

Want to Generate Earned Income? Take a Leap of Imagination

Is it time to take full advantage of social enterprise? Here's how.

By Zach Shefska

“How’s your food?” Alex asked. “Is there anything else I can do for you?”

“Everything is delicious, thank you so much,” we all responded.

As I devoured my turkey burger, I couldn't help but feel overwhelmed. Delicious food, impeccable service, well designed decor — no, it's not that I've never eaten at a nice restaurant before. I was simply taken aback because some 16 weeks ago Alex and nearly everyone else working at Light House Bistro had been homeless.

From homeless to running an unbelievable fine-dining operation in downtown Annapolis, Maryland in 16 weeks. I had to learn more.

Fortunately for me, the Light House Bistro makes their story quite prevalent. Page three of its menu begins with the headline, “The Light House Brings Social Enterprise to Annapolis!” A passage below says, “Social enterprises create revenue from selling goods and services in the open market. All profits are reinvested back into the mission of the organization benefiting people in need and the communities in which they live. The bottom line for the Light House Social Enterprise is employment for people experiencing homelessness.”

The Bistro delivered a culinary experience that was not only unforgettable but also deeply meaningful. Alex, the cooks, nearly everyone working in the restaurant had been homeless at some point. Now, they all seemed to dance through the tight-cornered restaurant, gracefully delivering three different desserts (I highly recommend the grilled bread pudding) to our table. I was blown away.

Gloating about my amazing meal isn't the purpose of this article, however. Instead I want to focus on how a homeless shelter used outside-the-box thinking to increase its bottom line.

Earned income, most easily associated with Girl Scout cookie sales, is the process of generating revenues from the sale of goods or services. How did a homeless shelter end up

in the restaurant business, and what can we learn from its story that you can apply at your nonprofit? Let's find out.

Welcome to the World of Earned Income

Nonprofits have a variety of ways to generate revenue. Most techniques stem from fundraising, so we often think that the bulk of nonprofit revenue is derived from charitable giving. That's not true, however. Nearly 50% of nonprofit revenues actually stem from fees for services.

That may come as a bit of a surprise, but it shouldn't. The recent explosion of B corps and the ever changing definition of “charitable giving” shine light on the evolving world of how nonprofits make money.

Plus, as annual reports show, individual giving isn't really growing. Sure, more dollars are being donated each year, but as a percentage of gross domestic product, charitable giving has been flat for more than 30 years.

What does all this mean for you and me? It suggests that we have to think of creative ways to generate revenue. The tried and tested ways of the past still work, but if you want to expand your organization's ability to effect change, you need new approaches.

Light House Bistro Case Study

The mission of the Light House (annapolislighthouse.org) is easy to understand: to help rebuild lives with compassion by providing shelter and services to prevent homelessness and empower people as they transition toward employment, housing, and self-sufficiency.

The Light House also has a succinct vision for the future: “to serve as a national model for how a community cares for its homeless.” It strives to break the cycle of homelessness by providing a place of belonging, life-changing programs, and a broad continuum of support to people who are homeless or at risk of becoming homeless.

The Light House operates an emergency shelter for the homeless as well as transitional housing for individuals and families. It also offers a variety of programs, such as job training and counseling, to help clients reclaim hope and independence.

Before opening the Bistro, the Light House generated most of its income in traditional ways. But the Light House staff and board knew that to further the organization's mission and vision they would need to be innovative. With the

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recent construction of a new shelter in Annapolis, the Light House’s board envisioned a way to transform the “old” shelter into a thriving social enterprise. The board imagined that graduates from the 16-week B.E.S.T. (Building Employment Success Training) job training program could take the skills they learned and apply them at a social enterprise. Thus the Bistro furthered the organization’s mission by ensuring that B.E.S.T. graduates would have jobs when they completed the program.

Applying This at Your Shop: Takeaways from the Case Study

It’s important to note that earned-income opportunities need to complement your organization’s mission. The Light House Bistro is an amazing example of this.

You also need to ask: Will your entrepreneurial activities be profitable? On the surface this may seem like a straightforward question of revenue minus costs, but think for a moment about the peripheral benefits derived from engaging in social enterprise. Aside from the revenue generated by the enterprise directly, there are two secondary benefits:

1. You’ll expand awareness of your organization’s mission and connect with more potential donors.

By venturing into the world of earned income, the Light House not only developed a new revenue stream. It also created a new channel to engage potential donors. On the night I ate there, the restaurant was packed with dozens and dozens of folks eating, laughing, and learning about the Light House mission. I’m sure many other diners had thoughts similar to mine: “How do I contribute? Where can I donate?”

Visiting the Light House Bistro moved me to the “awareness” stage of the marketing funnel. Think of the thousands of people who have eaten at this restaurant since it opened. All those individuals are now also in the “awareness” stage of the funnel. From a marketing standpoint, the Bistro serves as a brilliant donor acquisition channel. It provides an amazing first encounter with an amazing organization.

2. You’ll engage your board in a meaningful way in the organization’s growth and development.

Venturing into social enterprise allows for greater board involvement. Most boards are filled with industry veterans and titans of the business world. By thinking innovatively and breaking down the traditional boundaries of nonprofit fundraising, you – like the Light House – can devise a creative outlet for board members to engage with the

organization. Not only can you learn more about the true interests and passions your board members have, but you can also engage them in ways that never seemed possible before.

Steps to Get Started

Here are some first steps on your social-enterprise adventure.

Dig deep. Is a restaurant related to a homeless shelter? On the surface, no. But when you dig a bit deeper you realize that it absolutely can be. What is the “not so obvious” extension of your mission?

Get the board involved. What industries and sectors does your board have great experience in? Involve board members in the creative and operational parts of the process. This will ensure that you aren’t overwhelmed while also building lasting relationships with board members.

Think strategically about the distant future. Can you rely on individual giving or grant funding forever? Where do you see your organization in five to 10 years? Think strategically about how an earned-income strategy could make your organization more sustainable. 

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Become a Social Entrepreneur

For more on social enterprise, see these articles at Nonprofitworld.org:

Purging Misinformation, Hearsay, & Errors about Nonprofit Income (Vol. 34, No. 4)

Not a “Someday” Dream: The Steps to Sustainable Income (Vol. 37, No. 4)

Finding Value & Income where You Least Expect It (Vol. 33, No. 1)

From Government Funds to Income Diversity: A Map For The Quest (Vol. 35, No. 4)

Looking for Customers Rather than Handouts (Vol. 22, No. 6)

How Much of Your Revenue Should Come from Earned Income? (Vol. 23, No. 3)

Cracking The Diverse-Income Code (Vol. 35, No. 1)

Find Your Aces: Turn Your Handicaps into Opportunities (Vol. 35, No. 3)

Making Much of Little: Turning Untapped Assets into Gold (Vol. 36, No. 1)

Also see Learning Institute programs on-line: Social Entrepreneurship (snpo.org/li).