

Enterprise Can Have Social Impact

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As a large nonprofit with a \$22-million budget, Seguin Services proves that entrepreneurial thinking can have a very tangible social impact. While SeguinWORKS' four social enterprise businesses—Auto Marketplace, Lawn Care & Snow Removal, Gift Corner and El Jardin de Seguin—may only represent a low, single-digit percentage of its parent organization's annual revenue, it is an excellent example for any nonprofit considering an earned income venture.

Seguin Services had several important things going for it as it chose this entrepreneurial path: management excellence, an entrepreneurial culture, vacant land it owned, and a \$200,000 two-year seed-fund grant. SeguinWORKS' leadership recognized that effective growth of the social enterprise businesses would require first-rate information about potential markets and business opportunities. Area universities can provide useful technical and research support in the early stages of social enterprise development. SeguinWORKS partnered with Dr. David Pistori of DePaul University on their first federal grant that demonstrated jobs could be created for hard-to-employ adults in their community and business could provide quality services to the community through a targeted market niche in the auto-care industry.

With four social enterprise businesses in various stages of development, Seguin has stayed true to its core mission: "getting people employed in the community." Not all nonprofits will be able to put together the early-stage funding at the level Seguin has, but all nonprofits contemplating an earned income strategy should follow Seguin's example of putting the employment mission first, involving donors and supporters early on, and pursuing a well-thought-out business development strategy that includes market feasibility, strategic marketing and a business plan. As Seguin's social enterprise businesses begin to mature, it will be imperative for Seguin to identify funders who understand and embrace this unique model.

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Seguin Services, Inc.

2004 Winner of the Alford-Axelson Award for Nonprofit
Managerial Excellence in the Large Nonprofit Category

Why would a social-service agency possibly want to run an automotive sales and detailing business? For Seguin Services, Inc., there are at least 100 good reasons.

"Seguin had been able to achieve our mission of finding meaningful employment for 200 individuals with developmental disabilities in our community. However, we saw that there were still over 100 hard-to-employ adults in our services area who needed a chance to hold a real job," said John Voit, Seguin's president and CEO. "A self-sustaining, earned-income enterprise offered us an opportunity to assist this underserved population while at the same time generating revenue to help fund the project."

Today, Seguin is providing work for 80 hard-to-employ adults with severe disabilities through a portfolio of earned-income enterprises that includes auto sales and auto washing, lawn care and snow removal, an arts-and-crafts boutique, and a soon-to-be-developed garden center [See Box, "Seguin's Entrepreneurial

Seguin's Entrepreneurial Business Portfolio

SeguinWORKS Auto Marketplace

Seguin staff and individuals with disabilities secure donations of cars and other vehicles, then sell them to the general public right off the Seguin lot. When vehicles are donated or consigned to Seguin, workers with disabilities, under staff supervision, clean the vehicles to prepare them for eventual sale in the Auto Marketplace. In addition, the Auto Marketplace has a fully equipped auto detailing facility, in which Seguin workers wash and detail vehicles from drive-up customers as well as through pre-scheduled appointments.

SeguinWORKS Lawn Care & Snow Removal

Small crews of Seguin workers with disabilities perform light groundskeeping (mowing, raking, yard clean-up) on personal and commercial properties in 20 west-suburban communities. These same crews provide snow-removal services during winter months for residential and commercial customers.

SeguinWORKS Gift Corner

For more than ten years, Seguin's Gift Corner has been employing people with disabilities to create and sell a variety of crafts and other gifts. This enterprise has now expanded to offer various seasonal products for sale, such as holiday gift baskets, wreaths, and floral arrangements. A retail shop in Cermak Plaza-Berwyn is undergoing enhancements to better meet market demand, produce more revenue, and provide additional work for individuals with severe disabilities.

El Jardin de Seguin Garden Center

An outgrowth of Seguin's Horticultural Therapy program, which was begun in May 2001, Seguin is in the process of developing a new garden center that will develop, market, and sell lawn, garden, and horticultural products and services.

Business Portfolio"]. How did a traditional nonprofit such as Seguin successfully develop and grow these myriad business ventures, while remaining true to its social service mission?

A Pioneering History

The origins of Seguin's entrepreneurial spirit can be found in its DNA, as it were. The organization was started in 1949 by a group of parents distressed by their communities' lack of educational or service options for their children with severe disabilities. Inspired by the philosophy of French physician Edouard Seguin, whose school offered students with disabilities the opportunity to live, work, and learn in their home communities, these parents began providing day-school classes in a church basement—the first pilot program for inclusive, community-based special education in the state of Illinois.

From this early informal alliance evolved Mentally Retarded Children's Aid, incorporated in 1976 as Seguin Services, which has continued to advance the mission of community integration and assimilation for people with disabilities. Seguin was the first agency in Illinois to phase out sheltered workshops and establish some of the first community-inclusive employment and training programs in Illinois. These programs successfully demonstrated that even those with the most severe disabilities can work in the community with appropriate support.

Today, Seguin provides services and support to over 500 adults and children through adult residential, adult employment, and training, and children's foster care programs. In recently granting Seguin its sixth consecutive tri-annual accreditation, CARF, the Commission on Accreditation of Rehabilitation Facilities, noted that



"I like to compare these ventures to a tugboat, because they push us out of our safe harbor and into wide open spaces."

John Voit
President and CEO, Seguin Inc.

Seguin operates one of "the best homes we have seen in the United States." This same review process also identified 21 areas of managerial excellence ranging from sound financial growth to excellent human resource systems and practices, to highly effective leadership, to an impressive and workable outcomes measurement system involving staff throughout the organization.

Developing a New Business Model

In 1999, Seguin Services was one of nine Chicago-area agencies, and the only suburban organization, chosen by the Illinois Facilities Fund and the Minnesota-based National Center for Social Entrepreneurs (NCSE) to participate in The Chicago Project for Social Entrepreneurs. The project's goal was to identify earned-income opportunities in each agency for the purpose of generating revenue for essential social services, rather than only relying on government funding sources and philanthropy.

With the support of the NCSE and a grant of \$10,000 from the Chicago Community Trust, Seguin began a planning process to evaluate its potential to generate earned income to help support its employ-

Essential Business Development Tools

Market Feasibility Study (MFS)

Assesses the growth and potential profitability of a business venture based on the market's size and economics, potential supply and demand, competitor activity, the identity and location of target markets, and the organization's management, operational, and financial capacity to support the business.

Strategic Marketing Plan (SMP)

Builds on the MFS to help increase the organization's marketing capacity and provide a roadmap for marketing the services to the immediate community, potential partner charities, buyers, donors, and philanthropic organizations. An SMP typically provides in-depth information on target markets, identifies potential partners, outlines a tactical mix of marketing and promotional activities (signage, merchandising, sales, direct mail, events, telemarketing, advertising, etc.), and addresses operational, data, and management requirements.

Business Plan

A business plan includes all of the information in the MFS and SMP, as well as a management plan, operations plan, financial plan, and a risk assessment/contingency plan. (For assistance on developing a nonprofit business plan visit www.ventures.yale.edu, the web site of the Yale School of Management-Goldman Sachs Foundation Partnership for Nonprofit Ventures, which provides business planning assistance, cash awards, and access to the investment community through its National Business Plan Competition for Nonprofit Organizations.)

ment programs. A careful analysis of the organization's strengths, weaknesses, and capacity, as well as opportunities in the broader marketplace, revealed that Seguin

SeguinWORKS' Five-Year Financial Performance

	2001	2002	2003	2004	2005 (projected)
Gross Revenues	\$1,000	\$255,316	\$282,009	\$465,073	\$520,760
Operating Expenses	\$4,366	\$169,855	\$371,629	\$496,957	\$520,760
Profit/Loss	(\$3,366)	\$85,461	(\$89,620)	(\$4,884)	—

Auto Marketplace Job Creation Projections*

Job Creation Scenarios	Auto Sales/ Admin/Mktg	Auto Wash & Detailing	Special Events	Potential Jobs Created
Normal Scenario	40	30	10	80
Best Scenario	60	50	15	125
Worst Scenario	20	15	5	40

*Projections based on 2002 Auto Marketplace Business Plan

possessed underutilized assets that could be leveraged to meet a genuine market need.

"We were aware that people from our community needed reliable low-cost transportation to get to jobs in surrounding suburbs. At the same time, we owned a parking lot with a building on it that was sitting idle much of the time where we could store and resell donated cars," said Voit. "It was the intersection between these two concepts and our mission to employ people with disabilities in community settings that gave rise to the Auto Marketplace business."

Since its launch in 2001, the Auto Marketplace has grown quickly and generated substantial revenues. Starting with a seed-money grant from MacNeal Health Foundation of \$200,000 over two years, during its two-year test-market phase, the Auto Marketplace business sold 262 vehicles and generated gross revenues of \$193,548 while creating part-time jobs for 55 Seguin clients.

"One of our primary concerns is that these entrepreneurial ventures do not place our other operations at risk," said Voit. "Thanks to the start-up grant, and the fact

that we own the property and the building, we have been able to operate debt-free. It has given us a real leg up for developing this business model." For this reason, Seguin's strategy is to capitalize the business by aggressively pursuing grants and major gifts expressly for this purpose.

A marketplace feasibility study of the Auto Marketplace was conducted by Dr. David Pistrui of DePaul University and presented to a group of foundation directors, government leaders, and Board members in March of 2004. Funded by a \$75,000 planning grant from the U.S. Department of Health and Human Services—Seguin's first federal grant—the study concluded that the two-year pilot had accomplished Seguin's primary goals of producing jobs for hard-to-employ individuals while operating on at least a break-even basis with the goal of earning a profit. Dr. Pistrui also concluded that, based on an assessment of the size and dynamics of Chicagoland car donation market, the Auto Marketplace venture alone could be built into a \$750,000-plus business in three to five years.

Dr. Pistru then helped Seguin develop a strategic marketing plan designed to grow the Auto Marketplace business. The plan identified unique growth opportunities, such as expanding the auto wash business by operating on Saturday, when Seguin is traditionally closed; establishing itself as a processing and drop-off partner for other charities involved in auto donation; or potentially franchising the concept to other nonprofits on a regional or national basis.

A new facility was recently built on Seguin property, funded by an informal capital campaign under the direction of longtime benefactor Robert R. Mooney Andreas. The Auto Marketplace now has the infrastructure needed to anchor Seguin's growing portfolio of earned-income enterprises.

Beyond Financial Returns

"We got into this with the goal of advancing our mission of getting people employed in the community," said Voit. "We measure success in terms of services delivered and social impact. The financial returns are terrific, but they were never an end unto themselves."

Indeed, the Auto Marketplace is projected to provide between 40 and 120 jobs for Seguin participants working behind the scenes, as well as with the public. Seguin participants even take part in the marketing program by passing out literature in the community and appearing on the organization's behalf at classic car shows.

According to Seguin's senior vice president, Jim Haptonstahl, some agencies get into entrepreneurial ventures as the answer to their long-term financial viability. Seguin views earned income as an important component of the financial mix, but believes that core support must continue to come from government funding, grants, and individual giving. "We continue to advocate for expanded state funding and are making a concerted effort to grow charitable dollars to meet increasing community need," he said.

Haptonstahl points out that during the past six years, Seguin has increased its overall income by 70%, while at the same time continuing to diversify its funding base and expand programming. The greatest gains have been in charitable dollars, which are likely to exceed \$1.4 million in

Critical Success Factors for Social Entrepreneurs

In his market feasibility study for Seguin, Dr. David Pistru identified a number of "Critical Success Factors" nonprofits must adopt in order to succeed in the entrepreneurial arena.

"Most of these critical issues relate to new infrastructures and competencies," he said. "This kind of business venture requires a different set of skills and experience than nonprofit professionals typically have—abilities such as inventory management, sales and marketing, merchandising, and customer service, to name a few."

In addition, the organization's culture must support the risk-taking necessary for success. "The organization must be able to make mistakes and learn from them. They must have the financial flexibility to weather a few bad months on their way to profitability," he said.

According to Pistru, other keys to entrepreneurial success for nonprofits include:

- Commitment at the top of the organization
- Well-researched, comprehensive business plan
- Ability to adapt to market conditions
- Investment in education and training in new skills
- Investment in operational infrastructure
- Entrepreneurial mindset at all levels of the organization
- Diverse sources of financing—venture capital, grants or loans
- Willingness to go outside for expertise and resources

David Pistru, Ph.D., is a Visiting Professor in the Department of Management at DePaul University and the Managing Director of Acumen Dynamics, LLC.

2005. During that timeframe, individual giving has grown dramatically from \$64,000 in 1999 to more than \$500,000 projected for 2005. At the same time, Seguin established a \$1.5-million endowment from an initial gift of \$600 in 1996.

"Earned income may never represent more than one to two percent of our \$22-million budget," said Voit. "But we hope to grow this revenue stream parallel with government and charitable dollars—we want to see the whole pie get bigger."

Embracing a Broader Mission

According to Voit, the social enterprise experience has had the greatest impact on Seguin in terms of organizational culture, which is more open to new ideas and risk-taking than ever before. "The biggest change was that it placed the board and staff into an entrepreneurial mindset," he said

In addition, Seguin now sees itself in a new light—as an engine of economic development and employment for its local community of Cicero, which has an unemployment rate 33% higher than the state average and a poverty rate 45% higher than the statewide figure. Seguin employs 460 part-time and full-time workers from this low-income Hispanic community, making it one of Cicero's largest employers. In 2003, Seguin applied for status as a *Community Economic Development Corporation* and adjusted its Articles of Incorporation to reflect its broadened mission of providing job opportunities for a larger cross-section of the population.

The Next Logical Step

Encouraged by the success of the Auto Marketplace, Seguin is eager to apply its

entrepreneurial "green thumb" to another new business venture: El Jardín de Seguin. The Garden Center was developed to provide jobs for hard-to-employ adults while generating revenue for vocational training and horticultural therapy programs. Building on the growing popularity of gardening and holiday decorating, Seguin hopes the Garden Center can find a niche between the national chains and local garden shops in its community and other southwest suburbs.

With the assistance of Dr. Pistrui, Seguin has developed a comprehensive business plan for the Garden Center, which has been entered in the National Business Plan Competition sponsored by

the Yale School of Management—Goldman Sachs Partnership. Seguin has reached Round Two of the competition and hopes to be one of 20 finalists eligible to receive a grant of up to \$100,000 to help defray start-up and operating costs for the Garden Center.

"There are challenges in operating a seasonal business with perishable merchandise," said Haptonstahl, "but we have every confidence that we have the plan and the skills to add the Garden Center to the SeguinWORKS business model and make it work."

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