

Bookshelf

Enterprise in the Nonprofit Sector

By J.C. Crimmins and M. Keil

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According to the authors of *Enterprise in the Nonprofit Sector*, the juxtaposition of the words “enterprise” and “nonprofit” in the title of their book may at first blush seem to be a contradiction in terms; however, their thesis is that these words need not be contradictory. Indeed, the words reinforce one another, if “enterprise”—by which they mean activities which generate a profit—is regarded as a form of fund raising. Enterprise, is therefore a means to an end, never an end in itself. As they remind the reader (p. 32), “the bottom line is the institutional mission, and enterprise is just another means to that end”. Moreover, enterprise is not “the magic answer” for nonprofits which are seeking to expand their sources of funding. On the other hand, enterprise should not be dismissed automatically as either “bad” or “foreign” to nonprofit organizations. (Their definition of “enterprise” broadens to include activities which result in cost-saving for a nonprofit organization.)

Another theme permeates the book: in the preface, the president of Partners for Liveable Places notes that in a profit-oriented society, “it is far too easy to dismiss the activities of a nonprofit organization as being of secondary value....” (p.6). Enterprise in nonprofit organizations can exemplify “sound, businesslike management practices”, especially at a time of cutbacks. Accordingly, it is suggested, the image of nonprofits can be enhanced among funders if they seem to mirror the funders’ own values.

The book was written within the American context. For example, the authors inform the reader that they have “purposely excluded health care institutions [from their sample of nonprofit organizations] (because they are) largely already incorporated in the profit sector....” Nevertheless, as is often the case with American publications, the book can be useful to Canadians. In particular, its findings could be applicable to those Canadian nonprofit organizations which already engage in, or are con-

sidering engaging in, “enterprise”. Nonprofit organizations which are exploring various avenues of fund raising could find this book valuable for their research.

In 141 pages organized into six chapters, an epilogue, and appendices, the authors present a helpful primer on the subject. The writing is straightforward, easy-to-read, and unencumbered by technical jargon. Their examples are drawn from small- and medium-sized American entities which operate outside of major metropolitan areas.

To determine what was occurring in the nonprofit sector, the authors sent out questionnaires to 1800 organizations. Replies were received from 130. Information from the questionnaires is reproduced in Chapter One and the Appendices.

The authors found that profits derived from enterprise were primarily used to offset operating costs although in the majority of organizations in the sample (78 per cent), the profits obtained from enterprise accounted for less than 10 per cent of the organization’s income. Moreover, those organizations which engaged in profit-oriented enterprises reported that they did so as “a last resort”. (p. 31).

While the authors present their study with enthusiasm, they also warn organizations which are considering “the enterprise option” of its pitfalls. Most nonprofit enterprises tend to be street-level, retail businesses such as gift shops, bookstores and restaurants. These enterprises face all of the problems associated with any retail business, including labour-intensiveness, pilferage, small profit margins, the lack of sound cost-accounting knowledge and poor management. They add that “boutiques, bookstores and bistros top the national [American] bankruptcy lists”. (p. 27).

After sifting through their samples, the authors concluded that “forward-looking, enterprising individuals are the most important motivators behind successful nonprofit enterprises.” (p. 30) Without these individuals—perhaps akin to the “entrepreneurs” who have been discovered to be operating within large corporate entities—the chances for success are greatly reduced. At the same time, the authors observed that these individuals are often treated “as outsiders” by their colleagues. “Why?”, the authors ask. “Attitude,” they answer. “The problem is that ... many people who work in nonprofits ... do so because they believe in the mission or function of the organization they serve. They have chosen career paths linked to ‘service’ or ‘culture’ and seem unwilling or unable to mesh such goals with the reality of earning revenues.” (p. 31) In this reviewer’s opinion the authors’ description, and ascription, of the behaviour of the latter group, is probably valid. However, these people do indeed recognize “the

reality of earning revenues". Their concerns centre on how those revenues are earned and on how much energy they often have to expend to earn them. Moreover, the authors' inference that these people are somehow less "forward-looking and enterprising" than the entrepreneurial types prejudices the authors' analysis.

The authors regard Chapter Two as one of the most important chapters in the book. Presenting 11 examples of nonprofit organizations which actually are engaged in profit-making enterprises, this chapter adds "flesh and blood" reality to the discussion of entrepreneurship.

Chapter Three addresses the broader issues that are relevant to "the enterprise option". These issues revolve around the central philosophical, or even moral, question of whether nonprofit organizations should, or can, engage in profit-making enterprises and still retain their credibility. The authors' response, as the reader might anticipate, is positive, adding, "it is no longer (and never really has been) a question of *whether* [original emphasis] enterprise has a place among nonprofits, but what kind of role it can and should play ...". (p. 66)

In this third chapter the "enterprise option" is analyzed for its impact on government policy makers, community leaders, funders, for-profits, nonprofit trustees, directors, staff and clients. The analysis of the impact on each of these groups is divided "into attitudinal, philosophical and practical considerations". (p. 66)

For example, executive directors are asked to consider 11 questions ranging from "community attitudes: How will the community react to enterprise?" to "management: Who will manage the enterprise?" and concluding with, "clients: How will clients perceive and be affected by an enterprise?" (pp. 81-82)

In Chapter Four, the authors outline a plan for evaluating whether a nonprofit should engage in enterprise. A short, simple (but not simplistic) check list lays out an analytical process and indicates that "Even those who are not considering the enterprise option may find the chapter useful in planning". (p. 86) (This reviewer concurs.) They do, however, warn that even after the analysis presented in Chapter Four is completed, "Often, deciding to refrain from exercising the enterprise option is the most profitable choice". (p. 87)

Chapter Five outlines 11 practical suggestions to be followed by those who are considering the enterprise option. For example, nonprofits should create the position of "director of enterprise" and seek out an individual with entrepreneurial skills to fill it. This individual should undertake the

planning process and, if the enterprise option is chosen, should implement it.

In conjunction with the recommendations in Chapter Five, Chapter Six suggests a new kind of nonprofit entity. Established to conform with American tax regulations, this new category of nonprofit could raise a maximum of 80 per cent of its operating funds from enterprise. The balance would be derived “from the community”. The authors also suggest the development of a Non-Profit Enterprise Development Corporation. This institution would be patterned after venture capital firms and its funds would be obtained from corporations and foundations. Its activities would be limited to financing nonprofits which exercise the enterprise option.

Enterprise in the Nonprofit Sector can be read on at least two levels. On one level, it is a useful guide book for nonprofits considering new methods of fund raising in general and “the enterprise option” in particular. On another level, it contributes to the debate over whether nonprofits should engage in profit-making ventures and to what extent they should or can do so. The time may be ripe for Canadians to review this question with new vigour.

The book reflects a way of thinking that may be “foreign” and, perhaps, anathema, to many who are engaged in the nonprofit sector; however, it may shake those who read it out of fixed patterns. On the other hand, it may confirm their views although they may have a firmer understanding of why they hold such views after reading the book.

Furthermore, the planning or stocktaking process outlined in Chapter Four can be helpful even to associations which are not considering opting for enterprise. Self-assessment is an essential tool for sound management. As well, the arguments which the book advances in favour of the enterprise option should sharpen any reader’s understanding of the nonprofit sector—its philosophy, attitudes, concerns and problems—as it has developed over the years.