ENTERPRISING NONPROFITS:

REVENUE GENERATION IN THE NONPROFIT SECTOR

Cynthia W. Massarsky and Samantha L. Beinhacker
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Paper Overview

Nonprofit managers who develop social purpose ventures to generate revenues to support a social mission have limited opportunities to share their experiences with others in the field or to learn from the experiences of others. Many nonprofit managers also have modest business backgrounds. Yet, despite these challenges, the movement toward income generation by nonprofits continues to grow. Some of these ventures succeed, yet many more fail to meet either their social or financial goals. Clearly, the field lacks well-defined criteria, standards, and strategies for achieving success in this area. The potential payoff from the diffusion of learning appears to be substantial. This paper offers a first step in the process.

Much has been written in the past twenty years about nonprofit organizations' attempts to look beyond traditional funding sources and initiate earned-income ventures. At the same time, there is little data available that formally documents either the incidence or the character of these ventures. Perhaps most unfortunately, we know little about what constitutes success and failure for a nonprofit enterprise.

To address some of these questions, in the fall of 2000, The Pew Charitable Trusts commissioned the authors to survey the landscape of enterprise in the nonprofit sector. The survey was posted online, on a web site available to all interested nonprofit organizations, and publicized through a variety of print and online media such as *The Chronicle of Philanthropy*, The Foundation Center, and other electronic newsletters and promotional news sources. The announcement inviting nonprofit organizations to participate was worded to encourage responses from a broad spectrum of nonprofits, including small to large nonprofits, organizations currently running profit-making businesses, those who are no longer operating profit-making businesses, and those who have never run such ventures.[1]

WHAT THE EXPERTS SAY

Although some nonprofits have the potential to plan, create, and manage profitable business ventures, most of them cannot accomplish these tasks on their own.

To succeed, nonprofits need a marketplace that provides three types of services:

- **Human and organizational capacity development**– opportunities for building capacity in leadership, organizational structure, operations, financial systems, accountability, and planning.
- **Structured and accessible venues for learning**– opportunities for obtaining existing information on business venturing among nonprofits, learning from the experiences of others, and initiating new research and dialogue.
- **Tools and models that serve as market standards**– opportunities for identifying capital options and accessing and leveraging capital, as well as coordinated dealmaking opportunities for funding and co-investment partnerships.

The response to the survey was considerable: in total, 519 nonprofit organizations participated in the survey, of which 42 percent [217] are currently operating an earned-income venture, 5 percent [28] ran but then abandoned ventures, and an additional 53 percent [274] of the organizations responding had never operated a revenue-generating enterprise.

The survey was complemented by interviews with experts in the field of nonprofit enterprise with an eye towards developing an understanding of the existing resources available to assist nonprofits operating for-profit business ventures, nonprofits' experiences with enterprise, and key ingredients for success in these ventures.

This paper summarizes what we have learned from the survey data and interviews with experts in the field. It is intended to provide a first blush perspective on trends in the field of nonprofit enterprise, to help us begin to identify lessons learned, and to set the stage for our future efforts to support nonprofit organizations' business activities.

Line of Inquiry

The survey invited response from participants that have tax-exempt status under Internal Revenue Code 501(c)(3). The organizations that responded were asked to identify their parent organization's program area, number of years in operation, number of full-time staff, and annual budget. The survey also asked respondents to indicate whether they are currently operating an earned-income venture, or did so in the past.

For those who are currently operating ventures or did in the past, the survey probed specific areas such as type of enterprise activity, stage of development, amount of income generated and financial status, funding mechanisms, measurement of social return on investment, and impact of the venture on the parent nonprofit organization. Those organizations that have never operated a venture were asked to explain their rationale for not pursuing a business enterprise and other roadblocks to operating a business venture. In addition, all respondents were asked to comment on whether they viewed their organizations as entrepreneurial, and if so, what entrepreneurial strategies they are using.

Profile of Survey Respondents

The survey respondents constituted a wide cross-section of the nonprofit sector. 31 percent of the respondents are in the field of human services; 18 percent are public society/benefit organizations; 14 percent are educational institutions; 11 percent from the health field; 9 percent from arts and culture; 5 percent from environmental organizations; and 4 percent from religious institutions.

The majority of parent organizations have been in existence for more than 11 years, according to the survey respondents, with more than a third in operation for more than twenty years and 17 percent have been in operation between 11-20 years. Only 7 percent of the survey sample are new to the sector with a year or less of operational experience.

Research Findings

Taken in the aggregate, the survey results highlight a number of important trends in nonprofit enterprise activity.

- A significant number of nonprofits that responded to the survey are already operating business ventures, or say they wish to initiate an earned-income venture. Among all 519 respondents surveyed, 65 percent are currently operating an earned-income venture, or express interest in doing so. 42 percent are currently operating a business enterprise; 53 percent have never operated a venture; and another 5 percent are not currently operating a venture, but did in the past.[2]

- Arts and culture organizations are more likely to operate earned-income ventures than other types of organizations. Among the organizations responding, 60 percent of arts and culture organizations are operating ventures; 47 percent of health organizations are operating businesses; 43 percent of health services organizations and another 43 percent of public society organizations are operating ventures. 42 percent of environmental groups are operating ventures; 33 percent of educational institutions and only 26 percent of religious organizations are operating ventures. Future research might answer the question as to whether these differences stem from inherent properties of the kinds of goods and services produced in these varied sectors, or whether they relate more to cultural and organizational differences among the organizations. (Table 1)

TABLE 1. VENTURING STATUS BY PROGRAM AREA

(IN PERCENTS)	TOTAL ALL RESPONDENTS	BY PROGRAM AREA ARTS / CULTURE	HEALTH	PUBLIC SOCIETY	HUMAN SERVICES	ENVIRONMENT	EDUCATION	RELIGION
CURRENTLY OPERATING EARNED-INCOME VENTURE	42	60	47	43	43	42	33	26
NOT CURRENTLY OPERATING EARNED-INCOME VENTURE (But Did In The Past)	5	7	2	7	6	4	7	4
NEVER OPERATED EARNED-INCOME VENTURE	53	33	51	50	51	54	60	70

- Service-related ventures are the predominant type of earned-income ventures operated by the nonprofit organizations responding to the survey. 74 percent of those operating ventures are currently running service-related ventures; 47 percent operate product-related enterprises; 26 percent are renting and leasing properties; 15 percent are running cause-related marketing projects.

- Nonprofit organizations operating ventures tend to be older, more experienced nonprofits. Among those currently operating businesses, 50 percent of the parent nonprofit organizations have been in operation for 11-20 years and 47 percent of those nonprofits have been in operation for more than twenty years. (Table 2)

TABLE 2. VENTURING STATUS BY NUMBER OF YEARS OPERATING PARENT NONPROFIT

(IN PERCENTS)	BY NUMBER OF YEARS OPERATING PARENT NONPROFIT ORGANIZATION LESS THAN 1 YEAR	1-5 YEARS	6-10 YEARS	11-20 YEARS	MORE THAN 20 YEARS
CURRENTLY OPERATING EARNED-INCOME VENTURE	22	34	39	50	47
NOT CURRENTLY OPERATING EARNED-INCOME VENTURE (But Did In The Past)	6	3	7	4	6
NEVER OPERATED EARNED-INCOME VENTURE	72	63	54	46	46

NONPROFITS ARE VENTURING!

- Network of Home-Based Machine Knitters
- Commercial Theatre Production Company
- Excess Clothing Baling Operation
- Custodial and Building Maintenance
- Science Curriculum and Software for Grades K-5
- Digital Scanning Data Conversion Operation
- Safety Evaluator of Brand Name Drugs
- Bakery and Catering Business
- Health, Property, and Liability Insurance
- Housing Rental and Leasing
- Landscape and Gardening Business
- Microenterprise Loans
- Certification Process and "Fair Trade" Label
- Toner Cartridge Remanufacture and Sales
- Translation and Interpretation Services
- Brokerage of Used Medical Equipment and Surplus Office Furniture
- First Aid Kits and Automatic External Defibrillators

- Nonprofit organizations operating business ventures are staffed with greater numbers of employees. Among those in business, 55 percent have more than 100 employees, 53 percent of the parent nonprofits employ between 21-99 employees, 44 percent have 11-20 employees, and 34 percent have 0-10 employees. (Table 3)

TABLE 3. VENTURING STATUS BY NUMBER OF FULL-TIME EQUIVALENT STAFF EMPLOYED IN PARENT NONPROFIT

	BY NUMBER OF FTE STAFF			
(IN PERCENTS)	0-10 EMPLOYEES	11-20 EMPLOYEES	21-99 EMPLOYEES	MORE THAN 100 EMPLOYEES
CURRENTLY OPERATING EARNED-INCOME VENTURE	34	44	53	55
NOT CURRENTLY OPERATING EARNED-INCOME VENTURE (But Did In The Past)	4	11	4	9
NEVER OPERATED EARNED-INCOME VENTURE	62	44	43	36

- Budget size is an important factor for organizations operating earned-income ventures. The greatest number of organizations operating ventures are in the $5 million-$25 million category—73 percent of organizations with budgets of $5 million-$11.9 million and 64 percent of those with budgets of $12 million-$24.9 million are operating businesses. Fewer organizations with budgets of less than $5 million are operating ventures (34 percent). Similarly, 46 percent of organizations with budgets of $1 million-$4.9 million are operating ventures. (Table 4)

TABLE 4. VENTURING STATUS BY ANNUAL BUDGET OF PARENT NONPROFIT

	BY SIZE OF ANNUAL BUDGET				
(IN PERCENTS)	LESS THAN $1M	$1M-$4.9M	$5M-$11.9M	$12M-$24.9M	$25M+
CURRENTLY OPERATING EARNED-INCOME VENTURE	34	46	73	64	43
NOT CURRENTLY OPERATING EARNED-INCOME VENTURE (But Did In The Past)	4	9	5	4	9
NEVER OPERATED EARNED-INCOME VENTURE	62	46	22	32	49

FOR NONPROFITS, "ENTREPRENEURIAL" MEANS...

"Increasing earned revenue and profit"

"Agile"

"Looking for resources and opportunities"

"Crafting deals"

"Responding to market demand and opportunities"

"Creating an environment for new ideas and strategies"

"Challenging the status quo, familiar paradigms, and established beliefs"

"Constantly redefining customers"

"Developing and testing new products and services"

"Redefining business in response to actual and anticipated developments"

"Implementing 'outside the box' strategies"

"Innovative"

"Risk-taking"

"Creating, collaborating, and synthesizing"

"Inventing new ways to do business"

"Nontraditional"

"Operating in a fast, flexible and focused manner"

"Seeking nontraditional funding/capitalization"

"Creating new models for the sector"

"Moving quickly to new challenges"

"Applying private sector thinking and ideals to operations and activities"

"Forming strategic partnerships"

"Designing and developing programs that reach out beyond traditional constituencies and supporters"

"Cutting edge"

- The majority of organizations tie their ventures to the mission of the parent nonprofit. 87 percent of those currently operating businesses say that the goals of the venture relate to the mission of the organization to a great or significant extent. [The reader should note that these responses are self-reported, and are subject to the usual biases.]

- Nonprofits operating earned-income ventures have been operational for an average of 6.45 years. Ventures operated by organizations with budgets of more than $25 million tend to be more mature enterprises, averaging about 10 years in duration.

- Nonprofit organizations operating ventures tend to view themselves as more entrepreneurial than those who have never ventured. 77 percent of those currently operating an earned-income venture say they are entrepreneurial. In contrast, 46 percent of organizations that have never ventured say that they are entrepreneurial. 43 percent of those no longer operating ventures consider themselves entrepreneurial. Among those not operating businesses, 55 percent say they are not entrepreneurial or are unsure if they are entrepreneurial.

- Top management is a critical force in initiating and championing the venture. 64 percent of those currently operating ventures say that top management proposed the venture concept, and 68 percent say that top management has also acted as a champion for the venture. Among those who have ceased operation of their venture, only 33 percent say that top management acted as a champion, and 19 percent say they had no champion.

- Nonprofit organizations operating ventures see a bottom-line benefit. On average, survey respondents currently operating ventures say that their enterprises generate 12 percent of annual net revenue. In contrast, among those organizations that have ceased their venture operation, the average percentage of annual revenue generated was 5 percent. This finding might indicate that the ventures ceased operation because the financial incentives were not great enough for the parent organization.

- More than half of the nonprofit organizations operating businesses are at break-even or generating surplus. Of the 217 respondents who are operating for-profit businesses, 35 percent say they are making money, 19 percent say they are breaking even, and 35 percent say they need to subsidize the ventures to keep them going. [The reader should note that these responses are self-reported, and it is not clear what cost categories were included in respondents' break-even assessments.]

- Budget size, the number of employees in a nonprofit running an earned-income venture, and the age of the organization appear to be important factors that influence the financial success of a venture. The majority of the nonprofits operating ventures that are turning a profit have budgets of more than $12 million, retain more than 21 employees, and are more than 11 years old. Although the business ventures run by nonprofits with fewer employees are not in the black to the extent that larger nonprofits are, the survey shows that, over time and as the organization ages and grows, the ventures become more profitable. [The reader should note that some of this result likely comes from the fact that unsuccessful ventures are more likely to drop out over time, so that the survivors naturally look more prosperous.] (Table 5, 6, 7)

TABLE 5. PROFITABILITY OF VENTURE BY SIZE OF ANNUAL BUDGET OF PARENT NONPROFIT

	BY SIZE OF ANNUAL BUDGET				
PERCENT SAYING:	LESS THAN $1M	$1M-$4.9M	$5M-$11.9M	$12M-$24.9M	MORE THAN $25M+
VENTURE REQUIRES SUBSIDY	45	30	26	12	29
VENTURE IS AT BREAK-EVEN	20	16	21	19	17
VENTURE GENERATES FINANCIAL SURPLUS	25	38	37	69	50
OTHER	5	4	9	–	–
DON'T KNOW / NO ANSWER	6	11	7	–	4

TABLE 6. PROFITABILITY OF VENTURE BY NUMBER OF FULL-TIME EQUIVALENT STAFF EMPLOYED IN PARENT NONPROFIT

	BY NUMBER OF FTE STAFF			
PERCENT SAYING:	0-10 EMPLOYEES	11-20 EMPLOYEES	21-99 EMPLOYEES	MORE THAN 100 EMPLOYEES
VENTURE REQUIRES SUBSIDY	43	29	29	27
VENTURE IS AT BREAK-EVEN	17	33	14	18
VENTURE GENERATES FINANCIAL SURPLUS	25	29	47	47
OTHER	6	4	3	5
DON'T KNOW / NO ANSWER	9	4	7	3

TABLE 7. PROFITABILITY OF VENTURE BY NUMBER OF YEARS OPERATING PARENT NONPROFIT

	BY NUMBER OF YEARS OPERATING PARENT NONPROFIT ORGANIZATION				
PERCENT SAYING:	LESS THAN 1 YEAR	1-5 YEARS	6-10 YEARS	11-20 YEARS	MORE THAN 20 YEARS
VENTURE REQUIRES SUBSIDY	36	50	41	35	26
VENTURE IS AT BREAK-EVEN	18	12	25	22	18
VENTURE GENERATES FINANCIAL SURPLUS	9	23	25	34	45
OTHER	18	–	–	–	–
DON'T KNOW / NO ANSWER	18	12	–	6	–

- A greater percentage of nonprofits that are renting or leasing properties are generating a surplus than those that are running service-related, product-related, or cause-marketing ventures. For these clearly commercial functions, with no social mission overlap, financial success is more of a relevant metric. (Table 8)

TABLE 8. PROFITABILITY OF VENTURE BY TYPE OF EARNED-INCOME VENTURE

	BY TYPE OF EARNED-INCOME VENTURE OPERATING			
PERCENT SAYING:	SERVICE-RELATED	PRODUCT-RELATED	CAUSE-RELATED	RENTING / LEASING
VENTURE REQUIRES SUBSIDY	33	31	34	25
VENTURE IS AT BREAK-EVEN	20	20	14	21
VENTURE GENERATES FINANCIAL SURPLUS	35	37	36	50
OTHER	5	5	7	3
DON'T KNOW / NO ANSWER	7	6	9	2

- Nonprofits do not wait for complete financing to launch their ventures. 50 percent of the survey respondents that are operating ventures report that they have secured total financing and are operational, and another 44 percent say that they have partial funding in place and are also operational. Nonprofits with the largest budgets tend to have total financing in place as compared with those organizations with smaller budgets.

- However, the survey results demonstrate that the level of financing plays an important role in the financial success of the venture. A greater percentage of those nonprofit ventures that have financing in place and are operational generate a financial surplus. 54 percent of the ventures that have total financing in place and are operational are generating a surplus compared with 18 percent of those with partial funding that are operational. 59 percent of ventures with partial funding require a subsidy compared with 18 percent of those with total financing. (Table 9)

TABLE 9. PROFITABILITY OF VENTURE BY LEVEL OF FINANCING THE VENTURE HAS SECURED

	BY LEVEL OF FINANCING THE VENTURE HAS SECURED	
PERCENT SAYING:	PARTIAL FUNDING IN PLACE AND OPERATIONAL	TOTAL FINANCING IN PLACE AND OPERATIONAL
VENTURE REQUIRES SUBSIDY	59	18
VENTURE IS AT BREAK-EVEN	16	24
VENTURE GENERATES FINANCIAL SURPLUS	18	54
OTHER	7	3
DON'T KNOW / NO ANSWER	–	–

- Financial return—be it generating income for programs, moving toward greater self-sufficiency or diversifying revenue streams—is the primary reason more than half of the nonprofits launch profit-making ventures. 66 percent of the organizations currently operating ventures say that generating income and surplus for their programs is a top reason for operating the enterprise. 52 percent say that moving toward self-sufficiency is a top reason. Another 51 percent mention wanting to diversify their revenue stream. (Table 10)

TABLE 10. TOP REASONS FOR VENTURING

PERCENT SAYING THAT VENTURE:	CURRENTLY OPERATING EARNED-INCOME VENTURE	NOT CURRENTLY OPERATING EARNED-INCOME VENTURE (But Did In The Past)
GENERATES INCOME/SURPLUS FOR PROGRAMS	66	61
MOVES ORGANIZATION TOWARDS SELF-SUFFICIENCY	52	28
DIVERSIFIES REVENUE STREAM	51	28
SERVES CONSTITUENTS BY PROVIDING EMPLOYMENT/ TRAINING/THERAPEUTIC OPPORTUNITIES	39	50
GENERATES POSITIVE COMMUNITY RELATIONS	34	36
HELPS TO REVITALIZE THE NEIGHBORHOOD/COMMUNITY	23	17
OTHER	9	11

- But financial return is not the only motivation. 39 percent of those operating business ventures say their businesses also serve their constituents by providing employment, training, and therapeutic opportunities. 34 percent claim that the ventures generate positive community relations, and 23 percent say the ventures help to revitalize the neighborhood and community. (Table 10 continued)

- Operating a for-profit business has an impact on the nonprofit that goes beyond the bottom line. It also has a positive impact on an organization's reputation, mission, service and program delivery, entrepreneurial culture, self-sufficiency, and its ability to attract and retain donors and staff. In fact, respondents say they see a variety of halo effects from business activity such as improving the nonprofit organization's reputation (80 percent), better delivery of services and program (73 percent), sharpening of its mission (73 percent), and building an entrepreneurial culture (63 percent).

- Social impact is a critical component of the value proposition for nonprofit business ventures. 76 percent of the organizations that operate a business venture indicate that they include the social benefit when determining the profitability of their venture. However, far fewer (8 percent) formally calculate the social return on investment that their venture generates.

- Many nonprofits aspire to see their ventures grow and replicate. 47 percent say they have developed a strategy to move their venture "to scale" or next stage. Another 42 percent say they have not yet developed a strategy to replicate their venture, but plan to do so. 46 percent say they have already implemented their scale-up strategy, and many (58 percent) of these organizations say they feel it has been successful.

- **However, more often than not, nonprofit organizations do not apply standard business protocols for initiating a business venture.** Only half (55 percent) of the organizations operating ventures have written a business plan. Far fewer (39 percent) of those organizations that ceased operation of their earned-income enterprise say they wrote a business plan. (Table 11)

TABLE 11. VENTURING STATUS BY WHETHER ORGANIZATION HAS WRITTEN A BUSINESS PLAN

	BY WHETHER ORGANIZATION HAS WRITTEN A BUSINESS PLAN:	
(IN PERCENTS)	YES, HAVE WRITTEN A BUSINESS PLAN	NO, HAVE NOT WRITTEN A BUSINESS PLAN
CURRENTLY OPERATING EARNED-INCOME VENTURE	55	45
NOT CURRENTLY OPERATING EARNED-INCOME VENTURE (But Did In The Past)	39	61
NEVER OPERATED EARNED-INCOME VENTURE	39	54

- **Yet business planning can have a significant impact on the success and mission of a nonprofit organization.** 81 percent of the organizations that have written a business plan say that their ventures have a positive impact on the mission of their organization, as compared to 69 percent without plans. Additionally, 84 percent of organizations operating ventures with business plans say their venture has a significant impact on their ability to deliver services and programs compared with 68 percent without plans. (Table 12)

TABLE 12. IMPACT OF WHETHER ORGANIZATION HAS WRITTEN A BUSINESS PLAN

	BY WHETHER ORGANIZATION HAS WRITTEN A BUSINESS PLAN:	
PERCENT SAYING VENTURE HAS A POSITIVE IMPACT ON THE FOLLOWING ASPECTS OF THEIR NONPROFIT ORGANIZATION:	YES, HAVE WRITTEN A BUSINESS PLAN	NO, HAVE NOT WRITTEN A BUSINESS PLAN
REPUTATION	86	81
SERVICE / PROGRAM DELIVERY	84	68
MISSION	81	69
ENTREPRENEURIAL CULTURE	69	62
SELF-SUFFICIENCY OF ORGANIZATION	66	59
ABILITY TO ATTRACT AND RETAIN DONORS	59	53
ABILITY TO ATTRACT AND RETAIN STAFF	56	46
BOARD LEADERSHIP	58	43
ABILITY TO ATTRACT AND RETAIN VOLUNTEERS	41	35

- **Nonprofit organizations say that targeted business planning analysis and assistance is a critical support mechanism that will help them implement and sustain their earned-income ventures.** 56 percent of the nonprofits operating business ventures rank business planning assistance as their top choice of resources they would find valuable to assist their organizations' ventures. (Table 13)

TABLE 13. TYPE OF SUPPORT AND ASSISTANCE MOST VALUABLE TO IMPLEMENT AND SUSTAIN VENTURE OR PARENT NONPROFIT (IF NOT VENTURING)

PERCENT SAYING THIS TYPE OF SUPPORT AND ASSISTANCE WOULD BE MOST VALUABLE TO HELP IMPLEMENT AND SUSTAIN THEIR EARNED-INCOME VENTURE:	CURRENTLY OPERATING EARNED-INCOME VENTURE	NOT CURRENTLY OPERATING EARNED-INCOME VENTURE (But Did In The Past)	NEVER OPERATED EARNED-INCOME VENTURE
BUSINESS PLANNING ASSISTANCE	56	21	39
ACCESS TO CAPITAL/FINANCIAL RESOURCES	43	25	30
MARKET RESEARCH	29	21	31
PEER SUPPORT	27	21	27
MENTORING	27	18	22
TECHNICAL ASSISTANCE (HANDS-ON CONSULTING)	17	11	18
WORKSHOPS/SEMINARS ON EARNED-INCOME VENTURING	17	11	15
OTHER	2	–	3
NO ANSWER	27	57	38

- **Lack of financial resources and trained personnel are roadblocks to nonprofits that seek to initiate business ventures.** The lack of financial resources to operate a venture and the lack of personnel resources to develop and manage the venture are the top reasons why organizations have never ventured, or shut down their operation. Indeed, when asked what type of resources would be valuable to help launch a venture, 43 percent of nonprofits operating ventures indicated that access to capital and financial resources would be extremely helpful. Interestingly, those not operating businesses do not seem to be as concerned about their tax exemption status as one might expect. Only 31 percent say they are concerned about their exemption status, citing this as a barrier to their participating in any enterprise activity.

Lessons for the Field

The trend to venture has increased significantly over the past twenty years as more and more nonprofit organizations explore revenue generation opportunities. The survey results highlight many of the features of these new revenue-generating ventures. From our perspective, we were most interested in the factors that impede or facilitate successful development of new ventures, and that might plausibly be improved via some sort of intervention.

In this respect, business planning stands out. Our survey results indicate that sound business planning has a significant impact on the success of a venture, yet we learned that only half of those operating ventures actually wrote business plans before launching their businesses. Business planning assistance, in the form of targeted business analysis, market research, and strategic planning, could be a valuable resource and critical ingredient to help ensure success. Such assistance would certainly increase the capacity of those that are currently operating ventures and encourage those that are not to begin exploring opportunities to do so.

Our data further suggest some of the complexities of providing such business planning. We find that commercial opportunities may well vary substantially by type of organization, and that success may depend in part on the demographic features of the nonprofit venturer. Perhaps most importantly, as we think about the use of business tools for nonprofits, our results indicate that for many nonprofits, operating a business is not only about making money. As a consequence, business planning for nonprofit ventures needs to proceed by using multiple lenses. Profit-making enterprise can have a positive effect on a nonprofit organization not only by generating sustaining surpluses, but by creating halo effects for an organization's reputation, entrepreneurial culture, and ability to attract and retain donors and staff. These side effects need to be factored in to a business planning process, just as do any conflicts between a commercial venture and an organization's social goals.

Supporting Nonprofit Enterprise: Yale School of Management - The Goldman Sachs Foundation Partnership on Nonprofit Ventures

All this points to the need for the creation of a marketplace to bring together the best of academic research and field practice to help support the efforts of nonprofits in building new ventures. With this goal in mind, The Pew Charitable Trusts has partnered with the Yale School of Management and The Goldman Sachs Foundation to launch the Partnership on Nonprofit Ventures. Under the leadership of Faculty Co-Directors Professor Stanley Gartska and Professor Sharon Oster, The Partnership has developed an on-line resource center to provide cutting edge research and business tools to nonprofits interested in commercial ventures, and provide ways for nonprofits in the field to share their own experiences with these ventures (www.ventures.yale.edu).

As a signature event, The Partnership is also launching a National Business Plan Competition for Nonprofit Organizations, the first of its kind in the United States, that will assist nonprofit organizations in starting or substantially expanding successful profit-making ventures. The Competition will culminate in a conference in May 2003 where non-profit practitioners, academics and students, foundation and corporate investors, venture capitalists, venture philanthropists, and others will gather to network with one another, celebrate award winners, and participate in a host of activities that inform the process of business activity among nonprofit organizations. At the final round of the Competition—to take place at the annual conference—four grand prize winners will each receive $100,000 in seed capital and hundreds of hours of business planning consultations to assist them in moving their ventures forward. Four semi-finalists will each receive $25,000 in seed capital as well as business consulting services. Through networks of judges, Advisory Board members, and others affiliated with The Partnership, winners may also have access to additional sources of funding to complete their capitalization requirements.

For more information about the Yale School of Management – The Goldman Sachs Foundation Partnership on Nonprofit Ventures, contact Deputy Directors, Cynthia Massarsky, Cynthia.Massarsky@yale.edu and Samantha Beinhacker, Samantha.Beinhacker@yale.edu, visit www.ventures.yale.edu or call 201-894-8950.

Notes

[1] The survey announcement read: "Are you applying entrepreneurial strategies in your nonprofit organization? Are you seeking to diversify your funding base? We invite you to participate in an online survey to share your strategies."

[2] These survey results are consistent with a recent *The Chronicle of Philanthropy* article which cites a study by the IRS showing that in 1997, even after subtracting all exempted income, charities received $4.2 billion from outside business dealings—more than double the total in 1990. *The Chronicle of Philanthropy,* October 18, 2001, "The Business of Charity" by Harvy Lipman and Elizabeth Schwinn.