



Aligning Mission and a Social Venture

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For some, the idea of starting a social venture may seem like an exciting new frontier, something that energizes an organization and brings with it the promise of greater social impact or financial freedom. For other people, it is something they feel pressure to pursue—they see others realizing success with social ventures and don't want to be left behind. And then there are those who simply view it as part of doing business. But regardless of the perspective, the alignment of a social venture to an organization's mission must be considered. In the case of nonprofit organizations, there may be legal and tax reasons for this, but it goes beyond that. Getting swept up in a business opportunity that is inconsistent with your mission can take you away from your main purpose. A new venture can absorb a lot of resources, financial and otherwise, and the organization needs to consider what it hopes to gain and at what cost.

Before we continue, perhaps it is important to clearly define the terms *mission* and *social venture*. Merriam-Webster defines mission as, among other things, “a preestablished and often self-imposed objective or purpose.” For the purposes of this chapter, we will assume that the objective or purpose is

to have some type of social impact on individuals, communities, or society. A social venture is a business enterprise that also has, as one of its goals, some type of social impact on individuals, communities, or society.

In effect, a social venture is the combination of mission and venture, in varying degrees. The importance and emphasis applied to the different goals of a social venture affect how integrated it should be with mission. Though some ventures may focus primarily on profit, while placing some emphasis on mission, we will be looking at lessons learned and conclusions drawn from ventures where, without ignoring basic business viability, the emphasis is skewed more toward mission. On the surface, it may seem that all organizations would strive for this type of social venture, but striking this balance isn't always realistic. In some cases, mission or profit may need to be compromised. Deciding what compromises need to be made (and when) is often the challenge.

According to a survey conducted by Community Wealth Ventures in 2003, nearly 90 percent of nonprofits operating social ventures reported their ventures related strongly with their mission.¹ The insights that follow will be most relevant to those “high mission” ventures. The goal of this chapter is to help you understand what it means to align the concepts of mission and venture in a way that achieves social good and makes money. But first, let's look at the journey of one organization—Triangle Residential Options for Substance Abusers (TROSA)—that has consistently achieved such alignment in more than a decade of operations.

CASE STUDY: FROM \$18,000 TO \$10 MILLION IN FIFTEEN YEARS

My perspective on social ventures is shaped by my experiences over the past seven years with Triangle Residential Options for Substance Abusers. TROSA is an innovative, multiyear residential program that helps substance abusers to become productive, recovering individuals by providing comprehensive treatment, work-based vocational training, education, and continuing care. Founded in 1994 by Kevin McDonald and located in Durham, North Carolina, TROSA has become the largest residential therapeutic community in the state. The program gives individuals

an opportunity to rebuild their lives in a structured and supportive environment where they can overcome their addiction, learn new behaviors, and become productive members of society. A 501c3 corporation with all business operations run through a nonprofit corporate structure, TROSA's revenue in the fiscal year ending June 30, 2008 (including in-kind donations and other philanthropic support) was just over \$9.8 million, and the organization has close to fifty staff members.

TROSA employs an entrepreneurial business model that generates revenue through the operation of several businesses in the community. These businesses also serve a critical role in TROSA's program, because they are staffed almost entirely by clients in the residential program, providing them an important opportunity to learn job and leadership skills. Other key outcomes include rebuilding self-confidence and discovering the therapeutic value of teamwork and peer-to-peer counseling. TROSA clients are involved in all aspects of running the businesses, which include a moving company, lawn care service, catering, custom framing, a used furniture store, and holiday sales. In addition to working in TROSA's businesses, clients also staff many of TROSA's internal departments and work in such areas as office administration, transportation, construction, facility maintenance, and solicitation of in-kind donations, among others. Revenue from TROSA's businesses makes up approximately 60 percent of the organization's revenues, with an additional 30 percent generated through in-kind product donations. The remaining 10 percent comes from traditional philanthropic sources (individual donors, corporate donors, government grants, and foundation grants).

At TROSA, we always have to keep in mind both the mission of our organization and the limitations that our self-imposed rules place on business operations. For example, the peer-based focus of our program means that solitary work is not of interest to us—we look for businesses whose work can primarily be done in teams (or in pairs at a minimum). As one of our goals is to have our clients responsible for the majority of the work performed, any business that would require a significant investment in outside staffing isn't a very good fit. And because TROSA is a two-year program, we have found that businesses that primarily require skilled

staffing aren't appropriate. Although we're able to train some of our clients in very specialized areas (for example, helping them obtain a commercial driver's license so they can drive a moving truck), we are limited by the length of time clients are with us.

In tough financial times, it can be tempting to make mission-related compromises in order to pursue a lucrative opportunity. TROSA faced this dilemma in early 2008. Downturns in the housing market had resulted in moving organizational revenues well below budget, and we were working on a number of ways to reduce costs and also find new business opportunities. We were approached by a corporation for which we had done quite a lot of work in past years (more than \$1.8 million in business over the previous three fiscal years), and which had employed a number of our graduates in recent years. But the weak economy meant they had less work for us—down more than 50 percent from the previous year. Although their demand for our traditional labor was down, they expressed a need for help in a very specialized area of their business. It would mean much higher hourly rates for us (close to double what they were currently paying us), regular work, and our clients would learn a highly marketable skill. However, the work would be fairly individualized, and we wouldn't be hired until our clients passed rigorous training and subsequent testing. Our previous experience with this type of work on a smaller scale had been discouraging, as a few of our clients had become isolated and ultimately left prior to completing the program. These concerns outweighed the potentially lucrative upside, and we passed on the opportunity.

This situation and others that I have encountered in the past seven years have led me to some conclusions as to how TROSA has progressed from its meager beginnings in 1994. TROSA started with only \$18,000 in the bank, was located in an old dilapidated elementary school, and had fewer than ten clients in the program. TROSA now serves more than four hundred clients daily between its long-term residential and supportive housing programs and has more than twenty residential and commercial properties throughout Durham. We have always maintained a focus on the program's mission, as displayed in the previously outlined case, but there are more aspects that have allowed us to hold true to our mission.

Finding a Good Fit

One area where TROSA has been extremely successful is in finding a good core business and building on the foundation that it creates. Moving services are the flagship business of TROSA, and it was chosen after careful thought and consideration. It must be noted that the knowledge and experience that TROSA's founder, Kevin McDonald, brought to the table was very significant. He was the main driving force behind TROSA's starting its moving operations within a year after opening its doors.

From a business perspective, there was a fairly low financial barrier to entry. To perform contract labor for national carriers with local offices took nothing more than manpower. No equipment was required, no operating license was required, and no specialized skill was required. Kevin started with the goal of becoming a licensed moving company, with the understanding that it would take some time to develop basic skills and deal with the legal barriers of obtaining a license. The work ethic that TROSA instilled in its clients was enough to get us off to a strong start. As some of our clients developed leadership and moving skills, we were ready to start our own moving company on a very small scale. We secured an operating license with the help of an attorney, purchased a single moving truck, and continued to supplement our growing business by doing work for outside carriers. Over time, we built up our fleet, built up our program, and built our reputation. It has taken us a long way. The ratio of moving to contract labor has improved significantly over the years—in 2000, it was roughly 1:1, in 2006 it was 3:1, and in 2008 it was 5:1. This speaks to the growth of TROSA Moving, which is now the largest independent moving company in the Raleigh-Durham metropolitan area.

From a mission perspective, moving is an ideal business. All jobs are done by teams, so team building and leadership skills get practiced daily in real-world situations. Clients have the opportunity to represent TROSA in the community and see the respect they get for a job well done. This helps build self-esteem and helps them see that they can and should be treated not as recovering addicts but as honest, hard-working people. Also, operating a full-service residential and commercial moving company takes a lot more than “lumpers” who can lift heavy things. Individuals have the

chance to be trained in truck driving, sales, office administration, customer service, dispatching, logistics, scheduling, packing, and warehousing. And we make sure to stay current on moving and office technology so when clients graduate our program they are ready for the workplace.

Using One Business to Build Another

If an organization can establish an initial social venture that aligns well with its mission, organic growth can take place looking for business opportunities that complement the existing venture. With TROSA Moving, we went beyond the obvious fits such as residential and commercial storage. For instance, we regularly received donations of used furniture from moves. Individuals either were replacing old furniture during their move, or found that their new home couldn't accommodate all of their old furniture, and so were donating their unwanted furniture to TROSA. We needed to furnish our residential housing, but as the moving business grew, the supply of donated furniture far exceeded our internal needs. But we weren't sure we had enough furniture or expertise to open our own used furniture store.

So we started small, partnering with a local foundation that focused on developing earned income and other nontraditional funding sources for local nonprofits. They had been thinking about opening up a consignment store whose consignors would be local charities. But they weren't sure how to stock the store from day one, and also had staffing concerns. We worked out an arrangement whereby TROSA would help with the staffing of the store on a commission basis, thereby shouldering some of the financial risk without having any obligation for other overhead costs of the operation. TROSA also provided a significant amount of the original used furniture stock needed for the grand opening. Through our staffing arrangement, we were able to learn the basics of the business operation without making a financial investment. After about two years, the foundation turned the business over to TROSA, and we have operated the store with steadily increasing sales and revenues ever since.

Once we took over the used furniture store, we folded in another TROSA business that had stagnated in recent years. TROSA had done custom

picture framing since its earliest days, mostly for in-house needs but also on a small scale for outside customers. The used furniture store provided the opportunity for a commercially viable storefront operation that didn't previously exist. In April 2007, the combined used furniture and custom framing business moved to a location in a newly resurgent downtown Durham and has experienced steady growth ever since. An expanding employment base in downtown Durham, combined with an increasing base of regular customers, promises continued growth.

What Makes You Successful

In order to continue to extend its operations, and add successful new ventures, TROSA needed to identify what its customers value most. It became clear based on feedback, not only from customers but also employers of TROSA graduates, that customer service was one area where we really excelled. The work ethic displayed on the job made customers feel like they were really getting their money's worth. We believed an enterprise that could play to those strengths would have a good chance of success. Our next step was to identify another enterprise that would highlight those qualities, and we realized we had one already under way that was ripe for expansion.

Although we have been doing some form of lawn care work for nearly ten years, it wasn't until the previous four or five years that we started seriously pursuing residential and commercial customers. Like moving, lawn care is labor intensive and is a business where customer service can be a big differentiating factor. The two ventures complement each other in establishing our local reputation of providing high-quality service at competitive prices. We have taken great care to grow the business at a manageable pace in order to keep on top of appropriate training and customer relations. People have come to learn that when they hire TROSA, they can count on both the quality of the work performed and the customer service they receive. As a result, business has more than doubled in the past two years, and lawn care has become the largest business TROSA operates next to moving.

Unexpected Advocacy

Don't underestimate the potential for your social venture to shape the public's view of your organization while simultaneously serving your mission. For better or worse, many people in the local metropolitan area think of TROSA primarily as a moving company. This isn't a huge surprise. We do more than five thousand jobs each year, and the majority of these jobs are local. People see our trucks all over town with the TROSA logo proudly displayed. It's not that we try to hide who we are in any way. We take care to instill in our clients a sense of pride in themselves and the TROSA program, and those assigned to the moving department recognize that they are the public face of TROSA. They openly discuss the program with any customers who have questions. And from a programmatic standpoint, rebuilding self-confidence is one of our goals over the course of the two-year TROSA program. We believe it helps with ongoing success and sobriety when a person graduates the program. But this confidence grows stronger as a result of the overwhelmingly positive reaction that our moving crews get almost everywhere they go. From 2006 to 2008, readers of the *Durham Herald-Sun* voted TROSA the "Best Movers in the Triangle" (this includes Raleigh, Durham, and Chapel Hill). And this respect for TROSA's moving company leads to a respect for the larger TROSA program, and changes public perception of what recovery from addiction can really mean.

I wouldn't claim that the warm acceptance of TROSA is purely a result of the moving company and its reputation. TROSA does a lot of volunteer work in the local community, and people know that we make possible many community events simply by our involvement. When the local neighborhoods experienced natural disasters such as hurricanes or ice storms, we have been out to lend a helping hand to those in need. And we take pride in our residential properties the same way we take pride in ourselves. We know their appearance and maintenance reflect on the TROSA program and are careful not to let those things slide. The result is arguably unique in the world of substance abuse treatment. Forget about "not-in-my-backyard" issues that many in our field face; we have people asking us to buy houses in their neighborhoods. And we've experienced the

same sort of response to our business operations, where people look past the fact that they are hiring recovering substance abusers and ex-offenders and actively seek ways to work with TROSA.

The Double-Edged Sword

Social ventures can present some unique challenges, not the least of which are preconceptions people might have. From the onset, someone might have low expectations about the quality of the work or product because they might view it as a “training business” or otherwise less than professional. This leads to expectations of lower rates. Your performance and products can go a long way toward overcoming this type of mentality. Just remember that no matter how hard you try, some customers may still feel like they are “doing you a favor” by hiring you.

Another obstacle that you might face may not seem like an obstacle at first. There are some people who so strongly believe in your cause that they will hire you almost regardless of cost or quality. Taking advantage of these customers is not a way to realize long-term viability and success. Though your social cause may provide a competitive advantage, for many people this will be true only when all other things are equal. By offering high quality, professionalism, and fair pricing, you can earn business without people even needing to take your cause into account.

And if you are providing job-training opportunities for your clients, you do them no favors by running anything less than a top-notch business. Think about what your organization or social venture might look like on a résumé and if it’s anything less than positive you might want to rethink how you conduct business. TROSA has had such success with its moving company and other operations that many local businesses are eager to hire TROSA graduates, in some cases even making exceptions to existing hiring policies. Coming from TROSA gives our graduates an upper hand in a lot of cases, despite the fact that employers know that, by definition, a TROSA graduate is a recovering substance abuser.

If you are an organization that relies on philanthropic support in addition to the revenue generated by your social ventures, you may also find that you are “punished” for your success. There are donors who like the

idea of social enterprise but think using your for-hire services or purchasing your products is a suitable replacement for giving. If additional financial support is needed, whether it is over the short term or ongoing, making a compelling case can be surprisingly difficult if you have a successful social venture. Therefore, though there is no argument that building a customer base is important, be sure to make it clear to your donor base how social enterprise fits into your complete picture.

One other way that being a social enterpriser can create unwanted obstacles is in the case of outside support. You may encounter potential benefactors who want to support your cause, and think the best way they can help is to give your organization a business or business idea. In some cases this can be a great opportunity, and the insights of an experienced entrepreneur or business leader can be quite valuable, but the flip side is that often these supporters don't understand your organization as well as you do. This means they may not have thought about alignment with your mission and the details that may create serious problems for your organization. These suggestions and offers of help need to be vetted as carefully as something generated internally.

CRITERIA FOR ALIGNING MISSION WITH BUSINESS IDEAS

Drawing from TROSA's experience, we can see a number of factors regarding a social venture that might be taken into account. Although not all of these are quantifiable, and in many cases they are tested intuitively rather than formally, you should consider at least some of these criteria when considering whether a venture makes sense.

Fit with Mission

Though obvious, this can't be repeated enough: you need to remember why you do what you do. In moving services, TROSA has found a venture that is perfectly suited to the structure of the program and the values of teamwork, responsibility, and work ethic that we try so hard to instill in our clients. And it provides a wide range of vocational opportunities for people of varying physical and mental capabilities. The venture works on

many levels, building individual confidence and greater respect for our program and the people we serve.

Potential Profitability

Profitability is not always essential, but a losing venture is very difficult to justify unless no other alternatives exist to accomplish your mission. TROSA has made some mistakes along the way, and we have chosen to shelve or simply not pursue opportunities that don't have sufficient margins. There are exceptions; for example, we are currently exploring the idea of opening a grocery in an economically disadvantaged neighborhood. Profits will likely be slim or none, but we see other benefits that are making us strongly consider moving forward. But again, a case like this is the exception, and more often than not there are less costly (or more profitable) ways to accomplish the same things.

Fit with Competitive Advantages

Look at what you already do well. Is there a way to modify it and create a successful business venture? Is there a new opportunity that is a natural fit with or an expansion on an existing venture? Starting up a used furniture store took advantage of two things we did well: accumulating donated items and providing outstanding customer service. The business has grown over the years, and for many Durham residents it is the place where they can most easily interact with TROSA and its clients.

Financial Limitations

Business ventures can be risky. Though some believe you need to spend money to make money, or some variation thereof, be careful to not take unnecessary chances. Test the waters with a low level of commitment if possible, as we did with our used furniture store, or grow the business slowly and steadily, as we did with our moving business. Or, if you are able, line up donors or investors to underwrite the start-up costs of a new venture. It might be an exciting way to get new people involved who might not otherwise support your organization as strongly in terms of traditional philanthropic support.

The People You Serve

You need to consider the impact of your venture on the people who should benefit from your mission. Does the business opportunity make them vulnerable in some way? Is that vulnerability sufficiently offset by the possible benefits to them? What effects will failure of the venture have on the people you serve? Consider the case where TROSA passed up a lucrative contract opportunity because we were concerned that the work environment might compromise our clients' stay in our program. Once that was taken into account, the decision was easy to make.

Reputation

How will this venture reflect on your organization? Will it cause people to think better of it? Will it lead to greater acceptance and understanding of the people you serve? Or will it reinforce negative stereotypes and foster animosity? At TROSA, we are very aware that public opinion of our program is often shaped not by the services we provide to our clients but by the businesses we operate. For that reason, we will not pursue opportunities where we doubt our ability to deliver anything but the highest level of customer service. As a result, many people have a positive perception of our program without really knowing much about the services we provide—but they can see clearly what TROSA can help people become.

This is by no means an exhaustive list. New opportunities may bring to light possible benefits that you had not previously considered. Ask yourself what you stand to lose if things don't work out (or even if they do work out) and what you are hoping to gain.

CONCLUSION

A social venture can be a powerful tool in magnifying the impact of an organization. It can, among other things, raise public awareness of a social cause, be a source of critical financial support, or help you accomplish some aspect of the social service you aim to provide. In some fortunate cases, it can do all of these things and more. But a social venture is not to be entered into lightly. As you develop any new entrepreneurial endeavor,

keep in mind the effects that such a venture may have on your mission. Though the primary goal will weigh on your assessment of the venture, don't develop tunnel vision. Consider not just the obvious, but also the potential ripple effects. Organizations that have a mission to achieve a social impact have a responsibility to consider factors that a traditional entrepreneur could otherwise ignore.

Bear in mind that alignment with your mission may change over time, and be prepared to respond. This could be by changing the way you approach a venture, or it may be as simple as rethinking what you want to get out of the venture. Look for synergy not only with your mission, but with other social enterprises in which you are engaged. Take advantage of not only the expected but also the unexpected benefits that your venture generates. Understand that it may be necessary to educate your customers and other supporters if you hope to maximize the potential of your venture. Finally, even if your primary motivation is profitability, never lose sight of your mission and the impact you seek.

Note

1. "Survey of Organizations Running Enterprises." *Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability*. (Washington, DC: Community Wealth Ventures, 2003): 57.

ABOUT THE AUTHOR

Keith B. Artin joined the TROSA team in 2001 and has served in the role of chief operating officer since 2003. At TROSA, Keith draws on his past professional experience in managing TROSA's day-to-day operations. Keith began with TROSA following two years of work with entrepreneurial for-profit ventures. He also spent over five years as an associate in the Public Finance Department of Robinson-Humphrey/Salomon Smith Barney, where he structured more than thirty-five publicly traded municipal bond transactions totaling over \$1.7 billion. Keith currently serves on the board of directors of Habitat for Humanity of Durham (NC) and the Social Enterprise Alliance, a membership organization serving the social enterprise movement in North America. Keith received his B.S. in commerce from

the University of Virginia and his M.B.A. from the Fuqua School of Business at Duke University. He lives in Durham, North Carolina, with his wife, Kate, and daughter, Phoebe.

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