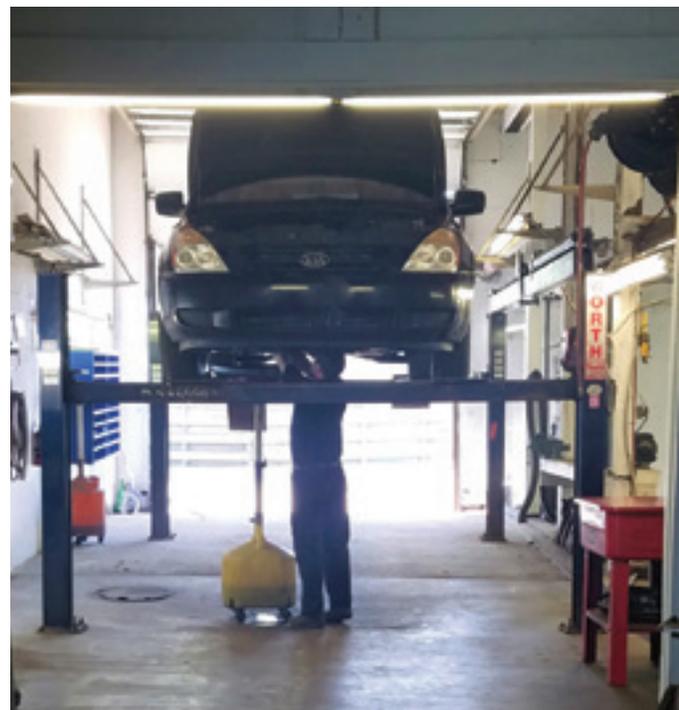


Northland Foundation's

# **SOCIAL ENTERPRISE INITIATIVE**

**2016 - 2018**

**Building Pathways to Employment and Financial Assets**



# OVERVIEW

Social enterprise (addressing a basic need or solving a social problem through a market-driven approach) is by no means a new concept. The Northland Foundation has provided trainings, grants, loans, and technical support for social enterprises since 1991.

In early 2016, the Northland Foundation launched the Social Enterprise Initiative. Its goal: to help start and strengthen social enterprises among northeastern Minnesota nonprofits providing pathways to employment and asset building for low-income people.

## FINANCIAL AND TECHNICAL COMPONENTS

Partnership is key. The Northwest Area Foundation contributed critical funding of \$500,000 to implement the initiative. The University of Minnesota Duluth (UMD) Center for Economic Development and consultants from Propel Nonprofits were engaged to provide training and technical assistance. Last, but not least, nine nonprofits were selected to participate through a competitive application process.

Each of the nine organizations received grants of \$20,000 to \$40,000 to help bolster their social enterprises. For example, Itasca Habitat for Humanity funded a manager position and upgraded the marketing for its ReStore. McGregor KIDS PLUS developed retail space to help local crafters increase their incomes and teach business skills to youth.

The participants each received, on average, 78 hours combined of tailored technical assistance, group training, and peer learning time. Topics included financial planning, market analysis, social media and marketing, among others. All the organizations reported that this work increased their capacity and business knowledge.

## BUILDING AWARENESS AND REGIONAL RESOURCES

This initiative also sought to strengthen understanding about social enterprise, the opportunities and challenges it presents, and its funding, financing, and technical support needs.

Two public events helped educate a wider audience about social enterprise. The first featured experts from Propel Nonprofits and a panel of nonprofit professionals operating social enterprises. The second, a “Policy and a Pint” event facilitated by Minnesota Public Radio, featured discussion among four panelists and questions from the audience.

In addition, the Northland Foundation held three roundtable discussions with 18 regional partners in economic development, business lending, and philanthropy. All of the partners reported that they gained new understanding about social enterprise development.

## THE FUTURE OF SOCIAL ENTERPRISE

With a mix of grant funding, tailored technical assistance, and training and peer discussion, the cohort of nine nonprofits experienced growth, learned valuable lessons, and supported one another in their social enterprise work. Both technical assistance partners, UMD Center for Economic Development and Propel Nonprofits, will continue to be resources for the participants, as well as for other organizations considering launching business ventures in the future.

The 20-month initiative ended in April 2018, but its learnings and outcomes will continue to help nonprofit organizations working to reduce poverty in northeastern Minnesota.

# HISTORY

From 1986 to 2018, the Northland Foundation invested nearly \$2.4 million in social enterprise grants and loans, as well as, supported learning opportunities and special initiatives.

## 1998

Chosen by the Ford Foundation as one of 8 organizations in the U.S. to help nonprofits explore social enterprise

## 1999

Held a two-day Social Enterprise Forum in Duluth featuring national experts

## 2000

Provided leadership for 4 years at a national level for the social enterprise movement through the Northland Institute

## 2001

Hosted a two-day Social Enterprise Conference engaging area nonprofits

## 2006

Implemented a two-year pilot project offering technical assistance to 8 nonprofits at various stages of social enterprise development

## 2009

Launched a two-year capacity-building program, including social enterprise exploration, assisting 37 nonprofits

## 2016

Undertook a 20-month Social Enterprise Initiative with 9 nonprofits to benefit low-income populations

# FEATURE STORIES

## AMERICAN INDIAN COMMUNITY HOUSING ORGANIZATION Economic Development Initiative/Indigenous First: Art and Gift Shop



The American Indian Community Housing Organization (AICHO) has ambitious social enterprise goals, and they are well on their way to achieving them.

“We know that 46 percent of Indigenous people living in Duluth are poor. We want to help build an Indigenous economy,” said LeAnn Littlewolf, an Advocate Training Specialist at AICHO.

Their big-picture plan includes a gift shop, online gallery, frame shop, and coffee shop to increase the visibility and

incomes of Indigenous artists, create job opportunities, and grow revenue streams for AICHO.

Their initial art and gift shop, Indigenous First, opened in July 2017 and has showcased the work of more than 77 American Indian artists, authors, food producers, and craftspeople. AICHO charges lower commission to increase revenues to the artisan. They also launched a micro-loan program to help artists cover upfront costs such as printing and framing. In its first seven months, the shop had \$70,000 in sales; one-third went directly to low-income artists, one-third to inventory, and one-third to AICHO. It also created three part-time jobs for persons with low incomes, two of whom live in the Gimaajii housing on site.

AICHO’s social enterprise expansion plans include an e-commerce website, coffee shop and second retail location, Indigenous foods market, and rentable commercial kitchen.

“Our participation in the Social Enterprise Initiative has created new energy and opportunities for our organization in ways we could not even anticipate,” said Executive Director, Michelle LeBeau.

## ARROWHEAD ECONOMIC OPPORTUNITY AGENCY Community Care Auto Repair



Transportation can be a lifelong challenge for people with lower incomes. In rural areas where buses and taxis don’t exist, access to a reliable vehicle is critical. The high cost of auto repairs, though, means that even those who are lucky enough to have a car may be one breakdown away from being unable to get to work, school, or a medical appointment.

The Arrowhead Economic Opportunity Agency (AEOA) is a community action agency serving a large portion of northern St. Louis County. AEOA had dreamed of establishing an auto repair shop that could offer its clients training and work experience while providing affordable services to the community but didn’t have all the training and resources required. With a Social Enterprise Initiative grant and critical technical assistance, AEOA took the leap.

Community Care Auto Repair, or CCAR, offers income-based, sliding-fee automotive services to customers and employs a certified mechanic and shop coordinator. AEOA expects to hire a second mechanic and provide automotive repair training to underrepresented populations. For now, the agency has secured funding to see it through the next year, with an eye to becoming self-sustaining in the future.

Says Beth Peterson, the Planning Director at AEOA, “The work we do together with our partners through Community Care Auto Repair is unique and life-changing for our shared customers and clients.”

## LIFE HOUSE

### Futures Education and Employment Program/Legitimate Hustle



Imagine not having a safe place to call home. Add to that being a teenager without a stable, caring adult in your life to show you the way. What are the odds you would know how to find, least of all keep, a job?

Life House helps fill those gaps for homeless and street youth, ages 14 to 24, with a drop-in center, transitional housing, mental health services, education and employment support, and more.

The Social Enterprise Initiative provided Life House with start-up funding to develop a youth-led business. Its first enterprise, Limitless Candles, has empowered young people to earn money in a safe way, learn job skills – including 21st century computer skills – and establish a work history.

Said Maude Dornfeld, Executive Director at Life House, “So far, three youth in our first group have gone on to jobs in the community. Another is on the Dean’s list in college. That is a huge accomplishment.”

Grant-funded wages and incentive pay have helped motivate youth involved in the project to show up on time and stay at work. Paid work also gives Life House staff added leverage to encourage participants to stay on track with their mental health and chemical dependency issues.

The initial success of Limitless Candles has inspired ideas for other lines of business. But, the ultimate return on investment is young people who have faced many barriers in life taking positive steps and seeing new possibilities for themselves.

### American Indian Community Housing Organization – Duluth

See feature story.

### Arrowhead Economic Opportunity Agency – Virginia

See feature story.

### Community Action Duluth – Duluth

Sold produce grown in its Seeds of Success program at the Farmers Market in a local food desert, with incentives and food assistance options for low-income customers, and produced fruit leather to create year-round jobs.

### Fond du Lac Band of Lake Superior Chippewa

Expanded the Journey Garden program, providing paid employment to youth who learned to garden, can, and make other value-added products, which they sold at a Farmers Market on the Fond du Lac Reservation.

### Itasca County Habitat for Humanity – Grand Rapids

Hired a manager for the ReStore to expand its capacity and developed marketing strategies to better promote this affordable community resource.

### Life House – Duluth

See feature story.

### One Roof Community Housing – Duluth

Pursued operational improvements and private contracting strategies for nonprofit subsidiary, Common Ground Construction, to help strengthen One Roof’s affordable housing mission.

### Something Cool, Inc./McGregor KIDS PLUS – McGregor

Established the NeighborGoods store, creating an avenue to teach at-risk youth about business, as well as rent retail space to area crafters and makers so they can increase their income.

### Western Lake Superior Habitat for Humanity – Duluth

Purchased and custom-detailed a delivery truck, enabling pick-ups of donated appliances, fixtures, cabinetry, etc., and improved ReStore marketing and merchandising.

# LESSONS LEARNED: TWO PERSPECTIVES

## PARTICIPANT PERSPECTIVE

### Messaging & Marketing

Clear communication is critical to marketing the enterprise. Done well, it creates excitement about the business and social mission behind it. Done poorly, it does not clarify that the venture is a business rather than a free program. It may also generate criticism that nonprofit-run businesses have unfair advantages.

### Community Engagement

Launching an enterprise creates opportunities to get attention, not only for the venture but also for the mission of the organization. It also opens doors to engage with other businesses that feel compelled by the mission and want to partner.

### Business Niche & Core Competency

Understanding the place your social enterprise occupies in the market is a critical lesson. A sound business plan and market research goes a long way, but often trial-and-error is the ultimate test. Success is more likely if the enterprise leverages a core competency of the nonprofit.

### Starting Up and Scaling Up

Taking a promising product or idea, piloting it with encouraging results and then taking it to a larger scale is difficult. Enterprises found increased regulation, inefficient systems, and labor costs to be daunting. Social enterprise is not the savior for a struggling nonprofit. It takes considerable human and financial investment.

## NORTHLAND FOUNDATION PERSPECTIVE

### Technical Assistance Resources

Working with more than one technical assistance partner helps ensure that consultants are a good fit with each participating organization, and maximizes the expertise of different partners. Engaging technical assistance partners in the peer learning sessions helps build closer working relationships.

### Business Mindset

Helping nonprofits develop a business mindset takes persistence, time, and training.

### Applied Learning

Creating opportunities for participating organizations to apply learnings at each training session, and afterward, with the consultants, helps nonprofits embed new knowledge and strategies.

### Multi-year Funding

Providing support over two years allows enterprises at various stages to develop and progress from idea, to start-up, to growth. Leveraging partnership support allows nonprofits to access the financial, training, and technical assistance resources they need to gather momentum and experience success.

## HIGHLIGHTED OUTCOMES

### Jobs Created and Maintained

Through the initiative, 3 new full-time and 34 new part-time jobs were created. Another 16 full-time and 22 part-time existing jobs were supported, for a combined 19 full-time and 56 part-time jobs to help low-income people build skills and improve their livelihoods. Wages averaged \$16 per hour.

### Financial Resources Invested

\$500,000 from the Northwest Area Foundation helped leverage \$700,000 more from the Northland Foundation, the participating organizations, and their partners.

### Effectiveness and Understanding Increased

Evaluation findings showed that participating organizations made significant improvements in the key outcome areas:

- 100% increased understanding of the financial impact of the social enterprise on their organization.
- 100% increased use of effective management practices.
- 100% increased knowledge of available resources to support their work.
- 93% increased connections with peers to share information and learnings.

### Awareness of Social Enterprise Raised

Three information sessions engaged 42 nonprofits leaders to learn about the social enterprise initiative and application. Three roundtable discussions with 18 economic development and funding partners increased their knowledge about the unique needs of social enterprise. Two public convenings focused on social enterprise topics drew 100 attendees, and newsletter articles, press releases, email blasts, and social media posts raised broad community awareness of social enterprise.



## NORTHEASTERN MINNESOTA FAST FACTS

- 7 counties covering 18,185 square miles
- 325,803 residents, or just 18 people per square mile
- 1 urban hub, Duluth, with 86,236 people followed by Hibbing with 16,361 people; Cloquet with 12,124; Grand Rapids with 10,869 and 65 smaller towns
- 3 Tribal Nations: Bois Forte Band of Chippewa, Fond du Lac Band of Lake Superior Chippewa, and Grand Portage Band of Lake Superior Chippewa
- 16% of residents live at or below the Federal Poverty Guidelines, with poverty rates as high as 30% in pockets of the region
- 29.4% of households are cost-burdened in terms of housing
- 14% of the workforce is employed by the region's approximately 350 nonprofits

## WITH THANKS TO KEY PARTNERS

The Social Enterprise Initiative received vital support and partnership from:



## Nine Participating Nonprofit Organizations and Their Staff Teams



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