-2012, which was made available for this project. Research discovered that the organization has three sources of earned revenue. These sources of earned revenue are: 1) interest from cash held accounts, 2) merchandise sales, and 3) a category in the IRS Form 990s called "other", which is believed to be another source of earned revenue. These numbers were totaled for each year and the percentage of earned revenue of total revenue is revealed.

**Table Two**

Earned Revenue for Blood:Water Mission in Relation to Total Revenue

<b>Year</b>	<b>Total Revenue</b>	<b>Rev. from Merchandise</b>	<b>Rev. from Interest</b>	<b>“Other” Revenue</b>	<b>Total Earned Revenue</b>	<b>Earned Revenue as % of Total Revenue</b>
2005	\$1,232,845		\$3,226		\$3,226	0.26%
2006	\$1,429,351		\$10,845	\$33	\$10,878	0.76%
2007	\$2,182,081		\$26,523	\$7,695	\$34,218	1.57%
2008	\$2,363,330	\$13,962	\$17,174		\$31,136	1.32%
2009	\$2,158,314	\$12,069	\$250		\$12,319	0.57%
2010	\$3,133,857	\$33,320	\$397		\$33,717	1.08%
2011	\$2,462,143	\$32,867	\$363		\$33,230	1.35%
2012	\$2,276,635	\$16,330	\$135		\$16,465	0.72%

The above graph details the historical earned revenue by Blood:Water Mission. The three sources of earned revenue have been interest from cash held accounts; merchandise sales, and also a category in the IRS Form 990s called “other”. These numbers were totaled for each year and the percentage of earned revenue of total revenue is revealed. Other revenue (which is not represented in this table) is contributions from foundations, corporations, and individuals.

Total Revenue, revenue from merchandise, revenue from interest, and other revenue data were gathered from US IRS Form 990s for Blood:Water Mission, Inc. 2005-2011, and internal documents for 2012.

## Trends in Giving Philanthropic Giving

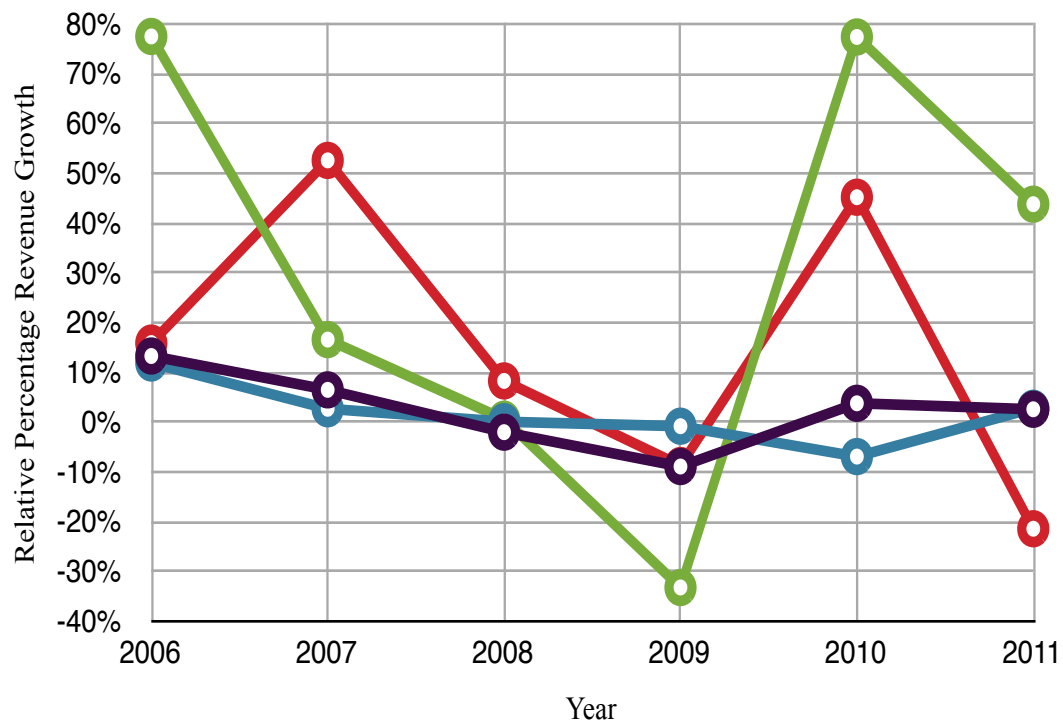
Data gathered researching trends in national giving as depicted in Table Three and Graph Two was gathered by reviewing Giving USA annual reports from 2006 to 2012 (covering calendar years 2005-2011). The research looks at three categories from the annual reports: total charitable giving, total giving by individuals, and total giving to international affairs (a category defined by Giving USA). These three categories were examined to look at the trends in charitable giving to compare percent growth to that of the annual growth of Blood:Water Mission in total revenue. Also to look at the trend of growth for individual giving nationally, as to compare that to Blood:Water Mission, as individual giving is the main source of revenue for Blood:Water Mission. Lastly, to look at the trend in giving to international affairs, which Blood:Water Mission would be described as an international affairs organization. These three giving categories, were compiled and percent growth was calculated and then compared to the percent growth of annual revenue for Blood:Water Mission. Other traditional sources of revenue including contributions from foundations and corporations were not taken into account in this section because Blood:Water Mission does not view those as primary sources of revenue.

**Table Three**

## Trends in National Philanthropic Giving

<b>Year</b>	<b>Total Charitable Giving (Billions)</b>	<b>%-/+</b>	<b>Total giving by individuals (Billions)</b>	<b>%-/+</b>	<b>Total giving to international affairs (Billions)</b>	<b>%-/+</b>
2005	\$260.28		\$199.07		\$6.39	
2006	\$295.02	13.3 %	\$222.89	11.9%	\$11.34	77.5%
2007	\$314.07	6.5%	\$229.03	2.7%	\$13.22	16.6%
2008	\$307.65	-2%	\$229.28	0.1%	\$13.30	0.6%
2009	\$280.30	-8.9%	\$227.41	-0.8%	\$8.89	-33.2%
2010	\$290.89	3.8%	\$211.77	-6.9%	\$15.77	77.4%
2011	\$298.42	2.6%	\$217.79	2.8%	\$22.68	43.8%

All data gathered from USA Giving Annual Reports 2005-2012. Citations by year listed in Bibliography.



**Figure Two**

Percentage Growth in National Annual Giving Revenue versus Percentage Annual Growth of Blood:Water Mission Revenue

Purple = Total Charitable Giving

Blue = Giving By Individuals

Green = Giving to International Affairs

Red = Giving to Blood:Water Mission



### National Average Consumer Spending per Household

Data gathered for consumer spending, shown in Table Four, was gathered from a report by the United States Department of Labor (2012). The report shows many statistics based on average annual household expenditures for the years 2007-2010. For this research, the categories of data were collected: average household expenditures annually, average percent of expenditures per household as interpreted as non-essential expenditures, and average percent of expenditures per household as cash donations. Non-essential expenditures are defined as the categories (created by the US Department of Labor): food away from home, alcoholic beverages, household furnishings and equipment, apparel and services, entertainment, personal care products and services, reading, tobacco products and smoking supplies, and miscellaneous.

This data was gathered in order to compare the average percent of expenditures per household as interpreted as non-essential expenditures, and average percent of expenditures per household as cash donations. This data will be connected to social enterprise in the analysis section of this project.

**Table Four**

National Average Consumer Spending per Household

<b>Year</b>	<b>Average Household Expenses</b>	<b>Average Percent of Expenditures as Non-Essentials Expenditures per Household</b>	<b>Average Percent of Expenditures as Cash Donations per Household</b>
2007	\$49,638	22.8%	3.7%
2008	\$50,468	22.3%	3.4%
2009	\$49,067	22.2%	3.5%
2010	\$48,109	21.8%	3.4%

Data represented in Table Four was pulled from a U.S. Department of Labor (2012) titled “Consumer Expenditures in 2010: Lingering Effects of the Great Recession.” Non-essential expenditures were determined as: food away from home, alcoholic beverages, household furnishings and equipment, apparel and services, entertainment, personal care products and services, reading, tobacco products and smoking supplies, and miscellaneous.

## CHAPTER SIX: ANALYSIS

### Analysis of Literature

#### *Benefits of Social Enterprise*

With the many examples of the benefits of social enterprise, as shown in Chapter Two, it would be prudent for Blood:Water Mission to consider social enterprise. As the organization seeks to market its brand and grow internally as well as externally, the benefit of increased revenue through social enterprise could help the organization reach those goals. Also, secondary benefits of brand recognition, increased business capacity, supplementing revenue stream, flexibility, and self-sufficiency could help the organization continue to grow.

#### *Trend of Social Enterprise & Philanthropy*

Trends are indicating that social enterprise is on the rise, and some researchers claim that it is the future of the nonprofit sector. Some researchers are indicating that social enterprise is beyond a trend and a natural evolution of charitable organizations in the wake of economic and governmental funding shifts. Social enterprises are being developed and/or adapting to fit into these new economic and governmental systems.

A growing trend in social enterprise is also in correlation with a current decline in philanthropic giving. While this research does not provide statistical evidence of correlation, it is shown that declining levels of philanthropic giving have changed the nonprofit sector, and left organizations seeking ways to supplement their revenue streams. Some research is pointing to the economic downturn as the main culprit of declining philanthropic giving, while other

research indicates otherwise. However, whatever the culprit is, the decline has led organizations seeking ways to supplement existing revenue streams. It is currently unclear whether or not these trends of economic decline will continue, but it has caused countless nonprofit leaders and researchers to investigate the social enterprise model.

The literature presented on trends in philanthropy would suggest that there is a measurable trend of decline in philanthropic giving as a whole, philanthropic giving to international affairs, and to AIDS-related causes. While this could just be a short-term trend dependent on the economy, it is something that suggests that Blood:Water Mission, if seeking to scale, should seek alternative funding sources to increase revenue.

#### *Opposing Research*

While the information presented in this section provides counter-arguments against the proposed hypothesis, the two scenarios presented should not deter Blood:Water Mission from continuing to research adopting a social enterprise model, as both scenarios could be accounted for and avoided with planning.

Opposing research to the hypothesis being tested in this research indicated that organizations reaching \$50 million in annual revenue have reached that mark not through supplementing revenue streams, but bolstering one revenue stream (Foster & Fine, 2007). This could be cause for alarm for Blood:Water Mission to adopt social enterprise as a supplemental revenue stream as it seeks its funding mainly from individual donors. However, data presented is based on historical data representing organizations much older than Blood:Water Mission, and also

before the economic downturn in 2008. Other evidence reported in chapter three of this report has indicated that the economic downturn has greatly impacted the nonprofit sector, and new social enterprise organizations are also seeing relative success.

Other research presents the argument that giving donors the option to buy something from the organization rather than donate, has caused potential donors to only purchase something (Nelson, 2004) and not donate. However, this research indicated that results varied, and some organizations even saw a boost as donors saw the organization as enterprising and self-reliant. It is suggested that Blood:Water Mission do its own research to discover whether or not selling a product would cause a potential donor not to give. It could also be advised for any organization to consider marketing different asks to different donors/customers, generating different asks for the different segments.

#### *Examples of Social Enterprise and Expert Advice from the Field*

Chapter Two presents many different ideas of social enterprise for Blood:Water Mission including developing a niche product to market and sell, investing in a for-profit subsidiary, seeking interest, working with beneficiaries as employees, and/or developing property. One thing that Blood:Water Mission should immediately consider is how to capitalize on gaining more interest on cash on hand similar to what Kiva does with float money. Similarly, the organization receives donations, places them in cash accounts, and distributes them project specific bases.

The organization should also take into account the advice of Warby Parker

CEO Neil Blumenthal when considering its merchandise sales. If the organization is not selling a niche product that meets the demands of customers, merchandise sales will not develop into anything more than a brand-building tool.

The organization could also look into investing in a for-profit subsidiary like some of the other organizations mentioned in this research have done. The relative success of the Well Coffeehouse in Nashville has shown that a type of subsidiary investment like the Well Coffeehouse could possibly pay off for Blood:Water Mission and be a opportunistic investment.

#### Analysis of Interviews

Of the four organizations interviewed, three are non-profit organizations and one is a for-profit company. In an effort to gather information that could be cross-referenced, similar questions were asked to each organization. However, some questions had to be asked differently to the for-profit organization. When cross-referencing responses, clear trends emerged, including 1) the importance of staying true to the organization's mission, 2) providing a great product, 3) building the venture around a solid business plan, and 4) social enterprise ventures have provided sustainability for the organizations. For Blood:Water Mission to see success in adopting a social enterprise model and obtaining sustainability through a new venture it is important to stay true to these trends as presented in interviews and in the literature. However abiding by these trends will not guarantee success.

The following information is an analysis of the responses given to each question asked to each organization. It should be noted that in an attempt for

consistency the questions presented to each organization were nearly identical, however questions had to be tailored for each organization due to their differentiating business models.

### *Interview Questions*

*Why is the organization a nonprofit versus a for-profit, or for-profit instead of nonprofit?*

All four organizations answered in some form or another that the main reason was to stay true to their mission and to also drive more money towards their mission. In the case of the three non-profits that meant raising more money for programs, and for Nisolo that meant driving more economic growth for their producers. The organization fashionABLE also said it offered their organization flexibility when dealing with the unpredictables of running a business in Africa. The Well indicated that they didn't have to pay the same taxes a for-profit has to, and Nisolo said there were less hoops to jump through to start a for-profit.

The commonality of the answers offers the insight that mission is the driving force behind this decision. An organization should always keep mission top-of-mind when deciding to start a social enterprise venture.

*How much of your organization's revenue stream is earned?*

Both The Well and Nisolo currently make all of their revenue (with the exception of start-up investments), while Second Harvest Food Bank of Middle Tennessee (Second Harvest) earns roughly 10-12% of their revenue, and fashionABLE earns 15% of their parent organization's overall revenue. This

information shows that social enterprise can offer fully fund an organization or can offer an organization with a chunk of revenue to supplement charitable giving.

*How important is it for your organization to have diverse funding sources?*

The three nonprofits that were asked this question all indicated that diverse funding sources were key for their organizations. The Well currently does not seek them, but is planning on it in the near future, Second Harvest indicated that it was extremely important during the current economic climate, and fashionABLE indicated it was a key factor when starting the venture. Nisolo was not asked this question as it does not seek charitable funding. The answers to this question are consistent with the findings that the economic climate is causing organizations to seek alternative funding.

*Does earned revenue create a level of sustainability for the organization that would otherwise not be there?*

This question was asked to Second Harvest and fashionABLE, and both organizations answered that earned revenue created sustainability and was a revenue stream that would not otherwise be replaced. This is arguable the most important question to ask when considering a social enterprise venture. The fact that both organizations answered that social enterprise created sustainability and also generated revenue that would not be replaced indicates the possible benefits of social enterprise. This question was not asked to Nisolo or The Well because both organizations earn all revenues.



*Does being a social enterprise attract customers/donors? What else attracts customers?*

All four organizations indicated that being a social enterprise attracted donors. All four indicated that a mission behind a product offers more to customers than just a product. Second Harvest also indicated that donors wanted to see the organization seek self-sustainability. All four organizations also answered that a great product was the other attracting force for customers.

It is clear that a good product is a major driving factor for success, and also social enterprise offers customers something that non-social enterprises can't offer. Conscious consumers can see mission behind a product and feel like their purchase is bigger than themselves.

*Do your customers become donors?*

This question when asked to the three nonprofit organizations offered varying answers (Nisolo was not asked as it is not relevant to their business model). The Well sees this as an opportunity and will begin marketing this to customers in the near future. Second Harvest found that customers were becoming donors or volunteers, but did not offer quantifiable data. fashionABLE responded that they did not seek to make customers donors because they did not want mission confusion.

What this says, is that when done in a way that does not cause mission confusion, there is opportunity to drive customers to become donors unless the venture is a separate entity. A purchase is an entry to the organization and

mission, and an organization should follow up with another tailored ask.

*Is earned revenue used differently from other revenue streams by the organization?*

This question was asked to both Second Harvest and fashionABLE, and both organizations answered that earned revenue was not used differently from other sources of funding. The question was asked because an organization can use earned revenue to fund things like operational costs as there are no donor restrictions to the revenue. This is an important distinction for any organization that gets a lot of restricted funding. Again, this question was not asked to Nisolo or The Well because the organizations earn all revenues.

*What contributes to your organizations success?*

For the three organizations that were asked this question, all answered that a great product was the cause of their success, as well as the mission of their products. fashionABLE also answered that a great brand has led to success. This again indicates that an organization seeking to start a social venture cannot only rely on its mission, but rather has to create a great product that meets a market need. This is something that was indicated in relevant literature as well. Nisolo was not asked this question because of its young age as an organization which makes it difficult to label it successful presently.

*What advice would you offer a mid-sized nonprofit organization, such as Blood:Water Mission, that is considering integrating social enterprise?*

Both Second Harvest and fashionABLE responded with this question similarly with the advice to create a stick to a solid business plan. However fashionABLE also issued a warning that it has caused them mission-drift and said this could be detrimental to an organization. Second Harvest also advised to know customers and invest in the infrastructure, as starting a half-hearted venture would not result in success. The Well advised to be intentional about building a team sold on your mission. Lastly Nisolo, the for-profit, believed that the more a nonprofit could rely less on donations and more on earned revenue, the more sustainable the organization could be.

All of the organizations offered advise to act more like a business in some form or another. This is an important distinction of a social enterprise as it mixes the bottom line of a venture to seek both economic value and social value. If an organization cannot function like a business, it is advised to not start a social venture. While fashionABLE advised to not start a social enterprise venture, the organization has seen the effects of not creating a thorough business plan, as they did not predict their own growth, and have had to invest more in the social venture and less in the parent organization, causing mission drift. It is important for any social enterprise venture to take not of this.

## Analysis of Blood:Water Mission Internal Data & Philanthropic Giving Data

### *Total Annual Revenue for Blood:Water Mission*

As data is studied in Figure One and Table One, three conclusions were drawn:

1) The organization has incurred a modest growth in annual revenue from 2005-2012. When looking at “actual revenue”, the organization only suffered two years of decline in their annual revenue in 2009, an 8.7% decline, and in 2011, a 21.4% decline. However, when looking at the “adjusted revenue”, we can see that the organization only suffered one year of decline in 2009, an 8.7% decline, followed by a year of stagnate growth in 2012, a .12% growth.

2) The two years of decline/stagnate growth occur during the years 2009 and 2010, which coincide with a national economic recession and gradual upturn. This comparison can be seen in more detail when looking at Table Three and Graph Two - Trends in Giving, which depict that in 2009 total charitable giving fell by 8.9%, giving by individuals was fell by .8%, and giving to international affairs fell greatly by 33.2%. In 2009 total charitable giving bounced back and grew by 3.8%, giving by individuals dropped again by 6.9%, and giving to international affairs also bounced back by 77.4%. While there is not enough evidence to prove that Blood:Water Mission’s annual revenue decline and stagnate growth in 2009-2010 was due to the economy as a whole, there are similar trends to that of national giving.

3) While annual revenue (adjusted) during the years 2009-2010 where the only years of decline/stagnate growth, when looking at the period of 2007-2011, it can be seen that the organization's revenue line stayed mostly stagnate. In 2007 the annual revenue was \$2.2 million and in 2011 it was \$2.4 million. For an organization that began in 2004 and had an annual revenue of \$1.2 million by 2005, a growth of only \$.2 million over the five year period of 2007-2011 is something to take note of. It is for this reason, that the idea of social enterprise to increase annual revenue as an option for the organization is something that is being studied in this report.

*Blood:Water Mission Earned Revenue by Year*

Data was collected for Table Two because of earned revenue being such a large part of what the definition of social enterprise is. For the organization to seek a social enterprise model, means that the organization would seek to transform/supplement annual revenue with earned revenue streams. As can be seen in Table Two, the organization has never had the percentage of earned revenue as part of the total revenue line be greater than 1.57%, which was in 2007 and has been as low as .26% in 2005. Earned revenue was at its highest in 2007 at \$34,218 largely due to the organization's interest gained on cash held in interest bearing accounts.

It can also be seen when analyzing data in Table Two that the organization began selling merchandise in 2008, and began seeing modest revenue that reached its peak in 2010 with revenue of \$33,320 in sales. Merchandise sales of course come with investment from the organization in creating products, buying

wholesale, creating a web-store, and man-power in selling the merchandise at events and fulfilling the orders in-house. The organization decided in 2012, that the buy-in was outweighing the revenue and cut back on the effort and money put into merchandise, which can be seen in the nearly 50 percent decline in merchandise revenue

Interest on the other hand, has little to no buy-in by the organization other than taking a risk of possibly losing money during investment. The organization took advantage of earning interest from 2005-2008, but it was not given priority from 2009-2012. According to the systems director for Blood:Water Mission, who handled these cash accounts, the decline in interest earned was due to the change in the types of accounts the organization put cash reserves in, and interest rates at the time. There was not a significant change in cash reserves at this time as the organization seeks to maintain the same amount of cash reserves at all times.

#### *Trends in Giving Philanthropic Giving*

Annual giving reports by Giving USA were studied for multiple reasons for this project including comparison to Blood:Water Mission's annual revenue, but to also study the overall trends of philanthropic giving as experts are writing about the growing trends of philanthropy through social enterprise. Through the collection of this data we are able to see both trends addressed.

While comparing Blood:Water Mission's percentage growth of annual revenue to the percentage growth in national annual giving we can see similar trends, most notably comparing Blood:Water Mission's annual revenue to

national giving to international affairs and total charitable giving. From 2007 to 2011 Blood:Water Mission, national giving to international affairs, and total charitable giving follow a similar growth/decline pattern which can be seen in Graph 2: decline in 2008, decline in 2009, growth in 2010, decline in 2011. This could indicate that Blood:Water Mission could continue to follow these trends which are currently on the decline.

When looking at the percentage of growth/decline in philanthropic giving, there is no strong evidence to conclude that the outlook of philanthropic giving has drastically changed, however, when looking at the period of 2005-2011, a very small shift can be perceived. Similar trends in total charitable giving and giving by individuals can be perceived as taking a hit during the economic recession, slowly coming back to the levels prior to the economic recession, but not quite getting to 2007 levels yet, and showing very modest percentages of annual growth currently.

Again, there is not significant evidence to support a declining trend in philanthropic giving, but it should be noted that total charitable giving was less in 2011 than in 2007 and giving by individuals is less in 2011 than it was in 2006. While there has been some bounce back in these categories since the recession in 2008-2010, modest growth indicated in this data shows a potential shift in overall philanthropic giving.

#### *National Average Consumer Spending per Household*

One last set of data collected and studied for this project includes trends in consumer spending from 2007-2010. In a recent report released by the US

Department of Labor, consumer-spending habits were documented and averaged. From this data a few things can be inferred for this project.

In conjunction to the reports of annual charitable giving, we can see that in the category titled “Cash Donations”, the percentage spent per household dropped from 3.7% in 2007 to 3.4% in 2010. Meaning, households are giving less to charity on average during this span of time. It should also be noted that overall spending also dropped by \$1,500 per household annually during this time period.

While looking at this data, liberties were taken in defining what non-essential expenditures were, and defined as a combination of the categories named in the report as: food away from home, alcoholic beverages, household furnishings and equipment, apparel and services, entertainment, personal care products and services, reading, tobacco products and smoking supplies, and miscellaneous. When combining these categories up we can see that the average household will spend roughly 22% of its annual expenditures on these categories, versus the less than 4% it will spend on cash donations.

While many social enterprises look to sell goods and services to the average household to gain revenue for the organizations, it should be noted that the average percentage of money spent on non-essentials (which include many of the things social enterprises market), greatly surpasses the average percentage of money a household donates in cash. In other words, while the average household may donate roughly \$1,600 (3.4% of \$48,109) in a year to charity, they will spend \$10,487 (21.8% of \$48,109) on non-essentials.

In other words, if an organization could market and sell products and



services falling into this category, they could have a greater chance at appealing to the average household, as the average household is spending more money on non-essentials rather than spending on cash donations.

Again, in other words, an average household will spend nearly 22% of their annual expenditures on non-essentials, which a social enterprise could seek to market and sell. This approach, versus traditional means of a charitable organization trying to gain revenue from the average household by going after the less than four percent spent on cash donations. If an organization were to seek to make the main source of revenue from the sales of goods and services that fall in the category of non-essentials, the organization would be going after a much larger portion of average household spending (nearly \$9,000 more) as opposed to the average household expenditures on cash donations.

## CHAPTER SEVEN: CONCLUSIONS

### Limitations

This project aims to discover whether or not a social enterprise or aspects of a social enterprise model would benefit the organization Blood:Water Mission, primarily through increased earned revenue, and secondarily through greater organizational sustainability. This research does not identify the form of social enterprise would benefit the organization most, or project earnings for the organization. The project aims to identify whether or not social enterprise is a viable option for diversification and sustainability. While it would be appropriate to continue to test this hypothesis on the level of implication, it was not in the realm of possibility for this project due to capacity restrictions.

Another limitation for this project include the use of only Nashville based organizations for key informant interviews. While Blood:Water Mission could possibly base a enterprise in Nashville, it also has a national reach in the sense of donors and advocates being across the country. Original plans for the project called for the interview of the organization Hot Bread Kitchen based in New York City, New York however the organization was unable to facilitate a discussion and based on time and capacity, the project focused on local organizations which were easier to facilitate conversations.

Lastly, the project could gain more knowledge from interviewing additional for-profit social enterprises and comparing data to one another as well as comparing interview data between nonprofit organizations. Instead this project cross-analyzed data between both for-profit and nonprofit organizations.

## Conclusion

Based on the information found in the literature, the information gathered in the key informant interviews, as well as analyzing the data it can be concluded that Blood:Water Mission can indeed benefit from social enterprise. However, success of a social enterprise is dependent on several factors including 1) creating a great product or service that meets a need in the market, 2) does not cause the organization to drift from its mission, and 3) a solid business plan is created and followed. The organization can benefit by increasing its earned revenue stream, which could also cause secondary effects such as increased brand awareness, greater self-sufficiency, greater flexibility, and capacity. The increased revenue streams can be then used to further the organization's mission.

Both consumer spending habits, as well as philanthropic giving trends and habits are showing that there has been a recent decline in giving to charity. While there is not a direct link to giving to Blood:Water Mission, the organization has also showed a trend of stagnant revenues. Based on this information, it could be appropriate for the organization to begin to bolster earned revenue streams through social enterprise.

## Implications

The research did not identify a single social entrepreneurial endeavor that would be a fit for the organization, but did identify that the organization could seek to bolster its earned revenue stream through a variety of differing endeavors both internally and/or through a co-branded enterprise. A co-branded enterprise with a successful entrepreneur in the Nashville, Tennessee area could be

advantageous for the organization given the proven success of The Well and fashionABLE, as people in Nashville have shown their interest in supporting organizations and causes through typical retail, entertainment, and restaurant industries. Also because of the data represented in this report that shows the average household expenditures on similar categories (non-essentials).

With organizational ties to the entertainment business in Nashville and current relationships with local businesses, it is advised to begin further research in these two areas. For the organization to start a new enterprise it would take significant investment to hire the support staff (or allocate staff time) for research and development of a new venture as well as managing the venture after inception. While the organization may begin to see success, and while The Well and fashionABLE saw very early successes, full return on investment may not be seen for months/years. Like with any start-up organization, it is advised to make accurate plans to be able to predict return on investment before seeking donor support to launch the new venture. For the organization to make this investment, it must also look to maintain its focus on mission as to avoid mission drift as advised by fashionABLE and as to also fulfill the requirements of the Internal Revenue Service.

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