



# MUNICIPAL INVOLVEMENT IN SOCIAL ENTERPRISE

## The Seattle Experience

by Mark Pomerantz

A sea change is taking place in the manner in which nonprofit agencies deliver services, create jobs, and raise funds. It is a philosophical shift toward entrepreneurial thinking and funding diversity - in essence, the application to the nonprofit world of the techniques used so successfully by entrepreneurs and venture capitalists in the business world.

Since 1998, the City of Seattle has been taking a leadership role in this change. But the leadership it has modeled is not of the “take charge” or “know it all” variety. Instead, the City has done its utmost to connect with the vast resources already available and foster linkages between capital, expertise, and opportunity in the nonprofit and for-profit sectors.

### WASHINGTON NONPROFIT ENTERPRISE NETWORK

The City’s first move was to collaborate with the Washington State Association of Community Action Agencies in the interests of educating nonprofits about social enterprise. Under the name Washington Nonprofit Enterprise Network, these organizations sponsored no less than 18 meetings on social enterprise topics between February 1998 and April 1999.

The gatherings brought together nonprofit representatives with some of this country’s leading social entrepreneurs: Bill Strickland (Bidwell Training/Manchester Craftsmen’s Guild, Pittsburgh); Jim Thalhuber (National Center for Social Entrepreneurs, Minneapolis); Jed Emerson (Roberts Foundation, San

Francisco), and Greg Dees and Steve Roling (Ewing M. Kauffman Foundation, Kansas City). In November 1998, this staff member of the City’s Strategic Planning Office was the lone government representative to attend the First Community Wealth Building Conference held in Colorado Springs. There we made contact with social entrepreneurs from across the country. What we learned was that nonprofits wanting to enter the social enterprise arena face two primary problems: lack of internal capacity and lack of access to capital.

### TWIN-TRACK STRATEGY

The Strategic Planning Office therefore devised a twin-track strategy to assist Seattle nonprofits interested in entrepreneurial solutions. One track is a fairly con-

ventional initiative to develop nonprofit capacity. The Nonprofit Assistance Center (NAC) was launched last October to help nonprofits build their organizational skills in the realms of board development, technology, fund-raising, financial management, and business planning.

The NAC subsidizes and provides management consulting, workshops, and technical assistance to smaller nonprofit agencies serving communities of colour, as well as human service agencies under contract with the City. Upgrading the capacity and infrastructure of these smaller agencies is expected to bring about a measurable increase and improvement in the services they deliver, particularly when those services involve social enterprise.

While a primary contributor to the NAC (\$460,000 over two years), the City is by no means the sole one. Several local founda-



(left) Christopher Dolbaum, master tilemaker for the Seattle Youth Tile Project, presents his product at the Seattle Social Enterprise Expo, November 1999.

(far Left) Bill Strickland, keynote speaker at the Social Enterprise dinner. Strickland is CEO of Bidwell Training Center and the Manchester Craftsman's Guild, two Pittsburgh organizations he created to help re-integrate the marginalized. The Guild uses art to teach lifeskills to at-risk school children. The Training Center builds partnerships with local companies to train unemployed adults. In the past 30 years, both operations have grown to a multi-million dollar scale.



mingled with social entrepreneurs.

Consortium members realize the difficulty in a nonprofit “becoming entrepreneurial,” especially after years of being otherwise. The example and/or technical assistance of such agencies as Pioneer Human Services, Communitas, and the National Center for Social Entrepreneurs can ease the transition into entrepreneurial operations. The latter agency, for example, has developed an “entrepreneurial audit” technique for measuring existing entrepreneurial capacity. (While based in Minneapolis, the National Center has worked closely with about eight Seattle agencies.) The Consortium will look at various techniques of “outcome measurement” pioneered by organizations like the Rensselaerville Institute and the Roberts Foundation to see if there are ways to measure increased entrepreneurial capacity. Other program possibilities include a MBA/MPA internship program with local universities and a common website.

tions have also collaborated to create this agency, and technical assistance and financial management has been supplied by Technical Assistance for Community Services, an established nonprofit management support center in Portland, Oregon.

### SEATTLE SOCIAL ENTERPRISE CONSORTIUM

The second of the City’s initiatives, the “social enterprise track,” is the more innovative of the two: to broker interactions between the nonprofit community and the for-profit and philanthropic community in order to develop additional capital sources. We at the City are not aware of any other City government leading and facilitating a similar endeavor.

Central to the social enterprise track is the Seattle Social Enterprise Consortium,

which the City has taken the lead in forming. The Consortium comprises 10 agencies, four of them funders (United Way of King County, Cascadia Revolving Loan Fund, Community Capital Development, Washington Mutual Bank Foundation) and six practitioners (Pioneer Human Services, South King County Multi-Service Center, Communitas Group, Emerald City Outreach Ministries, Coalition for Community Development & Renewal, and Washington Works). They and the City have committed themselves to assist each other with social enterprise and to help other agencies to become successful social entrepreneurs.

Seattle’s Mayor Schell introduced the Consortium at the First Seattle Social Enterprise Expo, an event sponsored last November by the City and Pioneer Human Services. It was a “tabletop trade fair” featuring 18 nonprofits (and one for-profit with a charitable purpose) that had developed or were in the process of developing social enterprises. Guests from the nonprofit, business, and philanthropic world

### SOCIAL INVESTORS FORUM

The centerpiece of the Consortium’s activities, however, will be the Seattle Social Investors Forum, developed in collaboration with the Seattle Social Venture Partners (SVP). Using the venture capital approach as a model, SVP members nurture

financial investments with their time and expertise and thereby become active partners with not-for-profit organizations.

The Social Investors Forum is an event designed to better connect such social investors with entrepreneurial social service practitioners. After the model of the Investors' Circle (a group of "socially-conscious" investors that have invested \$40 million over the past decade in socially

and/or project sustainability or "profitability" in future years. In other words, each agency must specify a Social Return on Investment.

All potential investors will pre-commit to attending the entire event, to being pre-disposed (but not required) to make actual investments on that day, and to be open to recurring investments in the future.

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responsible business), the Social Investors Forum will provide practitioners with access to a broader, more diversified, and focussed capital market. For investors, the Forum will provide an opportunity to invest more social capital more efficiently. The investments will be grants, but they will target organizations striving to realize both a social return and greater financial self-sufficiency.

At the Forum (scheduled for May 13, 2000), six social service practitioners will be invited to give presentations and meet with a selected group of potential investors. The agencies will all be involved primarily in providing services to children and families, including

- food, shelter and housing
- youth counselling and development
- mentoring and family reconciliation
- safe havens, physical, and mental health
- education and job skills development

SVP plans to structure a "suggested offering" for participating investors in terms of \$2500-increments and varying time frames (one, two, or three years). The investors will make grants with no expectation of financial repayment. Each recipient, however, will be expected to provide a description of projected measurable outcomes of the social enterprise project. This could be in terms of a percentage increase in earned income, the creation of new jobs for kids in programs,

**FUTURE COLLABORATIONS**


The City is also open to developing further social enterprise collaborations. The City and the Social Enterprise Consortium are exploring the co-sponsorship of workshops and conferences (on topics like corporate philanthropy and internet philanthropy) with the Chamber of Commerce and other business associations. Many corporations are already developing "strategic philanthropy" plans to support nonprofits which their target buyers support.

Nonprofits can benefit from learning how to approach and work successfully with such corporations. "E-Commerce" is booming. Many sites offer links to nonprofits, as well as passing through a percentage of profits in return for the use of their name. Nonprofits need guidance on how best to select E-Commerce partners.

The Washington State Department of Community, Trade, and Economic Development (CTED) has also expressed an interest in social enterprise. CTED has created a program that provides technical assistance and seed capital to social entrepreneurs, which is state-wide but primarily targets areas outside of the central Puget Sound region. CTED and the City would like to develop a mechanism for joint training of social entrepreneurs.

**CONCLUSION**

The City has dedicated money and staff into nonprofit capacity building because it believes that there will be a return on the investment: stronger nonprofit organizations with improved infrastructure, delivering better and more services. The expected return from investing in social enterprise is a more diversified funding base (including more earned income) for the nonprofits and greater self-reliance and sustainability. This works to the advantage of everyone concerned. The taxpayer's dollar will stretch farther; nonprofit organizations will be more effective; and their clients will be better served.

The city, which is admittedly neither a nonprofit or a private business, hopes to broker closer collaborations between these two sectors, in the hope that there will be an interface where the social service mission of the nonprofits converges and melds with the techniques of private business. 

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