

Nonprofits Seek Self-Sufficiency by Running Own Businesses

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Nonprofits are learning how to fish, so to speak.

Like the old Chinese proverb, they're looking beyond handouts to generating their own money to fund their operations.

In philanthropy speak, it's known as social enterprise—or running a business to generate income for a charity.

The idea has been around for years. Perhaps the best example is Goodwill Industries International, the largest nonprofit operating in Orange County. It raises money for education, training and job placement services through its thrift stores.

Others include the Salvation Army with its thrift stores and even the Girl Scouts of the United States of America with its cookie sales.

The goal is to become less dependent on grants and donations, said Betsy Densmore, vice president of operations for the Irvine-based Social Enterprise Institute, which helps nonprofits start and run businesses.

“Self sufficiency—that’s the big driving force,” Densmore said.

Business leaders who sit on nonprofit boards are driving the trend, according to Densmore. That’s what they know, she said.

Donors also are getting away from check writing, Densmore said.

“There is a real expansion going on,” she said.

The Social Enterprise Institute, started in 2005, provides a brain trust for nonprofit leaders who want to learn more about operating a business.



Densmore: “Self sufficiency—that’s the big driving force”

They need a place to speak about problems in confidence with their peers, as well as share successes, Densmore said. Members meet monthly.

“You can be honest and layout your problems,” said Kathy Johnson, a Social Enterprise Institute member.

Johnson is executive director of Newport Beach-based Vital Link, which helps guide students into careers.

The feedback Johnson gets from peers at the institute is candid, she said.

“Sometimes it’s hard to hear,” she said. “Sometimes it’s inspiring. Sometimes it’s energizing. Sometimes it’s overwhelming.”

Johnson, who owned a construction and property management company for 19 years, considers the group valuable in her plans to expand Vital Link.

The nonprofit gets about 60% of its income by offering products and services, such as conflict resolution and speaker training for educators.

Vital Link started by offering training and now has expanded its programs into career counseling with a twist. It travels to schools and gives demonstrations of various jobs.

Healthcare companies hire Vital Link to promote careers to students. Instead of giving a presentation on each of the jobs relevant to surgery, Vital Link puts on a mock surgery in which all the participants—professionals in their fields—reenact an operation and take turns telling about their jobs.

“It’s one thing to do a presentation,” Johnson said. “It’s another to actually see what they do.”

Vital Link is in the early stages of developing a career center with hands-on exhibits in a museum-like setting.

This summer, it plans to add an 11-day career exploration program that parents can pay to have their kids attend.

Fountain Valley-based Working Wardrobes, which provides clothes and job placement help for those in need, generates about 55% of its

income from used clothing stores in Tustin and Brea, according to founder and Chief Executive Jerri Rosen.

Rosen said she hopes to generate 80% of the nonprofit's income from sales as Working Wardrobes opens stores in Southern California. It's opening one in Laguna Niguel in October. Next year, it plans to expand to the Inland Empire and Los Angeles.

"We love to hear that cash register ring," Rosen said.

The stores are run by a paid manager. The rest of the workers are volunteers. There is no cost of goods on donated clothes, so most of the sales are profit, according to Rosen.

Working Wardrobes also does business online, selling some of its high-end clothing donations on eBay.

The stores sell men's and women's work, dress and casual clothing at a discount. It gets most of its clothing from people who make donations.

Houston-based Men's Wearhouse Inc. provides about \$250,000 worth of men's clothing annually. The men's clothing store chain also taps Working Wardrobes for workers.

The group's mission is to help men, women and teens get back on their feet.

In short, the goal is "to create more taxpayers," Rosen said.

In addition to providing work clothes, Working Wardrobes' center in Fountain Valley offers career help.

The group started 18 years ago as a traditional nonprofit, offering "days of self esteem" workshops for women, which it still offers, Rosen said.

Working Wardrobes has added other services since then. Nearly half of its clients are men, according to Rosen.

"We just want to change the business model of running our organization," she said. "It's about this whole idea of self sufficiency," she said.

That's what Working Wardrobes teaches clients, she said.

"As a nonprofit we have to get there too," Rosen said.