The Report Committee for Jennifer Morgan LaMotte
Certifies that this is the approved version of the following Report:

Nonprofit Earned Revenue Strategies: Refugee Services of Texas Case Study

APPROVED BY
SUPERVISING COMMITTEE:

David Springer, Supervisor

Calvin Streeter, Co-Supervisor

Nonprofit Earned Revenue Strategies: Refugee Services of Texas Case Study

by

Jennifer Morgan LaMotte

Report

Presented to the Faculty of the Graduate School of

The University of Texas at Austin

in Partial Fulfillment

of the Requirements

for the Degrees of

Master of Public Affairs

and

Master of Science in Social Work

The University of Texas at Austin

August 2019

Acknowledgements

I am grateful to my Professional Report advisors Dr. David Springer and Dr. Calvin Streeter for reading my report and helping me develop a project that offered incredible professional development opportunities in nonprofit management. I am grateful to John Thornborrow for his insight on nonprofit earned revenue and his guidance on my research questions and interviews. I am grateful to my field instructor at my final social work field placement, Russell Smith, for allowing me to focus my Professional Report on Refugee Services of Texas and the organization's process of developing an earned revenue strategy. I am also grateful to the nonprofit leaders who shared their experience and insights with me: College Forward CEO Austin Buchan, EcoRise president and cofounder Gina LaMotte, Multicultural Refugee Coalition Chief Operations Officer Jessica Mann, and Translation and Interpretation Network Senior Director Meti Dibra. Lastly, I am grateful to the staff at Mission Capital for generously allowing me to attend their Revenue Generator workshops.

Abstract

Nonprofit Earned Revenue Strategies: Refugee Services of Texas Case Study

Jennifer Morgan LaMotte, MPAff, MSSW

The University of Texas at Austin, 2019

Supervisor: David Spring

Co-Supervisor: Calvin Streeter

This report examines nonprofit earned revenue strategies, using local Austin nonprofit Refugee Services of Texas as a case study. Many nonprofits turn to earned income as a strategy to diversify their revenue sources and reduce dependence on grants and donations. Earned revenue offers a source of unrestricted income, or funding that is not contractually tied to a specific program or service. This report examines Refugee Services of Texas' current efforts to develop an earned revenue strategy and provides recommendations for future earned revenue growth. Analysis and recommendations are based on a review of the literature on nonprofit revenue diversification and earned income, as well as four comparison case studies informed by conversations with local nonprofit leaders.

Table of Contents

List of Tables

List of Figures

Introduction

Many nonprofits struggle to keep up with annual grant cycles, raise sufficient individual donations, or secure government contracts in a changing political environment. Austin, Texas has the greatest per capita number of nonprofits of any metropolitan statistical area in the Southwest, and organizations compete for limited resources. Many nonprofits turn to earned income as a strategy to diversify their revenue sources and reduce dependence on grants and donations. Earned revenue offers a source of unrestricted income, or funding that is not contractually tied to a specific program or service. Many nonprofits are drawn to earned revenue as a strategy to increase financial stability and mitigate the effects of changing economic and political conditions on funding availability.

This report explores nonprofit earned revenue strategies and social enterprises, using local Austin nonprofit Refugee Services of Texas as a case study. Earned revenue can take many forms, including: fee-for-service programs; selling a licensed software package, training, or school curriculum; or operating a small business that provides workforce development opportunities. While the literature lacks consensus and conceptual clarity in defining social enterprise, the term generally describes an organization, program, or company that pairs business principals with a social mission. This report focuses specifically on nonprofit organizations, and uses the terms social enterprise and earned revenue or earned income strategy interchangeably to describe nonprofits that engage in some type of commercial activity with the goal of generating profits that support the organization's social mission.

Refugee Services of Texas (RST) identified revenue diversification through social entrepreneurship as a key initiative in its 2015-2020 strategic plan. In 2018, RST applied for a capacity building program designed to help nonprofits implement or grow an earned income strategy. It was one of three organizations selected to participate in Mission Capital's Impact Academy, which provided RST with over four months of support from a team of private sector Social Venture Partners with expertise in marketing, accounting and finance, and operations. My participation in the Impact Academy team as a graduate intern with RST formed a large part of this Professional Report project, allowing me to experience firsthand the process and challenges of growing an earned income strategy. The research, data analysis, financial modeling, and planning I did for the Impact Academy project inform the recommendations and analysis in this report.

In addition to participating in the Impact Academy program with RST, I had the opportunity to attend two of Mission Capital's day-long Revenue Generator workshops on earned income. With guidance from LBJ School of Public Affairs professor and impact investor John Thornborrow, I also conducted informational interviews with four local nonprofit leaders, and I toured Multicultural Refugee Coalition's (MRC's) textile manufacturing social enterprise, Open Arms Studio. The four nonprofits whose leaders I interviewed – EcoRise, College Forward, Catholic Charities of Fort Worth, and MRC – are analyzed as comparison case studies. I also conducted a comprehensive literature review on nonprofit revenue diversification and earned income. Lessons from both the comparison case studies and the literature review are applied to Refugee Services of Texas in a final set of recommendations, along with recommendations for future research.

Refugee Services of Texas Agency Background

Refugee Services of Texas (RST) is a nonprofit organization whose mission is to welcome and support refugees, asylees, and survivors of human trafficking through principles of human compassion and dignity (RST, n.d.). RST was founded in 1978 and operates state-wide in Texas with offices in Amarillo, Austin, Dallas, Fort Worth, Houston, and the Rio Grande Valley. In additional to resettling refugees, RST also helps asylum seekers and other immigrants, survivors of human trafficking, and unaccompanied immigrant children. The organization offers numerous programs across its six offices, including English language education, job readiness and placement services, social adjustment services, counseling, housing assistance, medical case management, immigration legal services, cultural orientation, and more. Texas is second only to California as the state resettling the highest number of refugees (Radford & Connor, 2016).

Most of the programs RST operates are funded by three federal agencies: The Office of Refugee Resettlement (ORR), within the U.S. Department of Health & Human Services' Administration for Children and families; the U.S. Department of State's Bureau of Population, Refugees and Migration; and the U.S. Department of Justice's Office for Victims of Crime (see Appendix A). While RST receives some funding directly from the Department of Justice's Office for Victims of Crime (OVC), most federal grants are administered by a complex network of intermediaries that varies across regions and programs. Many programs, including employment services, Refugee Cash Assistance, and Refugee Social Services, were previously administered through a state-run refugee resettlement office. During the Fall of 2016, however, Texas withdrew from the program, forcing ORR to develop a network of "Regional Replacement Designees" to administer contracts with local service providers (Lopez, 2017). Other ORR-funded programs have long been administered by a separate network of national intermediaries including Catholic World Service, Lutheran Immigration and Refugee Service, and Episcopal Migration Ministries.

According to the organization's 2017 financial reporting, over 95% of RST's funding came from government grants and contracts.

FY 2017 Revenues			
Revenue Source			
Government Grants and Contracts	$	18,434,354	97.7%
Program Income	$	183,996	1.0%
Contributions	$	51,223	0.3%
In-kind contributions	$	195,852	1.0%
Total Revenues	$	18,865,425	

Table 1: Refugee Services of Texas FY 2017 Revenue Sources

In Fiscal Year 2017, RST managed at least 28 separate federal contracts. This reliance on government contracts, each of which comes with its own reporting and monitoring requirements, adds immense complexity to the organization's management. It also limits flexibility, as each funding stream is tied to specific programs and service. Heavy reliance on government funding also leaves the organization vulnerable to political changes, which has been of particular concerns since the 2016 election. Much of RST's funding is subject to federal refugee resettlement levels. Each year, these levels are set by a presidential determination, which the president issues following congressional consultation on an initial proposal. Table 2 shows the current trajectory of refugee resettlement levels compared with the past decade (Bruno, 2018). While refugee resettlement levels are reaching a historical low, the global need for refugee services remains extraordinarily high.

Region	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Africa	16,000	12,000	15,500	15,000	12,000	15,950[a]	17,500[b]	20,400[c]	27,500[d]	35,000[e]	19,000	11,000
East Asia	20,000	20,500[f]	18,000[g]	19,000	18,000	16,600[a]	14,700[b]	17,300[c]	14,000[d]	12,000[e]	5,000	4,000
Europe and Central Asia	3,000	2,500	2,500	2,000	2,000	650[a]	1,000	2,300[c]	4,000	4,000[e]	2,000	3,000
Latin America/Caribbean	5,000[h]	5,500[f]	5,500[g]	5,500	5,500	4,400[a]	4,300[b]	2,300[c]	1,500[d]	5,000[e]	1,500	3,000
Near East/South Asia	28,000	39,500[f]	38,000[g]	35,500	35,500	32,400[a]	32,500[b]	27,700[c]	38,000[d]	40,000[e]	17,500	9,000
Unallocated	8,000[h]	—[f]	500[g]	3,000	3,000	—[a]	—[b]	—[c]	—[d]	14,000[e]	—	—
Total ceilings	**80,000**	**80,000**	**80,000**	**80,000**	**76,000**	**70,000**	**70,000**	**70,000**	**85,000**	**110,000**[e]	**45,000**	**30,000**
Actual admissions	60,191	74,654	73,311	56,424	58,238	69,926	69,987	69,933	84,994	53,716	22,491	N/A

Table 2: Refugee Admissions Ceilings and Regional Allocations FY 2008-2019 (Bruno, 2018).

With 68.5 million forcibly displaced people worldwide, it is likely that RST will return to higher levels of refugee resettlement under a future presidential administration (UNHCR, 2017). Meanwhile, RST continues to provide essential ongoing services to refugees who have already been resettled in Texas and to asylum seekers and survivors of human trafficking.

Refugee Services of Texas is currently exploring earned revenue strategies as part of a broad plan to diversify its funding sources. Developing earned revenue opportunities is one of the key strategic initiatives identified in the organization's 2015-2020 comprehensive five-year strategic plan. Through its strategic planning process, RST identified earned revenue/social enterprise initiatives as an important contributor to fulfilling its four major goals: to serve, sustain, strengthen and engage. A successful earned revenue strategy will adhere to RST's commitment to provide excellent services; will make the organization more financially sustainable; will build the organization's capacity to expand and develop programs; and will further engage community members, clients, and other stakeholders in the organization's work. RST's efforts to diversify revenues are not limited to social entrepreneurship alone; the organization also recently hired a development director and is ramping up its development team and infrastructure.

In January 2019, Refugee Services of Texas was selected to participate in Mission Capital's "Impact Academy" based on its proposal to implement a new earned revenue initiative. Mission Capital is a nonprofit based in Austin, TX that supports nonprofits and community leaders "advancing equity and opportunity through their work" (Mission Capital, n.d.). Impact Academy is a five-month program that "connects nonprofits with Social Venture Partners (SVPs) to examine organizational growth and sustainability through earned revenue, and develop a business plan to launch, accelerate or scale their programs or services" (Hartness, 2018). Social venture partners are business leaders and social entrepreneurs who engage with the nonprofits Mission Capital supports in a wide variety of ways including coaching, impact investing, planning, long-term advising, and more (Mission Capital, n.d.).

Refugee Services of Texas initially proposed a new Interpretation Services enterprise that would both meet a "critical community need" and fulfill two strategic objectives: providing employment opportunities for refugee clients and building long-term financial sustainability within the organization (RST, 2018a). While RST would be able to build on its existing infrastructure for contracting culturally-appropriate interpreters to support their own internal services, a new Interpretation Services program would be a completely new venture. RST presented a preliminary plan and requested specialized support from Social Venture Partners (SVPs) in pricing, customer acquisition, and scaling. RST entered impact academy with the hope of accomplishing two key deliverables: a feasibility study and a business plan.

On February 25, 2019, Impact Academy held a half-day orientation workshop where Refugee Services of Texas had the opportunity to meet and begin working with their SVP team. The team included SVPs with expertise in marketing, accounting, operations, and finance. During preliminary discussions, SVPs asked many probing questions about the feasibility of an interpretation service venture, how to make the most of their expertise over a four-month period, and RST's existing earned income capacity. The focus of the meeting quickly shifted from planning next steps in developing an interpretation services venture to making a broader decision about the type of earned revenue project RST should pursue over the course of the Impact Academy partnership. The SVP team encouraged RST to consider pivoting the project's focus to RST's existing immigration legal services program, which was already generating revenue on a small scale. After further discussions with the SVP partners, RST's board, and the organization's leadership team, RST ultimately decided to focus on making the fee-based immigration legal services program more efficient and profitable. Over the next four months, with guidance from its SVP partners, RST engaged in preliminary business planning, created a financial model and estimated projected revenues, did market research on both pricing and staff structure, and analyzed administrative inefficiencies that limited the legal team's caseload. RST still plans to consider a future interpretation services social enterprise and other possible earned income opportunities. It will be able to build on the lessons it learned from the legal services business planning process, as well as lessons from other local nonprofits, four of which are included here as comparison case studies.

Literature Review

The body of research on revenue diversification in nonprofit organizations has yielded inconclusive and at times contradictory results. Nonprofits vary dramatically in their structure, revenue sources, fundraising strategy, size, and history, making it nearly impossible to generalize research findings on nonprofit financial management. Research examining the impact of nonprofit revenue sources must attempt to control for a complex and extensive web of factors related to an organization's structure and the context in which it operates. While the research has started to tease out the complex relationships between nonprofit revenue sources, financial health, program quality, sustainability, and growth, gaps in the research still remain.

Much of the research on nonprofit earned revenue strategies and social enterprises has been conducted relatively recently and, in many cases, lacks conceptual clarity and agreed-upon definitions (Battilana & Lee, 2014). A search in EBSCOhost databases Academic Search Complete, Business Source Complete, and SocINDEX reveals 527 scholarly journal articles with "social enterprise" in the title published between 1975 and 2019, of which more than 85% were published during the last ten years. Nonprofits began to increasingly adopt earned revenue strategies during the 1980s in response to an economic downturn and declines in government funding for nonprofits (Battilana & Lee, 2014; Doeringer, 2010). The term "social enterprise" began to gain popularity during that period, and between 1982 and 2002, the portion of income that nonprofits earned from commercial activity increased by approximately 20% (Doeringer, 2010). The nonprofit sector saw a similar surge in social entrepreneurship following the 2007-2008 financial crisis, but there continues to be limited empirical research on earned revenue.

Revenue Diversification

Many nonprofits seek to diversify their revenue streams to achieve benefits such as flexibility, autonomy, growth potential, and community connectedness (Hung & Hager, 2019). More diverse revenue streams may lead to increases in unrestricted funds, which are not tied to specific grant-funded services or contractual obligations. Diversified revenues may reduce overreliance on a specific funder or revenue stream, leading to greater financial stability. Nonprofits with several revenue streams can better weather reductions in a single funding source (Hung & Hager, 2019; Carroll & Stater, 2008). Revenue diversification may also bring nonprofits into contact with new partners and supporters and even increase visibility (Hung & Hager, 2019). Portfolio theory offers a theoretical framework through which these benefits can be viewed, providing "a lens through which to consider the optimal mix of revenue streams" (Hung & Hager, 2019, p. 7). However, revenue diversification is not without drawbacks. These can include increased complexity and risk, administrative costs, and "mission drift," or activities or decisions that run counter to the organization's mission (Hung & Hager, 2019, p. 9).

A recent meta-analysis of 40 studies finds a small, statistically significant association between revenue diversification and improved nonprofit financial health (Hung & Hager, 2019). However, the authors caution that inconsistent methods of measuring financial health limit the comparability of studies of revenue diversification (Hung & Hager, 2019). For example, some studies define financial health using measures of organizational capacity, while others define financial health using measures of organizational stability (Hung & Hager, 2019).

Sacristán López de los Mozos et al. (2016) explore the effect of revenue diversification on fundraising. They find that increased diversification is associated with "higher operational inefficiency" but may have a negative impact on fundraising efficiency (Sacristán López de los Mozos et al., 2016). Berrett and Holliday (2018) examined two revenue strategies, revenue concentration and revenue diversification, and found that revenue diversification was associated with increased organizational outputs. Revenue concentration, by contrast, was not associated with increased organizational outputs (Berrett & Holliday, 2018).

Some authors question whether revenue diversification leads to improved financial health (Chikoto & Neely, 2014; von Schnurbein & Fritz, 2017). Chikoto and Neely (2014) draw on data from the National Center for Charitable Statistics (NCCS) to examine nonprofit 990 tax filings from 1998-2003. They test whether revenue concentration leads to growth in financial capacity over a five-year period. The authors use multiple measures of financial growth, including percentage growth in total revenues, end-of-year total fund balances, and unrestricted end-of-year fund balance. Regression analysis using a large sample size (ranging from n=106,587 for unrestricted balance model and n=200,658 for total revenue growth model) found a statistically significant association between revenue concentration and five-year growth across each measure of revenue growth (Chikoto & Neely, 2014). However, when the authors looked at changes in revenue concentration over a five-year period, they found that increasing concentration was negatively associated with financial growth (Chikoto & Neely, 2014). A major limitation of Chikoto and Neely's (2014) analysis is that it does not account for differences between concentrated revenue streams, for example between reliance on government grants and contracts, private donations, or client fees. Control variables include organization size, industry, and location, but do not include how long an organization has been operating. Subsequent research by Chikoto, Ling, and Neely (2016) reveals that the way revenue streams are counted and categorized affects analysis of the relationship between revenue concentration and financial health.

Von Schnurbein and Fritz (2017) build on Chikoto and Neely's (2014) findings by using a seven-year revenue growth period and adding control variables for nonprofit size and age. Von Schnurbein and Fritz' analysis used a sample of 191 Swiss nonprofit organizations (2017). Like Chikoto and Neely (2014), they found a negative association between revenue diversification and financial growth. In their model, higher program expenditures were associated with increased financial growth, and both younger and smaller organizations were associated with higher levels of financial growth (von Schnurbein & Fritz, 2017).

EARNED REVENUE AS A REVENUE DIVERSIFICATION STRATEGY

Many nonprofits have long relied on earned revenue to sustain their services; universities charge tuition, hospitals bill patients and their insurance companies, and many agencies use low-cost or sliding scale fee-for-service models (Battilana, 2018). More recently, the term "social enterprise" has been adopted to describe a range of organizations that pair business principals with a social mission. While the literature lacks consensus and conceptual clarity in defining social enterprise, authors often describe a "spectrum" ranging a traditional nonprofit to a traditional business (Teasdale, 2012; Battilana & Lee, 2014; Mission Capital, 2017).

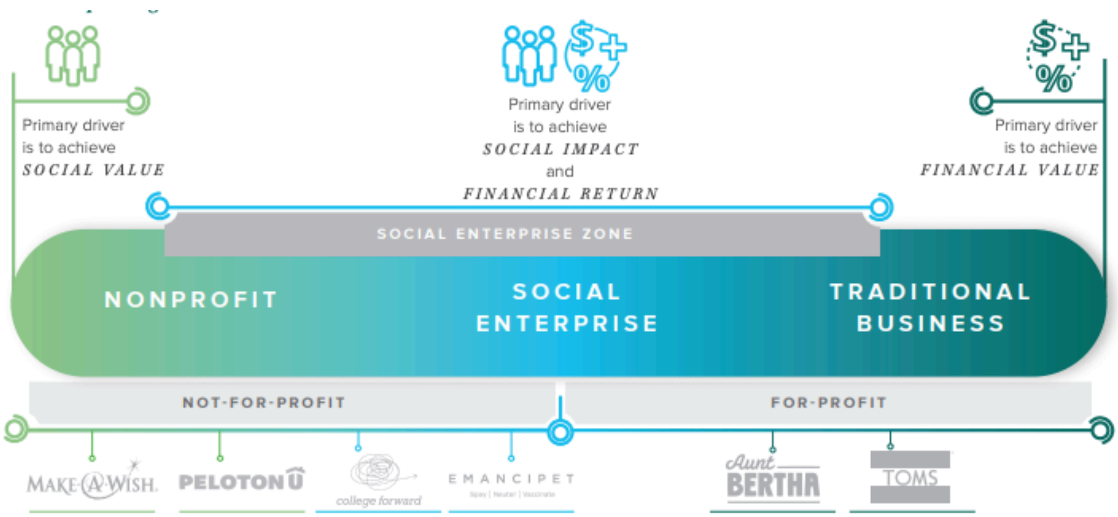


Figure 1: Social Enterprise Spectrum (Mission Capital, 2017, p. 5).

Figure 1 from Austin, TX nonprofit consulting group Mission Capital illustrates this spectrum with local and national examples. It locates social enterprises in a middle position overlapping both the nonprofit and private sectors, and it notes their blended purpose of achieving both social impact and financial return (Mission Capital, 2017). Stecker (2014) offers four distinct earned revenue categories nonprofit organizations can consider: the sale of branded merchandise; fee-for-service; founding a separate commercial for-profit enterprise; building a hybrid social enterprise; or a complete transition from non-profit to a for-profit business.

Nonprofits adopt an earned revenue or social enterprise strategy for a variety of reasons. Nonprofits may want to increase unrestricted revenue, or revenue that is not contractually tied to a specific use or program. Earned revenue is seen as a steady source of income that may insulate nonprofits from reduced donations during an economic downturn or from increasing competition for philanthropic support (Smith et al., 2010). Research on the effectiveness of social enterprise or earned income models is still in its early stages, and much of the literature focuses on organizational theory. Methodological approaches tend to focus on case studies built around qualitative interviews with nonprofit leaders. Empirical evidence is limited, but some studies have attempted to tease out the relationship between earned income, financial health, and nonprofit management.

Ecer, Magro, and Sarpca (2017) compare financial efficiency in traditional nonprofits and social enterprises. They measure nonprofit financial efficiency using overhead ratios, administrative expense ratios, and fundraising ratios. They also generate "Share of Earned Income (SEI)" ratios, which measure revenue composition by comparing program service revenue to total revenue, and they include six revenue source variables (e.g. government grants). Control variables include size, age, subsector, and location type (urban or Metropolitan Statistical Area). Ecer et al. (2017) find that organizations that receive a higher proportion of revenues from program services (i.e. earned income) are generally more efficient in managing overhead and administrative expenses. However, traditional nonprofits with a lower SEI ratio appear to be more efficient in raising grants and donations (Ecer et al, 2017).

Walske and Tyson (2015) explore an emerging pattern in which social enterprises are being founded at higher rates, but comparatively few are able to scale up their operations. The authors interview successful social entrepreneurs and identify factors that may contribute to successful scaling. They identify three major challenges social enterprises face as they attempt to scale: ensuring quality during rapid growth; access to both human and financial capital; and effective implementation of an earned revenue strategy (Walske & Tyson, 2015). Factors that contributed to social enterprises' ability to scale successfully included:

- Raising sufficient financial capital to support growth
- Ability to establish a supply chain

- Having a strong media presence, which could lend "enhanced credibility" and attract funding (p. 274).

Walske and Tyson found that a significant initial investor could play crucial role, serving as "a catalyst to increasing the organization's credibility" and helping to attract follow-up investments (2015, p. 275).

LEGAL STATUS

Hybridity, or the blending of two different models or structures, is a key theme in both organizational theory literature and literature on business structure and legal classification. Social enterprises can have a tax-exempt nonprofit legal status, or they can operate as a for-profit business. However, some social entrepreneurs see these legal structures as insufficient in supporting the dual goals of social good and profit (Reiser, 2012). Social enterprises that operate as for-profit businesses are limited in their ability to carry out a social mission by the imperative to maximize shareholder wealth (Reiser, 2012). For-profit social enterprises also forgo the tax-exempt status available to nonprofits and the ability to raise tax-free donations (Doeringer, 2010). Nonprofits, meanwhile, are unable raise equity capital because they are barred from paying dividends to shareholders (Doeringer, 2010; Battilana et al., 2012).

While nonprofits are allowed to engage in commercial activities under certain conditions, the laws governing earned revenue can be difficult to navigate, and their application has historically been "unclear, if not inconsistent" (Doeringer, 2010). Nonprofits are able to engage in commercial activities under two conditions: "insubstantial commercial activity is allowed so long as it does not stand in the way of the organization primarily operating for an exempt purpose, and substantial activity is allowed as long as it furthers the organization's exempt purpose" (Doerigner, 2010, p.

298). Commercial revenues that are not causally liked to the exempt social purpose of an organization are called "unrelated business income" (UBI) and may be subject to federal income taxes despite the organization's overall tax-exempt status (Doerigner, 2010).

In the U.S. and globally, new legal structures are emerging that attempt to better reflect social enterprises' unique hybrid role. These include the low-profit limited liability company (L3C), the benefit corporation, and the flexible purpose corporation (Reiser, 2012). Addae (2018) explores some of the factors that determine sector choice among social enterprises, which she primarily categorizes as: equity financing, organizational lineage, human capital, and funding environment. She found that nonprofit social enterprises tended to be "subsidiaries or spinoffs of existing nonprofit organizations." The for-profit social enterprises Addae (2018) examined were shaped by the commercial sector experience of its leadership and access to equity financing. While legal structure is an important consideration many nonprofit leaders wrestle with when adopting a social enterprise model, the case studies and analysis in this paper will focus on social enterprises that retain their nonprofit status.

THEORIZING DUAL PURPOSE ORGANIZATIONS

While many social enterprises operate under a nonprofit legal status, they must still navigate the challenges of balancing a social mission with the goal of efficiently generating revenue. Scholars have studied the impact of these dual purposes on organizational structure and identity and the implications for nonprofit management (Battilana & Lee, 2014; Sanders, 2012, Teasdale, 2012; Smith et al., 2010; Young et al, 2010). Sanders (2012) uses an "organizing tension" framework, arguing that nonprofit organizing is inherently contradictory and reflects a natural and continuous tension between financial imperatives, market forces, and social mission. According to Sanders

(2012), this tension is not limited to social enterprises, but "arises from the contradictory nature of the nonprofit sector itself" (p. 181).

Smith et al. (2010) apply an organizational identity theoretical framework to social enterprises. Organizational identities help nonprofits differentiate themselves from other organizations, set norms and expectations, and communicate their purpose internally and externally (Smith et al., 2010). Social enterprises have multiple identities that can at times come into conflict, and nonprofit leaders navigate this conflict in different ways. Patterns emerged in Smith et al.'s interviews with 27 nonprofit social enterprise leaders (2010). Some nonprofits practice "compartmentalization," keeping assets and stakeholder communication largely separate and unintegrated (Smith et al., 2010). In cases Smith et al. label "deletion," some nonprofits may determine that their income-generating venture is not raising sufficient revenue or is detracting too much from the social mission and choose to shut down their social enterprise (2010). A third approach, "integration," occurs when nonprofits are able to blend both their business identity and charitable identity (Smith et al., 2010). The degree to which social enterprises are able to manage and integrate their commercial and social identities is a key theme throughout the literature on nonprofit social entrepreneurship.

Fitzgerald and Shepard (2018) take a similar approach using the framework of institutional logics. Institutional logics refer to the "belief systems, values, and organizing frameworks" that govern an organization (Fitzgerald & Shepard, 2018). In a nonprofit organization, institutional logics are highly values-driven and include shared commitment to a cause, democratic governance, and ethical behavior. These contrast with for-profit institutional logics which are dominated by "a competitive market orientation and profit maximization" (p. 478). Social enterprises have to navigate these competing sets of organizational logics, which are each associated with a different set of norms, behaviors, and values. The four approaches Fitzgerald and Shepard (2018) outline in Figure 2 mirror Smith et al.'s (2010) earlier theory of organizational identities: integration, aggregation, compartmentalization, and subordination. Integration, which other scholars label "the hybrid ideal" (Battilana, Lee, Walker, & Dorsey, 2012) occurs when organizations are able to blend social and commercial logics and achieve a shared commitment to both mission-based and profit-based goals (Fitzgerald & Shepard, 2018).

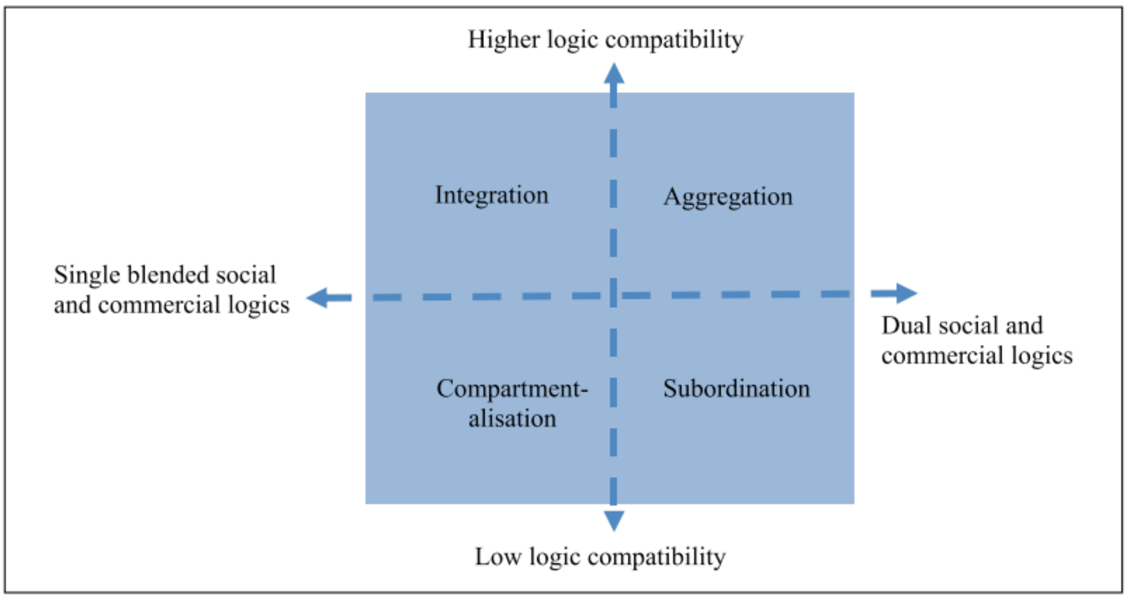


Figure 2: Fitzgerald & Shepherd, 2018, p. 484

While some research shows that social enterprises' hybrid identity can present significant challenges in communication with stakeholders, some nonprofits are able to effectively emphasize positive aspects of each identity while downplaying negative perceptions (Battilana, 2018; Smith et al., 2018). Battilana (2018) notes that the "ecosystem" in which nonprofits operate is still largely focused on binary categories of not-for-profit and for-profit, creating challenges ranging from stakeholder communications to paralyzed decision-making. In some cases, social enterprise leaders risk compromising legitimacy with external partners because they “transgress established business and charity models (Battilana, 2018, p. 1285). They face concerns from commercial investors about the profitability of social objects, while philanthropic donors may be skeptical about profit-generating activities (Battilana, 2018). In many cases, however, nonprofits leaders are able to emphasize positive aspects of their social enterprise including increased self-sufficiency and innovation (Smith et al., 2010; Albrecht et al., 2018). Research on public perceptions of nonprofits shows that in some cases, even nonprofits that do not have a social enterprise are starting to adopt the language of social entrepreneurship to communicate their ability to “take risks, challenge norms, and introduce novel ideas and solutions to enhance mission and sustainability (Albrecht et al, 2018, p. 258).

CATEGORIZING NONPROFIT EARNED REVENUE MODELS

In addition to exploring the implications of social enterprises’ hybrid nature, scholars have also sought ways to categorize earned revenue models. A key distinction can be made between nonprofits that identify as a social enterprise from the moment they are founded and nonprofits that adopt a new earned revenue strategy later on. Smith et al. (2010) labels these categories “at conception,” where a social enterprise model was “integrated into the very fabric of the organization,” and “after conception,” where an earned revenue strategy was added on at a later point in an organization’s history. This is similar to Addea’s (2018) analysis of organizational lineage. According to Addea, (2018), nonprofit social enterprises tend to be adopted “after conception,” or later in the organization’s lineage, and tend to be “subsidiaries or spinoffs” of an existing service model (Smith et al., 2010; Addea, 2018). Smith et al.’s analysis suggests that adopting a revenue generating strategy later in an organization's lineage may be associated with more conflict between the business identity and the social mission of the organization (Smith et al., 2010).

Fischer et al. (2011) explore the relationship between nonprofit revenue sources and the category of services provided. They identify a continuum of nonprofit services ranging from public in nature (e.g. public health education campaigns that benefit society as a whole) and private in nature (e.g. individual counseling where a single beneficiary can be identified). The authors compare nonprofits' degree of "publicness" with their distribution of revenue sources (Fischer et al., 2011, p. 663). Predictably, nonprofits categorized as private have a greater share of revenues from earned income, and this pattern is particularly pronounced in the healthcare industry. Meanwhile, nonprofits categorized as public tend to rely more heavily on donations (Fischer et al., 2011).

Social enterprises can also be categorized according to their level of "activity integration," and by differentiating between customers and beneficiaries (Battilana & Lee, 2014, p. 413; Battilana et al., 2012). Activity integration refers to the degree to which commercial and social goals are achieved through either a common set of activities or through separate activities.

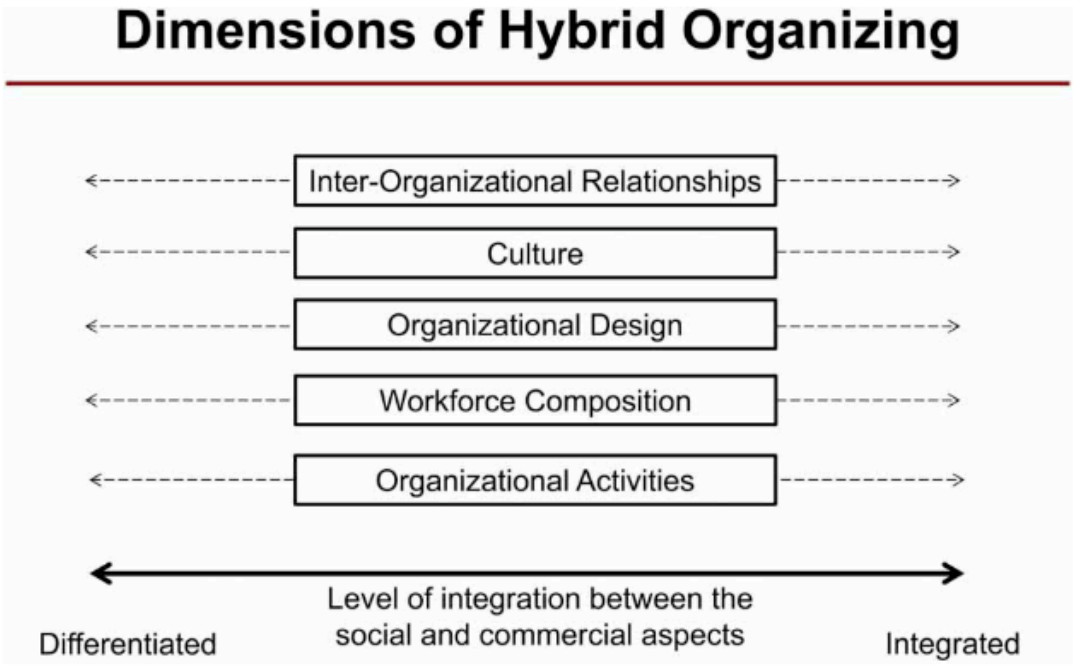


Figure 3: Battilana & Lee, 2014, p. 426

As figure 3 illustrates, activity integration in social enterprises can be viewed across several dimensions and can affect how well social enterprises are able to navigate a variety of internal and external decisions and challenges. For example, when hiring employees, social enterprises have to choose whether to hire from the business or nonprofit sector, which has implications for compensation, employee satisfaction, and possible interpersonal conflict. Social enterprises also have to choose how to message with donors and other external stakeholders, develop performance measurement strategies, and shape the "pattern of values and norms" that constitutes its organizational culture (Battilana & Lee, 2014, p. 421). While increased activity integration is largely believed to help social enterprises navigate the tensions associated with balancing social and financial goals, the authors questions whether a truly integrated organizational culture is possible if it “requires the reconciliation of competing norms and values” (p. 421). Further research is needed on how nonprofit leaders navigate this tension and how much integration or separation of commercial and social activities is desirable (Battilana & Lee, 2014).

Levine, Daniel, and Kim (2018) take a similar approach and categorize nonprofit earned revenue strategies according to mission alignment. Revenue generating activities are considered fully “embedded” if they directly contribute to the organization’s mission. Conversely, revenue generating activities are considered “external” if they are unrelated to the organization’s core mission and programs (Levine, Daniel, & Kim, 2018). Levine, Daniel, and Kim (2018) describe revenue generating activities that fall somewhere in between as “integrated revenues” (p. 953). The authors attempted to compare outcomes across these three categories in arts organizations using attendance to measure program success (Levine Daniel & Kim, 2018). While the authors noted the challenges of accounting for the overall funding structure of the organization, they found statistically significant positive association between mission-aligned, or “embedded,” revenue strategies and attendance levels, but no significant relationship between external revenue and attendance (Levine Daniel & Kim, 2018).

Scholars also analyze social enterprises by distinguishing between customers and beneficiaries (Teasdale, 2012; Battilana, 2018; Battilana & Lee, 2014). Beneficiaries are the intended recipients of the social support offered by the nonprofit organization and may or may not constitute a distinct group from customers depending on the social enterprise. For example, many social enterprises focused on workforce development – Goodwill Industries is well-known example – hire their “beneficiaries” as employees to provide job experience and training. They must then balance the dual needs of beneficiaries with the interests of customers (Battilana & Lee, 2014). In this case, social and commercial activities are still integrated or mission-embedded because commercial activities directly provide workforce development to employees, but customers and beneficiaries constitute two separate groups (Battilana & Lee, 2014). In many fee-for-service models, customers and beneficiaries are a single group through which consumption and social value are linked. In these cases, "focusing on growth does not take away resources from beneficiaries" (Battilana et al., 2012). In other cases, social enterprises serve different groups of customers and beneficiaries, and their commercial and social activities are unintegrated. This last category faces the greatest challenges, because these social enterprises must balance competing needs of customers and beneficiaries and make trade-offs between its commercial and social activities (Battilana et al., 2012).

MISSION ALIGNMENT

A key thread throughout the literature on social entrepreneurship is the idea of mission alignment and corresponding concerns about mission "drift" (Battilana, 2018; Battilana & Lee, 2014). The degree to which commercial activities align with the social mission of an organization, as noted in the literature on organizational structure and identity, impacts many dimensions of nonprofit management from hiring, to service design, to pricing. Nonprofits adopting a new earned revenue model may face criticism or concerns that income generating activities will cause the organization to make decisions that compromise its social mission. Research links mission alignment with both the ability to raise philanthropic donations and with decision-making about fee structures. Smith, Cronley, and Barr (2012) found that nonprofits introducing a social enterprise model risk compromising their ability to raise individual donations. However, negative effects on donor attitudes can be mitigated “when the social enterprise is perceived as mission consistent and competent” (Smith, Cronley, & Barr, 2012, p. 142).

Young, Jung, and Aranson (2010) describe a “mission-market tension” in pricing decisions that nonprofit social enterprises must navigate. Nonprofits’ ultimate goals is fulfilment of their social mission, but achieving a financial sustainability can be a key component or prerequisite to this. This creates a tension, because “the acquisition of financial resources often requires choices that can limit mission effectiveness” (Young et al., 2010). Nonprofits face the challenge of being simultaneously judged on their ability to grow and be sustainable, as well as their ability to achieve their social mission. Young et al.’s case study-based research indicates that many nonprofits tend to approach pricing decisions in an “improvisational” manner rather than systematically” (2010, p. 167). Young et al. (2010) recommend that nonprofit organizations adopt simple tools to navigate this “mission-market tension,” and they offer a simple Mission/Market Scale for Pricing pictured in Figure 4 (p. 161).

Table 1
Mission/Market Scale for Pricing

Scale Value	1	3	5
Mission/market emphasis	Mission emphasis	Mixed emphasis	Market emphasis
Decision protocol	Sliding scale with some prices below marginal cost to accommodate ability to pay	Sliding scale designed to break-even and accommodate differences in ability to pay	Single or multipart pricing at/above marginal cost to produce maximum net revenue
Impact	Maximum participation by target group; possible financial losses	Wide participation limited by financial constraint	Maximum profit/exclusion of low income families

Figure 4: Young et a., 2010, p. 161.

Future research on social enterprises would benefit from continued development and testing of this kind of streamlined tool to help nonprofits navigate tensions between commercial and social goals.

Local Case Studies

To better understand how nonprofits navigate the opportunities and challenges associated with implementing an earned revenue strategy, I conducted informational interviews with leaders of four nonprofits in Austin and Forth Worth. In addition to my participation in Mission Capital's Impact Academy, I also attended the first two day-long sessions of Mission Capital's Revenue Generator workshop. The Revenue Generator program helped three local nonprofits navigate the early stages of implementing a new earned revenue strategy. While I will not draw directly on the experience of Revenue Generator participants, the workshop deepened my understanding of how nonprofits navigate early market research, price analysis, business planning, and other decisions. These insights informed my analysis of the four case studies outlined below and Refugee Services of Texas' earned revenue project.

The case studies were selected using a combination of two broad criteria: recommendations and connections from UT faculty member and impact investor John Thornborrow and organizations that share a similar client population with Refugee Services of Texas. The two organizations recommended by Thornborrow, College Forward and EcoRise, represent two highly successful local social enterprise models whose earnings account for close to half of the organization's total revenue. The other organizations I focused on share a specialization in refugee and immigrant populations in either all or a significant portion of their programing. Local Austin nonprofit Multicultural Refugee Coalition and Fort Worth nonprofit Catholic Charities of Fort Worth both have multiple social enterprises, including, at each organization, a program focused on language interpretation. These organizations provide a useful comparison given the similarities in populations served and given that Refugee Services of Texas proposed an interpretation services venture in their initial application to Impact Academy. All four case studies will be analyzed across several of the key themes identified in the literature on social enterprises. These include, but are not limited to:

- **Mission alignment**: the extent to which the revenue generating strategy aligns with the social mission of the organization.
- **Activity Integration**: the extent to which the business activities and the social mission-based activities are overlapping or blended (Battilana & Lee, 2014).
- **Customers and Beneficiaries**: whether social enterprise customers represent the same group as the target beneficiaries of the organization's social mission.
- **Organizational Lineage and Timeline:** whether the nonprofit was initially founded as a social enterprise (Smith et al.'s "at conception"), or whether a revenue generating model was adopted later on (Smith et al.'s "after conception") (Smith et al, 2010; Addae, 2018).
- **Internal and External Messaging**: how the earned revenue strategy is messaged internally to staff, board members, and clients, and how the earned revenue strategy is messaged to external stakeholders such as donors.

CASE STUDY 1: ECORISE TEXAS

EcoRise was founded in 2008 under the name Uplift Austin by its current president Gina LaMotte (no relation). Its mission is to inspire "a new generation of leaders to design a sustainable future for all" through school-based programs that empower "youth to tackle real world challenges in their schools and communities by teaching sustainability, design innovation, and social entrepreneurship" (EcoRise, n.d.). EcoRise sells curricula and teacher training to local and national school districts and offers products targeted to elementary through high school teachers (EcoRise, 2018. It currently operates in six cities with a planned expansion to at least five more (EcoRise, 2018).

According to the organization's 2016 990 tax return forms, program service revenue represented 30% of the total revenue (EcoRise, 2017). All program service revenues were categorized as "consulting fees" and EcoRise had a total operating budget of $881,835 according to their Statement of Functional Expenses (EcoRise, 2017). According to EcoRise president Gina LaMotte, EcoRise currently has an operating budget of approximately $1.2 million, approximately half of which is covered by earned income (G. LaMotte, personal communication, March 14, 2019). Of the four case studies presented here, EcoRise is the only example of an "at conception" social enterprise, or an organization that was envisioned from the start as a revenue-generating model (Smith et al., 2010). From the beginning, LaMotte envisioned EcoRise as a social enterprise that would primarily sell its products to school districts. EcoRise's business activities and mission-driving activities are highly integrated; the more school districts purchase curricula and teacher training, the more students learn about sustainability. Despite this early adoption of a social enterprise model, the organization was not revenue-generating during its first few years until it secured initial contracts with school districts and individual schools. Since then, its earned income has grown from initially representing approximately 20% of EcoRise's total budget to its current level of approximately half of the total operating budget (G. LaMotte, personal communication, Mary 14, 2019).

EcoRise presents a particularly interesting case study for differentiating between customers and beneficiaries. It is difficult to identify one or two district groups of customers and beneficiaries; instead, several categories interact with the organization's curriculum and training-based model. The customer who actually purchases the curriculum is typically a school district, or in some cases a third party such the Office of the State Superintendent of Education in Washington, D.C. LaMotte describes teachers as the "user," which overlaps with both the customer and beneficiary categories. Teacher buy-in and satisfaction are essential to the success of the business, but teachers are not the decision-makers when making a sale. Teachers also benefit from the training and curricula that are purchased by their school district, but are not the target beneficiary according to the agency's mission statement. The true beneficiaries are both the student and society more broadly, as indicated by EcoRise's mission to empower youth and promote a "sustainable future for all" (EcoRise, n.d.). The added complexity of having multiple categories of customers and beneficiaries presents challenges at times, because successful curriculum sales rely on getting buy-in from top-to-bottom – simultaneously engaging teachers, while also identifying the department or school district official that can actually make the purchase (G. LaMotte, personal communication, March 14, 2019).

Over the years, EcoRise maintained a steady pace of growth by continually analyzing and optimizing the price points for its projects and building a sales strategy (G. LaMotte, personal communication, March 14, 2019). This included adopting a customized Salesforce CRM software platform to track customers. EcoRise also continually experimented with offering different levels of customization and finding different ways to package their curriculum and training products. Strategies included offering free sample lessons; using a per-teacher fee structure for curricula and professional development; tailoring sales strategies depending on school district characteristics; and testing a train-the-trainer" model, among others (G. LaMotte, personal communication, March 14, 2019). The organization had to balance the benefits of tailoring and customization with the downsides of added complexity, such as the possibility of confusing potential customers. LaMotte increased EcoRise's visibility in the social impact community by participating in a Philanthropitch competition, which landed the organization a spot in Mission Capital's 2016 Mission Accelerator Class. Like Refugee Services of Texas, the Mission Accelerator program paired EcoRise with social venture partners from the private sector to help the organization further scale its revenue generating activities. As EcoRise scaled its training and curricula sales, it explored pursuing a goal of having earned income cover 100% of its operating budget. LaMotte has since pivoted away from this goal in order to be able to take advantage of funding opportunities through corporate partnerships and grants, while still continuing to grow earned income (G. LaMotte, personal communication, March 14, 2019).

CASE STUDY 2: COLLEGE FORWARD

College Forward is an Austin-based nonprofit founded in 2003. College Forward's mission is to "[coach] underserved, motivated students to achieve the benefits of higher education" (College Forward, n.d.). College Forward primarily has a direct service model, providing coaching, mentoring, and support to students who are both applying to and attending college (College Forward, n.d.). College Forward has multiple earned revenue strategies, including consulting services to help institutions build and implement their own student coaching programs. However, it's most substantial income-generating social enterprise is a software package called CoPilot.

CoPilot was initially designed for internal use and was not intended to be a revenue-earning social enterprise (A. Buchan, personal communication, March 27, 2019). CoPilot was initially developed with the support of grant funding to fulfill a critical internal need for better student data. It operates on the Salesforce platform, and allows users to collect and track comprehensive information on students' academic, financial, and social well-being (College Forward, 2016). This initial internal design process provided an “incubation stage” during which the organization did not have to worry about meeting market demand (A. Buchan, personal communication, March 27, 2019). College Forward used and tested the software for two years before making the decision to sell it to other education nonprofits, which CEO Austin Buchan sees as contributing to the quality of the software product (A. Buchan, personal communication, March 27, 2019). Partner organizations began to approach College Forward and express interest in the software, prompting the organization to begin informal conversations about selling CoPilot. They pitched the idea at a board retreat and began the business planning process (A. Buchan, personal communication, March 27, 2019). In 2014, College Forward began selling CoPilot and scaled up rapidly. According to the organization’s 2014-2015 annual report, earned income revenue rose from $30,660 in 2014 to $296,456 in 2015. College forward reported $1,206,940 in Program Service Revenue on their 2016 IRS 990 form, about 20% of that year’s total revenue. Earned income is expected to represent close to 40% of College Forward’s revenue this year (A. Buchan, personal communication, March 27, 2019).

The process of bringing CoPilot to market and scaling the enterprise has brought its share of challenges. CoPilot is a clear example of an “after conception” social enterprise under Smith et al.’s (2010) framework. It was adopting later in the organization’s lineage as a “spinoff” that operates separately from CollegeForward’s longstanding core service model (Addae, 2018). Buchan discussed the cultural tension between an earned revenue strategy that operates like an edtech (education technology) startup and the organization’s longstanding direct service program. He emphasized the importance of communicating CoPilot’s role internally early on to help staff at every level understand how it both aligns with and supports the organization’s mission and vision. Initial challenges were often capacity related – finding the skillset and expertise needed to create a business plan, develop a pricing and sales strategy, and determine the costs associated with running and scaling a new business. College Forward initially relied on a combination of internal staff, board member involvement, and consultants (A. Buchan, personal communication, March 27, 2019).

CoPilot is mission-aligned in that it helps similar nonprofits make their services more data-driven, but CoPilot sales remain separate from College Forward's central coaching-based service model. CoPilot customers are other education organizations providing student support; its beneficiaries are ultimately the students who receive better services, as well as the staff members whose work is improved by more streamlined and robust data management. Buchan believes that the success of the enterprise has contributed positively to the organization's relationships with donors and philanthropic funders, though he noted that in some cases he has had to confront the narrative that College Forward no longer needs robust philanthropic support. Looking to the future, Buchan hopes to find ways to continue to grow CoPilot in ways that are aligned with the organization's mission and vision, such as piloting a student-facing version of the app (A. Buchan, personal communication, March 27, 2019).

CASE STUDY 3: CATHOLIC CHARITIES OF FORTH WORTH

Catholic Charities of Fort Worth (CCFW) currently has four earned revenue strategies that operate out of a large standalone social enterprise department with a budget of $8 million and a staff of 75 employees (M. Dibra, personal communication, April 4, 2019). CCFW's first and largest earned revenue strategy is its Translation and Interpretation Network (TIN). Subsequent earned revenue programs include a transportation program, fee-based immigration legal services, and a dental clinic for low- and moderate-income families (CCFW, n.d.). The interpretation services program began in 1991 with a one-time state government grant intended to help CCFW create a self-sustaining program based on growing interpretation needs in the community. It continued as a self-sustaining program until 2005, when a new CEO recognized its income generating potential and decided bring it to scale as a social enterprise that could help support CCFW's broader mission. Catholic Charities invested in a year-long training on developing a successful social enterprise through a Washington, D.C.-based consulting group. According to TIN Senior Director Mita Dibri, this training played a pivotal role in helping CCFW create a business plan and shift TIN from a self-sustaining program to a profitable social enterprise (M. Dibra, personal communication, April 4, 2019).

Catholic Charities of Fort Worth's mission is to lift families out of poverty, and Translation and Interpretation Network (TIN) remains separate from the organization's primary mission-fulfilling holistic case management services. It is, however, mission-aligned, as refugees and immigrants are among the organization's target populations and TIN both provides employment opportunities and increases language access. Approximately 30% of TIN employees are former Catholic Charities refugee clients (S. Avila, personal communication, April 4, 2019). TIN also advocates for language access in the Fort Worth community and works to promote high standards for quality assurance and training (M. Dibri, personal communication, April 4, 2019). Translation and Interpretation Network's customers are the agencies and businesses that use its interpreters and translators. Its beneficiaries include the clients who are able to access services in their primarily language; immigrant and refugees whose access to employment is increased by TIN; and the broader community impacted by TIN's advocacy and training.

CASE STUDY 4: MULTICULTURAL REFUGEE COALITION

Like EcoRise, Multicultural Refugee Coalition's has adopted a fully social enterprise-based model. It is a workforce development program whose mission is "to create livelihood opportunities for refugees" (MRC, N.d.). However, unlike EcoRise, it was not envisioned as a social enterprise model from the start. Instead, it first arose in response to a community need for increased support for refugees resettling in the Austin area (J. Mann, personal communication, April 17, 2019). It was founded in 2009 by two Liberian refugees and two staff members at existing local nonprofits, and it began by offering educational support programs such as computer literacy, career development, sewing groups, and a gardening program (Winslow, 2015). In this earlier iteration, the organization primarily used a walk-in center model whose impact was hard to measure; services tended to be informal responses to the issues presented by walk-in clients (J. Mann, personal communication, April 17, 2019).

About three years ago, a board visioning session identified employment as a key area of focus in order to maximize MRC's impact on the local refugee community (J. Mann, personal communication, April 17, 2019). This closely coincided with another pivotal moment for the organization – being gifted the Open Arms manufacturing studio in 2014. In the words of MRC founder and CEO Meg Erskine, Open Arms was donated to the organization "to expand our impact within the refugee community and provide revenue model for our nonprofit" (as quoted in Harvey, 2018). According to Erskine, it allowed the organization to "refine our mission to creating livelihood opportunities for refugees in textile manufacturing and language services" (as quoted in Harvey, 2018). Open Arms manufactures a variety of textile products ranging from home goods to bags to apparel in partnership with retailers and designers who want to adopt social conscious production practices. The studio provides fair-wage employment to refugees in the Austin area and offers opportunities for on-the-job training, apprenticeship, and ESL classes (Harvey, 2018). This shift to a revenue-generating workforce development model set the groundwork for the organization's subsequent social enterprises, Shared Voices language services and New Leaf Agriculture which both launched in 2017.

New Leaf Agriculture represents an expansion of previous community gardening initiatives and now includes a commercial farm in Elgin, TX. New Leaf employs refugees as farmers and provides free technical education. New Leaf uses both a Community Supported Agriculture (CSA) model to sell produce, as well as "Farm-to-Maker" partnerships with local producers such as Barton Springs Mill (MRC, n.d.). Shared Voices, meanwhile, primarily generates revenue through the interpreter trainings it provides, which include a 40-hour Community Interpreter course and specialized follow-up workshops on medical and mental health interpreting. Course fees for refugee participants are typically underwritten by local institutions that support refugees such as churches and other nonprofits. MRC does not employ refugees directly, but they advocate in the community for the importance of professional interpretation and for a fair wage of at least $30 per hour (J. Mann, personal communication, April 17, 2019; MRC, n.d.). The organization also has a contract with the City of Austin and provides on-site training for bilingual City staff (MRC, n.d.).

According to Chief Operating Officer Jessica Mann, Multicultural Refugee Coalition (MRC) is working toward a goal of having business revenue cover 80% of the organization's funding. In 2017, earned income represented 43% of MRC's revenues (MRC, 2017). In 2018, it grew to 53%, and Mann estimates that approximately 55-60% of revenues currently come from earned income (J. Mann, personal communication, April 17, 2019). MRC is unique in that it is not an "at conception" social enterprise under Smith et al.'s (2010) framework, but the organization made a full pivot from a more traditional direct service model to a social enterprise-based model. In a Forbes interview, CEO Meg Erskine shared a key takeaway from this transition: the need to "embrace a concise, self-contained mission" (as quoted in Harvey, 2018). The organization's commercial activities – textile and agricultural production – are mission-integrated in that they directly provide employment and training to the refugee population MRC serves (Battilana & Lee, 2014). The customers purchasing these goods are different from the organization's beneficiaries, however, and the organization has to navigate the tension between competitive market pricing and the mission-fulfilling goals of providing a fair living wage and offering free training. Even with earned income representing a large proportion of MRC's total revenues, philanthropic funding can play a key role as a bridge to achieving the level of wages and benefits that align with the organization's social mission (J. Mann, personal communication, April 17, 2019).

Analysis

Several themes emerge in the four case studies presented here. It is clear that, consistent with the literature, mission-alignment and the extent to which business and social identities and activities are integrated plays a key role in how social enterprises develop and operate. Most of the organizations adopted an earned revenue model under a highly unique set up of circumstance, many of which would be difficult to predict and plan for. This has implications for both future research on nonprofit earned revenue and for attempts to establish any kind of best practices for nonprofits that hope to develop a future earned revenue strategy. It also reflects key aspects of each organizations' leadership: flexibility and a level of comfort with risk-taking that allows the organization to recognize opportunities and pivot in response to shifting circumstances. Lastly, the adoption of an earned revenue or social enterprise model has a profound impact on organizational culture – an impact which is navigated in different ways through internal and external messaging to employees, donors, and other stakeholders.

MISSION ALIGNMENT

In two of the case studies presented here, the commercial activities of a social enterprise were closely integrated with the organization's social mission. For both EcoRise and Multicultural Refugee Coalition, the organization's income-generating programs directly fulfill the agency's respective mission. In the case of EcoRise, expanded sales of school curricula directly result in more students being trained in environmental literacy. Multicultural Refugee Coalition's social enterprises provide employment and job training for the refugees it serves. This near-complete activity integration allows both organizations to fully operate under a social enterprise model and achieve a high proportion of earned income. In the case of College Forward and Catholic

Charities of Fort Worth, the organizations' social enterprises added onto an existing direct service model that does not blend or overlap with income-generating activities. Despite this separation, in both cases the earned revenue strategy aligns with the organization's mission. Both fulfill a model used by Mission Capital in their revenue workshops (pictured in Figure 5): ensuring that an earned revenue venture lies "at the intersection of a uniquely valuable product or expertise, clear mission alignment, and a client or customer who has the ability to pay" (Denison-Bickett, 2018).

Figure 5: Earned Revenue Venn Diagram, Denison-Bickett, 2018

In the case of Catholic Charities of Fort Worth (CCFW), the organization's first earned revenue strategy emerged from a combination of a clear community need for interpretation services and a unique expertise from stemming from its work with diverse immigration and refugee populations. While interpretation services do not directly address CCFW's mission to end poverty, they improve language access for the diverse Forth Worth community the organization serves. CollegeForward first developed and tested its CoPilot software package to improve its own service model, then adopted an earned revenue strategy in response to a clear demand among other nonprofits doing similar work. CoPilot promotes data-driven services in college access programs both within and outside the organization. In communicating with various stakeholders, College Forward and CCFW both strongly emphasize the ways in which in their social enterprises align with their respective missions and values – an approach that is particularly important given that they do not share the same overlap in business and mission-based activities compared with EcoRise and MRC. The research shows that mission-alignment is key to maintaining philanthropic support, and all four organizations continue to rely heavily and donations and grants (Smith, Cronley, & Barr, 2012).

ORGANIZATIONAL CONTEXT AND LEADERSHIP

Several of the organizations highlighted in the case studies adopted an earned revenue model under a unique set up of circumstance that would be difficult to predict and plan for. Translating these circumstances into a successful earned revenue strategy requires organizational leadership that is willing to embrace change, recognize opportunities, and take risks. Catholic Charities of Fort Worth's interpretation services program operated for over a decade before a new CEO to recognized its potential and invested in a year-long training program to grow it from a self-sustaining program to an income-generating social enterprise department. Multicultural Refugee Coalition made perhaps the most dramatic shift, facilitated in part by the donation of the Open Arms textile factory. The organization's CEO Meg Erskine discussed her flexible leadership approach: "I think it's really important to check in regularly to see if you are still on the right track or if you need to pivot to meet the needs. We did this as we evolved our mission provide livelihood opportunities beyond the initial community support and feel that we have really hit our sweet spot" (as quoted in Harvey, 2018).

Even in the case of EcoRise, which has remained consistent in both its mission and its social enterprise model from the start, president and founder Gina LaMotte demonstrates a similar flexibility. When a large grant opportunity presented itself, LaMotte was willing to pivot away from her goal of having the organization be completely supported by earned income and instead pursue growth and sustainability through a blend of earned income and philanthropy. In Mission Capital's Revenue Generator workshop, trainers pointed out the difference between traditional nonprofit operating models and earned income strategies. Nonprofits are used to the linear approach that characterizes many social service logic models, with specific inputs leading to a set of outcomes. Earned revenue, by contrast, is a more iterative and less linear process – a shift in thinking that may not be right for every nonprofit (Denison-Bickett & Kirkland, 2019). While it is critical that nonprofit leaders and scholars understand this flexible, iterative approach, it also creates substantial challenges to future research on nonprofit social enterprises. These nuances are difficult to capture in a standardized set of metrics, and empirical methods will likely never fully capture the kind of decision-making and external circumstances that contribute to a successful earned revenue model. It is no surprise that current research focuses so heavily on case studies. While more empirical research is needed, a full understanding of nonprofit earned revenue will require a combination of qualitative and quantitative methods.

ORGANIZATIONAL CULTURE

The adoption of an earned revenue or social enterprise model also has a profound impact on organizational culture. This is reflected in different ways through internal and external messaging to employees, donors, and other stakeholders. College Forward CEO Austin Buchan discussed the cultural tension that arose when they adopted a social enterprise model that resembles an education technology startup; both the mindset and expertise needed to launch successful software sales differ dramatically from the institutional logics of a longstanding coaching and mentoring direct service program (Fitzgerald & Shelpard, 2018; A. Buchan, personal communication, March 27, 2019). Buchan considered whether to operate CoPilot as a for-profit subsidiary, but ultimately decided that keeping them integrated would better support a cohesive organizational culture. He promotes this by actively emphasizing in both internal and external communication the ways in which CoPilot aligns with CollegeForward's overall mission. In addition to emphasizing the ways in which CoPilot aligns with College Forward's higher education-promoting mission, Buchan noted that he simultaneously began to integrate innovation and entrepreneurship into the organization's existing mission and values (A. Buchan, Personal Communication, March 27, 2019). This strategy – aligning the CoPilot enterprise with the organization's social mission, while also incorporating social entrepreneurship into the overall values governing the organization – represents a proactive approach to reconciling the organization's dual identities (Smith et al., 2010). This helps mitigate any tensions that might arise between the organization's direct service staff and CoPilot team, and it helps attract new employees who are committed to both the organization's direct service model and its revenue generating activities.

Catholic Charities of Fort Worth (CCFW) and Multicultural Refugee Coalition (MRC), the other two "after conception" nonprofit social enterprise models, use a similarly proactive approach to aligning their social and business identities in external communications (Smith et al., 2010). CCFW communicated its commitment to social entrepreneurship with the creation of a standalone social enterprise department, which is featured prominently on the organization's website. CCFW's website emphasizes both the mission alignment and financial contribution of its four earned income initiatives:

> "*Each business has a purpose; to use its products, services and employment opportunities to help those in need. Social enterprises provide CCFW with a sustainable model that empowers us to take action when we identify an unmet need in our community.*"

MRC, meanwhile, opted to fully integrate social entrepreneurship into the employment-based mission it adopted after acquiring Open Arms manufacturing.

Refugee Services of Texas Case Study

Initial Project Development

In the fall of 2018, Refugee Services of Texas (RST) identified Mission Capital's Impact Academy program as an opportunity to implement a key initiative identified in their 2015-2020 strategic plan – diversifying revenues through social entrepreneurship. Impact Academy is a new program that helps nonprofits build their earned revenue capacity with technical assistance and guidance from a team of private sector Social Venture Partners (SVPs). Refugees Services of Texas specifically sought earned revenue opportunities that would align with their four strategic goals: Serve, Sustain, Strengthen, and Engage:

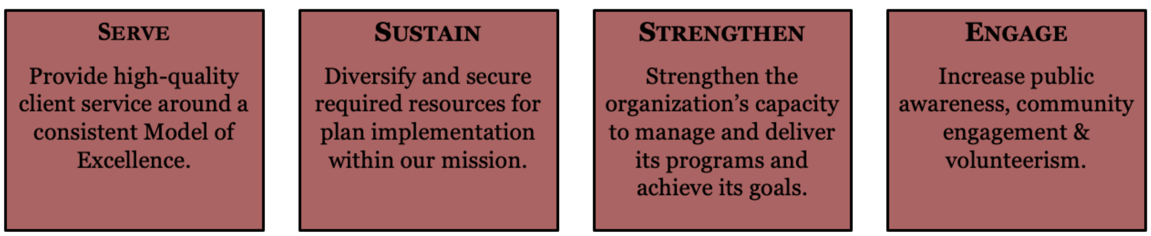


Figure 6: Strategic Goals. RST, 2018b.

For RST, a successful earned revenue strategy should adhere to the agency's commitment to provide excellent services; make the organization more financially sustainable; build the organization's capacity to expand and develop programs; and further engage community members, clients, and other stakeholders in the organization's work.

Refugee Services of Texas identified various potential revenue-generating strategies: an expansion of current fee-for-service Immigration Legal Services; an interpretation services venture that would provide employment opportunities to former refugee clients; and licensing of two tools the organization hoped to develop: a Client

Stability Scale to measure refugee services outcomes and a Client Services Portal. These options range from a program that is already operational to ventures that are in earlier stages of ideation and development, which would require a significant investment of time and resources. Refugee Services of Texas selected an interpretation service venture, which falls in the middle of this range, as the focus of its proposal to Mission Capital's Impact Academy, and RST was one of three participating organizations selected through a competitive process. The interpretation services enterprise would build on RST's robust internal infrastructure for contracting interpreters to use in meetings with refugee and immigrant clients; RST spends close to $75,000 per year in transition services across its network and its network of clients represent 30 distinct languages (RST, 2018a). The organization is particularly well placed to offer cross-cultural interpretations services in difficult-to-find languages because of this network and RST's experience providing culturally appropriate services.

DECISION TO PIVOT

Impact Academy offered Refugee Services of Texas (RST) an opportunity to focus on earned revenue with the support of a team of private sector Social Venture Partners (SVP). The SVP partners worked closely with an internal project team comprised of RST's CEO, Senior Programs Director, Development and Communications Coordinator, and two graduate interns. The organization initially approached the project with two overarching goals. First, RST saw interpretation services as a highly mission-aligned program to create employment opportunities for immigrant and refugee clients and to meet a community need for increased language access. Second, RST approached Impact Academy with the strategic goal of increasing unrestricted revenue for the agency, reducing reliance on government funding, and building long-term financial sustainability. In initial meetings with SVP partners, RST's CEO Russell Smith quickly realized that four months of SVP support would not take the project as far as the organization had initially hoped. They might achieve a feasibility analysis and market research, but would be unlikely to progress to a fully developed business plan and revenue projections. Social venture partners also raised critical questions about the resources and planning that would be required to launch a brand-new interpretation program.

The SVPs, whose combine expertise included marketing, accounting, operations, and finance, prompted RST to carefully consider how the team should focus its energies over the four-month Impact Academy program. Smith and the RST team asked themselves: should RST build a new program that would benefit its mission, and possibly contribute earned income in the long run; or, should the focus of the project truly be on earned revenue? Through these conversations, the Impact Academy team identified RST's existing fee-for-service immigration program as a potential "low-hanging fruit" that would likely offer a faster and more feasible path to increasing the organization's earned revenue. Smith took a week to discuss the two options internally with his senior leadership team, development staff, and board, and ultimately decided that the Impact Academy program would be a better fit with an expansion of the immigration legal services program. Refugee Services of Texas was initially drawn to the idea of an interpretation services venture because of its high degree of mission alignment, but had to recognize the realities and most urgent needs of the organization, namely mitigating the RST's reliance on federal funding in a time of declining refugee resettlement numbers. This ability to make a quick pivot – even if it meant letting go of the initial proposal to Mission Capital – is reflective of the leadership qualities discussed in earlier case study analysis.

IMPACT ACADEMY BUSINESS PLANNING PROCESS

Once Refugee Services of Texas (RST) made the decision to focus its work with Impact Academy on immigration legal services, the first step was a use a Business Model Canvas (BMC) framework to inform the goals and strategies guiding the project. Mission Capital adapted the Business Model Canvas template from Ash Maurya's *Running Lean*, and the organization uses the BMC throughout their work on nonprofit earned revenue strategies. According to the Business Model Canvas, RST's immigration legal services will have the dual goal of (1) providing affordable immigration legal services to refugees, asylees, and immigrants in Texas and (2) diversifying RST revenue streams. RST identified its competitive advantage as its "deep trust within the community and among clients" and its "comprehensive set of services to the refugee/immigrant community," allowing many clients to receive a broader range of services outside of their immigration legal case. The Business Model Canvas also identified four key activities to be accomplished over the course of the project:

- Identifying an efficient staffing structure, with a particular focus on the ratio of attorneys to legal assistants;
- recruiting talented, mission-focused legal staff;
- determining pricing; and
- outreach and scaling.

These activities were refined over time to encompass four overarching project deliverables:

- Baseline financial model and future revenue projections;
- strategies to increase program efficiency;
- market research on pricing and staff structure; and
- creating infrastructure to make program more data-driven going forward.

IMMIGRATION LEGAL SERVICES FINANCIAL MODEL

Refugee Services of Texas (RST) met with their team of Social Venture Partners (SVPs) every few weeks throughout March, April, and May. The SVPs first asked RST to research how other nonprofits structure their legal team and try to determine the most efficient ratio of staff members to legal assistants. They also asked RST build a financial model based on historical program data that could serve as a baseline for projecting changes in revenue from price increases or staffing changes. This proved to be one of the most challenging aspects of the project and revealed two critical areas of focus for the second half the project: a need for better data and a need to increase administrative efficiency. The immigration program had a legal staff of three at the start of the project, all of whom had started within the past year. The Dallas office was staffed with one attorney and one legal assistant and the Austin office had one legal assistant and was in the process of hiring a new attorney. The first financial model used aggregated legal caseloads across each site from FY 2016-FY 2018 to determine a historical weekly average for each case type. As illustrated in Table 3, these were paired with RST's current fee schedule and used to estimate an annual profit and loss (P&L) statement. This model included average revenues from government contracts to help clients apply for citizenship (naturalization) and to help refugees and asylees apply for a green card (adjustment of status).

P&L Based on Historical Average Caseload

	Overall	Austin
Revenues		
Fees for Service (historical average - 1 lawyer /1 legal assistant)	$101,949	$146,045
Refugee Social Services (RSS)		
Adjustments of Status (grant-funded) -ave 100 x $300	$30,000	$30,000
Naturalizations (grant-funded) -ave 30 x $200	$6,000	$6,000
Total Revenues	$137,949	$182,045
Expenses		
Salary - Lawyer	$52,000	$52,000
Salary - Legal Assistant	$32,000	$32,000
Payroll Taxes & Benefits (29%)	$24,360	$24,360
Total Expenses	$108,360	$108,360
Revenues Over (Under) Expenses	**$29,589**	**$73,685**

Table 3: P&L Model 1

In reviewing the initial P&L model, the RST team struggled to reconcile the significant difference between the Austin office's average revenue and the overall revenue that included the Dallas/Fort Worth office. While the model assumed that the weekly caseload reflected a typical RST single-office legal team of one attorney and one legal assistant, the program had experienced substantial turnover over the past few years. The team spoke with legal staff at both offices to try to better calculate staff-specific caseloads, and these conversations quickly revealed areas for improvement in the legal team's data management systems. The program uses a case management software that has the benefits of being free and user-friendly, but the software cannot generate Excel reports with sortable data. Staff entered data in up to three different Excel spreadsheets, but the documents were difficult to compare and were structured differently across the two office locations. Through this initial stage of financial modeling, the Impact Academy team identified data management systems as a key area of improvement to better capture caseload data, case timelines, and program revenues. These conversations with legal staff also revealed a second key area of focus for the project: reducing administrative inefficiencies. Staff spent a substantial amount of time on administrative tasks including trips to the bank and post office and data entry across multiple record-keeping systems.

While capturing the caseload of an individual attorney was not possible based on RST's current record-keeping system, the next financial model (Table 4) attempted to isolate the respective caseloads of (1) a single attorney and a half-time legal assistant team; and (2) a single legal assistant. This was calculated based on start dates of current legal staff. The model also treated grant-funded cases as fee-based cases to estimate the revenues the program would generate if it was operating under a fully fee-for-service model.

P&L: Fee for Service Only (operating at current capacity with no grant-based cases)

Revenues	Dallas	Austin	Overall
Fees for Service (historical average - 1 FTE lawyer / 0.5 FTE legal assistant)	$81,160	$40,464	$121,624
Total Revenues	$81,160	$40,464	$121,624
Expenses			
Salary - Lawyer	$52,000		52,000
Salary - Legal Assistant * 1/2	$16,000	$32,000	$48,000
Payroll Taxes & Benefits (29%)	$19,720	$9,280	$29,000
Total Expenses	$87,720	$41,280	$129,000
Revenues Over (Under) Expenses	($6,560)	($816)	($7,376)

Table 4: P&L Model 2

Next, a third financial model was created with several assumptions that addressed factors believed to contribute to the losses in Table 4. First, the third model assumed a three-person legal team of one attorney and two legal assistants all based at a single RST office, which would reduce the time spent providing remote supervision. Second, government grant funding was built back into the model based on the Dallas office's FY 2019 contract. Third, the model assumes that mail, banking, and recording keeping processes are successfully streamlined and that the third legal assistant focuses on administrative support and takes a smaller caseload. This administrative streamlining is assumed to result in the following caseload increases:

- The attorney is able to take on the entire caseload represented in the previous model (1 FTE attorney and 0.5 FTE legal assistant), plus additional consultations.
- The second legal assistant is fully trained and has reduced administrative tasks, allowing a 20% increase in the Austin legal assistant's caseload based on the second model.

This three-person staff structure reflects recommendations made by staff at other legal services nonprofits, although the data collected on staff structure ranged substantially and did not reveal any single ideal ratio of attorneys to paralegals.

P&L: Single Office with Administrative Streamlining

Revenues		
	Fees for Service	$98,779
	Grant-based	$70,950
	Total Revenues	$169,729
Expenses		
	Salary - Lawyer	$52,000
	Salary - Legal Assistant	$32,000
	Salary - Legal Assistant	$32,000
	Payroll Taxes & Benefits (29%)	$33,640
	Total Expenses	$149,640
Revenues Over (Under) Expenses		**$20,089**

Table 5: P&L Model 3

This model, pictured in Table 5, provides a promising and achievable starting point. It illustrates the importance of reducing administrative burdens, as well as the importance of continuing to support program growth through grant funding.

A fourth and final financial model was created when an SVP partner was able to obtain a fee structure from the director of another local nonprofit with a very similar low-bono immigration legal services program. Analysis of RST's fee structure and the partner organization's fee structure across 18 comparable case categories showed that, on average, RST's prices would need to increase by 52% to reach a typical non-profit market rate. This final model took the third iteration of the P&L pictured in Table 5 and increased RST's fees to 90% nonprofit market rate across the 18 comparable categories:

P&L Single Office with Administrative Streamlining + 90% Nonprofit Market Rate

Revenues		
	Fees for Service	$182,074
	Grant-based	$70,950
	Total Revenues	$253,024
Expenses		
	Salary - Lawyer	$52,000
	Salary - Legal Assistant	$32,000
	Salary - Legal Assistant	$32,000
	Payroll Taxes & Benefits (29%)	$33,640
	Total Expenses	$149,640
Revenues Over (Under) Expenses		**$103,384**

Table 6: Final P&L Model

Refugee Services of Texas presented this final financial model at Impact Academy's closing celebration in June 2019, along with the team's proposal to achieve the planned revenue increase and continued growth. Refugee Services of Texas and two of its Social Venture Partners decided to continue their partnership and presented three continuing projects that will grow the immigration legal services program. First, it is clear that RST needs to update its fee schedule. The pricing structure used by RST's immigration legal services program had not been adjusted in over two years and was already at a low level compared with other local nonprofits. RST set a new goal of pricing its services at approximately 90% of the local nonprofit market rate, which will be implemented in the Fall of 2019 after the legal team reviews and adjusts the current fee schedule. This will allow the program to continue to attract clients and serve low-income families with low fees, while also raising legal services net revenues by nearly 250% (compared with overall historical average revenues in Table 3). RST will continue to offer free legal services under current and prospective grant funding, allowing the agency to continue to work with displaced populations that may not be able to afford even the lowest fees. Free legal services will continue to be offered to refugees and asylees who are eligible for a green card or citizenship status, and RST hopes to expand free immigration legal services to survivors of human trafficking and other serious crimes under a new grant.

Refugee Services of Texas and the social venture partners identified a second ongoing project to achieve the revenues outlined in Table 6: streamlining administrative procedures. Conversations with legal staff identified several areas where cumbersome administrative processes limit their legal caseload capacity. This will be the primary focus of the two social venture partners (SVPs) who are continuing their partnership with RST. With SVP support, RST will set up both a mobile bank deposit system and in-office mail processing. The SVPs are also helping RST identify and test new legal case management software systems to facilitate a more streamlined data entry process and produce better reporting. Like the organizations analyzed in the four case studies, RST plans to subsidize some of the up-front costs of growing the legal services program with philanthropic funding. For example, RST included the costs associated with implementing a new case management software system in a recent grant proposal.

Lastly, the Impact Academy team developed a third project to collect better data on the time and effort associated with each case type. One of the greatest challenges RST wrestled with in developing the financial model was coming up with an accurate estimate for a monthly caseload. Currently, RST lacks consistent information about the timeline associated with each case type, which it needs to inform the fee schedule and determine staffing needs. The Impact Academy team will continue to vet new case management software programs with the goal of selecting software that generates customizable, sortable Excel reports that capture:

- Client data
- RST staff and location information
- Funding source (grant / fee-for-service)
- Client meetings
- Case outcome and timeline

Once the legal team has fully migrated to the new software, RST will be able to easily track the time, effort, and fees associated with each case on an ongoing basis and make data-informed program adjustments. However, the Impact Academy team also wanted to get a quick snapshot of RST's current caseload and capacity, as well as a more accurate estimate of time spent on administrative activities such as mail processing, data entry, and scheduling. With support from the SVPs, RST designed a rapid two-month time and effort study using the time tracking software platform Clockify. Legal staff will track all activities for the months of June and July 2019, and they will tag each entry using de-identified numbers for individual clients. This will give RST a baseline estimate of the timeline associated with common legal cases, which will help ensure that the fee schedule reflects the time and effort associated with each case. RST will analyze and review the Clockify data at the end of July 2019.

Recommendations for Refugee Services of Texas and Future Research

REFUGEE SERVICES OF TEXAS

While Refugee Services of Texas (RST) made significant progress toward growing its Immigration Legal Services earned revenue model, it still hopes to further scale up the program and expand it to three other sites. RST also hopes to continue to explore other social enterprise strategies, such as the interpretation services venture it initially proposed in its Impact Academy application. In its future work on social entrepreneurship, RST will be able to build on its work with Impact Academy over the past four months. The literature and four comparison case studies presented in this report also offers lessons RST can draw on as it continues to expand Immigration Legal Services and explore future earned income models. The recommendations here are specifically targeted to Refugee Services of Texas, as the research in this report and the literature on social enterprises more broadly is not sufficiently comprehensive to establish broad best practices.

Recommendations

1. **Continue to focus on data collection.** The literature, the four comparison case studies, and Mission Capital's training sessions all clearly demonstrated that developing an earned revenue strategy is an iterative process that requires flexibility, risk-taking, and a willingness to shift directions when needed. However, it was the in-depth practical application of this process with Refugee Services of Texas that demonstrated how critical good data is to developing or growing an earned revenue strategy. Data needs to collected constantly, quickly, and easily so that nonprofit administrators can test assumptions and make informed decisions throughout the development and growth of a social enterprise.

RST should make adopting a new legal case management software with customizable reporting capacity a high priority. It should use the ongoing support of its two Social Venture Partners (SVPs) to review and streamline current tracking spreadsheets so that they are consistent across sites, so that they allow for efficient data entry, and so that they collect the data needed to grow the program.

2. **Anticipate the impact on organizational culture.** Refugee Services of Texas is adopting a social enterprise approach later in its organizational lineage (Addae, 2018). Earned revenue is not part of the organization's longstanding core service model, which is primarily comprised of comprehensive case management services for refugees and survivors of trafficking. Immigration legal services are, however, mission-integrated in that they directly benefit low-income immigrant and refugee clients and fulfill a critical community need. RST will need to decide how to communicate business-related decision making like price increases, staff structure changes, and a new focus on efficiency both within the organization and to external stakeholders. The impact that growing an earned revenue strategy can have on the organization's culture and values was not an area of focus of RST's Impact Academy partnership. However, as the immigration legal service program continues expand in size and revenue-generating capacity, RST's leadership team will need to plan how it will communicate about the venture both internally and externally. It will need to anticipate any tension that may arise between the agency's traditional direct service model and efforts to increase earned revenue. This will involve some combination of emphasizing the ways in which growing immigration legal services aligns with the agency's mission, as well as possible strategies to incorporate innovation and entrepreneurship into the overall values of the organization. In communicating with volunteers, donors, and other

stakeholders, RST frequently emphasizes the ways in which its services help refugee clients achieve self-sufficiency. RST may be able to draw a comparison between the self-sufficiency it supports in its clients, and the increased financial self-sufficiency it will achieve by expanding fee-for-service revenues. RST should involve its attorneys and legal assistants in this dialogue and should emphasize the dual purpose of the program – fulfilling RST's mission and raising revenue for the organization – when hiring new legal staff.

3. **Develop simple, tailored internal tool to navigate "mission-market tension."** As Young, Jung, and Aranson (2010) note, nonprofits adopting a new social enterprise model must navigate a "mission-market tension" in pricing and other key decisions. In RST's case, adopting too high a price point for legal services limits the organization's ability to serve vulnerable, low income clients; meanwhile, the organization's current very low fee structure is one of the primary reasons why the program is not currently profitable. Adopting a fee schedule is not the only decision that will require RST to navigate the competing motives of mission fulfilment and profit maximization, and RST would benefit from a simple framework to guide these decisions. Future decisions may include:
    - The distribution of cases accepted by legal team (e.g. number of employment visas compared with number humanitarian claims such as Asylum);
    - Compensation for interpreters in a future language interpretation social enterprise; and
    - Customer groups targeted in marketing campaigns and outreach.

    RST should consider adapting Young, Jung, and Aranson's (2010) "Mission/Market Scale for Pricing" tool (see page 23), or creating its own simple framework or rating system to assess both the financial and social impact of key decisions. This should be rooted in RST's core values, service design, and mission, with the goal of promoting decisions that maintain mission alignment in commercial activities, while allowing current and future social enterprises to become profitable and grow.

4. **Plan for Personnel Needs Associated with Growing Social Enterprises.** Mission Capital's Impact Academy provided RST with structure and with the business expertise of five Social Venture Partners (SVPs). RST also had two graduate student interns whose placements aligned with the Impact Academy program. This increased the organization's internal capacity to conduct research, build financial models, and design and implement a time and effort study. In order to continue to grow current and future earned income strategies, RST will need a skillset that it may not consistently have internally in its staff, including but not limited to market research; marketing and sales strategy; price analysis and financial modeling; and business planning. If RST hopes to expand social entrepreneurship substantially, it will eventually need to recruit staff members with these skills. It will need to consider whether to create a new position, or incorporate social entrepreneurship into existing roles in the organization, most likely in either its program operations or development teams. In the meantime, it must continue to find creative ways to access new skillsets by leveraging board member expertise; continuing to cultivate relationships with SVPs and other private sector volunteers; and continuing to seek capacity-building opportunities such as Impact Academy.
5. **Seek philanthropic funding and technical assistance to support growth.** In all four comparison case studies, organizations relied on donations or grant funding

to implement and grow a social enterprise. Even organizations whose primary operating model is revenue generating continue to sustain and grow their programs with philanthropic support. Organizations implementing a new social enterprise need to be realistic about their capacity to develop and implement a new program, the start-up costs associated with a new earned income venture, and the timeline required to bring a planned initiative to scale. Refugee Services of Texas is already pursuing grant funding to subsidize new legal case management software. It should continue to identify opportunities to use grant funding, in-kind donations, volunteers, and other sources of support to grow its Immigration Legal Services program. In the future, RST should explore ways to establish new social enterprises with philanthropic support. It should look for grant opportunities related to capacity building, language access, or evaluation that align with the earned revenue opportunities identified in RST's strategic plan.

RECOMMENDATIONS FOR FUTURE RESEARCH

There is a growing body of research on nonprofit earned revenue strategies and social enterprises, but many gaps still remain. Empirical research is particularly limited, and most scholarly articles tend to draw qualitative data from cases studies. Much of the research focuses on conceptualizing and theorizing the hybrid nature of nonprofit social enterprises, which blend both commercial and social mission-based goals and activities. Several areas in particular warrant particular attention from future research on nonprofit earned revenue. First, future research is needed to build on existing methodological approaches to quantifying various aspects of nonprofit earned revenue strategies. Ecer et al. (2017) offer one promising approach with their calculation of "Share of Earned Income" (SEI) ratios, which measure revenue composition and compare program service revenue to total revenue. Ecer et al. (2017) analyzed the impact of SEI ratios on various measures of efficiency. Future research could use a similar approach and examine the impact of higher SEI ratios on a variety of other outcomes, including other measures of financial health, program outcomes, and even measures of organizational culture like staff retention.

Future research should also focus on developing measures for some of the conceptual themes that have emerged in theoretical and qualitative literature. Empirical methods could be developed to more rigorously test the impact of activity integration, or the differences between social enterprises whose social and commercial and activities are overlapping or blended and social enterprises whose social and commercial activities remain separate. Empirical methods could also be applied to Smith et al.'s (2010) "after conception" / "at conception" framework examining the point at which an earned income strategy was adopted within an organization's history. Case studies suggest that this may be a key factor to consider in relation to organizational culture and staff and stakeholder buy-in.

Access to sufficient financial capital was a key factor identified by Walske and Tyson (2015) that appears to limit many nonprofits' ability to scale earned income projects. All five of the organizations examined in this report relied on some kind of philanthropic support or government funding to build and grow their respective social enterprises. Further research should explore the resources nonprofits need to launch a successful social enterprise, the various sources of funding that can support nonprofit social enterprise growth, and strategies for accessing capital. Walske and Tyson (2015) present a preliminary list of factors that contribute to social enterprises' abilities to scale successfully, but their research focuses on both private and nonprofit social enterprises. Nonprofits have a unique ability to access philanthropic support, as well as free or low-cost technical assistance programs offered by organizations like Mission Capital. Future research is needed on the availability and impact of these various types of support, with a specific focus on the unique nonprofit operating context.

A final key area of research is a deeper exploration of the ways in which organizational context impacts the successful development and growth of earned revenue strategies. Several factors emerged in the case studies, including leadership qualities such as flexibility and risk-taking; history; organizational culture; and service model. Researchers should also continue to develop indicators to measure organizational capacity, so that nonprofits can better understand and assess the resources they will need establish and grow a new earned income strategy.

Conclusion

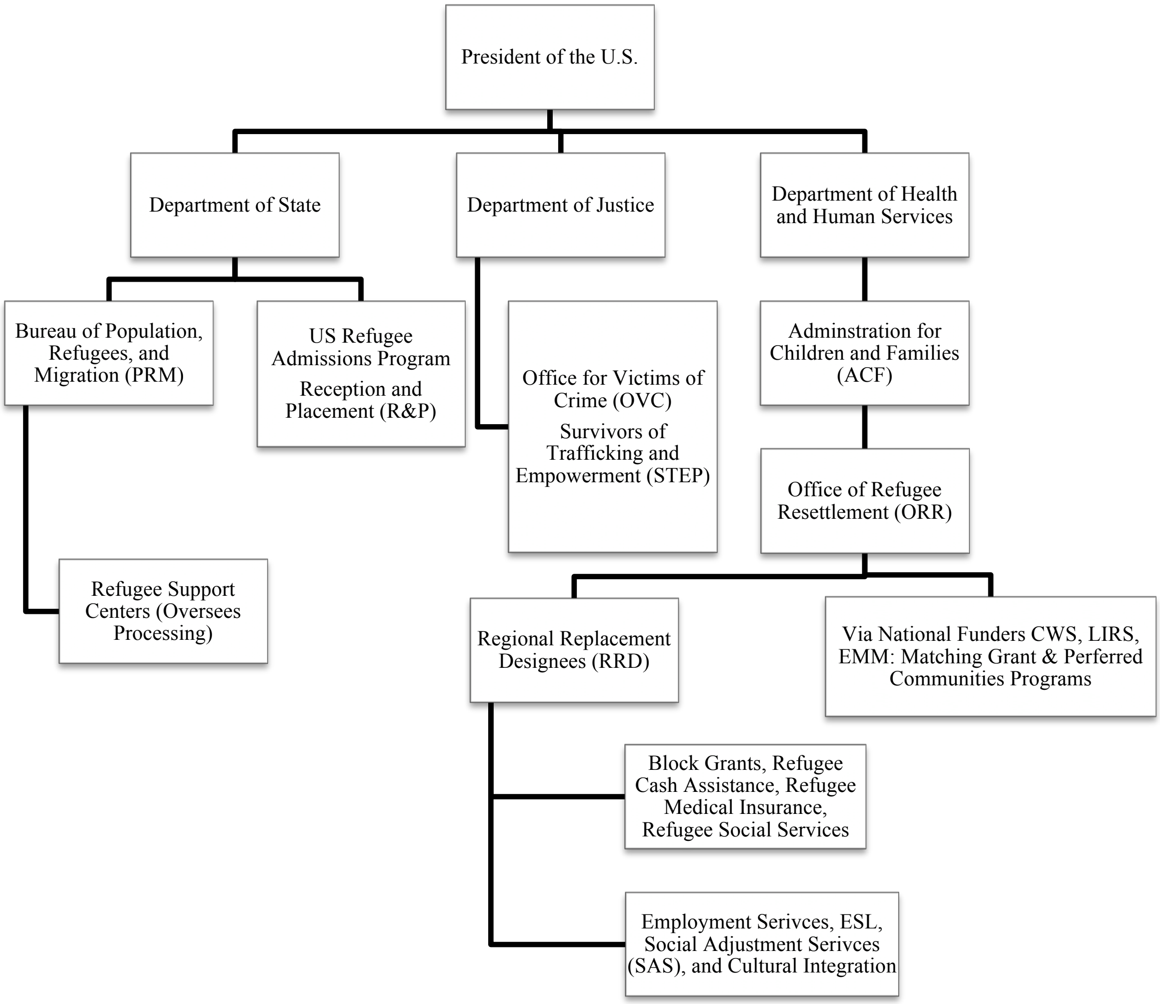
Refugee Services of Texas (RST) turned to earned revenue with the goals of improving the overall financial health of the organization, reducing reliance on government contracts in a challenging political environment, and providing a stable, unrestricted revenue stream. As RST is well aware, however, earned income alone will not alleviate its heavy reliance on government contracts. Earned income forms one part of a broader strategic plan to diversify revenues that also includes hiring new development staff, seeking grant opportunities through private foundations, increasing fundraising events, and continuing to cultivate a network of committed volunteers and individual donors.

Both RST's work with Impact Academy and the four comparison case studies clearly demonstrate that implementing a new social enterprise takes time and resources and is not a quick fix to financial challenges faced by an organization. Nonprofit social enterprises can take years to start generating profits and should be seen as an investment in the future financial health of an organization. Refugee Services of Texas was wise to build on an existing program before launching a brand-new enterprise, especially during a time when declining federal refugee resettlement levels are placing a strain on the organization's resources. At the same time, RST has significant potential for growth in its earned income initiatives. Both immigration legal services and interpretation services meet a clear community need, are highly mission aligned, and directly benefit RST's immigrant and refugee client base. As a statewide organization, RST has the added benefit of being able to pilot programs across one or two of its six offices before launching a wider expansion.

Government and philanthropic funders want to promote high quality, evidence-based social services through their grant making processes. Yet, in some cases, restrictive contractual obligations and reporting requirements limit nonprofits' ability to innovate. Many funding contracts allow little room for nonprofits to test new service models, adapt to changing environments, and explore creative approaches to social problems. While earned revenue is by no means a panacea when it comes to nonprofit financial health, under the right circumstances it can offer a flexible and sustainable revenue source. As nonprofits adapt to complex funding environments combined with increasingly complex social problems, earned revenue is a tool many organizations will consider. Policy makers have begun to explore approaches for supporting social enterprises through hybrid legal structures. Policy makers, government agencies, foundations, and researchers should continue to explore innovative funding models and legal structures to help nonprofits achieve greater financial sustainability.

Appendices

APPENDIX A



References

Addae, A. E. (2018). Pathways to sector selection: A conceptual framework for social enterprises. *Nonprofit Management & Leadership*, *28*(3), 349–365. https://doi.org/10.1002/nml.21297

Albrecht, K., Varkey, S., Colville, K., & Clerkin, R. (2018). Perceptions of Nonprofits and For-Profit Social Enterprises: Current Trends and Future Implications. *Journal of Nonprofit Education and Leadership*, *8*(3), 254–276. https://doi.org/10.18666/JNEL-2018-V8-I3-9134

Battilana, J. (2018). Cracking the organizational challenge of pursuing joint social and financial goals: Social enterprise as a laboratory to understand hybrid organizing. *M@n@gement*, *21*(3), 1278–1305.

Battilana, J., & Lee, M. (2014). Advancing Research on Hybrid Organizing – Insights from the Study of Social Enterprises. *The Academy of Management Annals*, *8*(1), 397–441. https://doi.org/10.1080/19416520.2014.893615

Battilana, J., Lee, M., Walker, J., & Dorsey, C. (2012). In Search of the Hybrid Ideal. *Stanford Social Innovation Review*. https://ssir.org/articles/entry/in_search_of_the_hybrid_ideal

Berrett, J. L., & Holliday, B. S. (2018). The Effect of Revenue Diversification on Output Creation in Nonprofit Organizations: A Resource Dependence Perspective. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, *29*(6), 1190–1201. https://doi.org/10.1007/s11266-018-00049-5

Brown, M. (2018). The Moralization of Commercialization: Uncovering the History of Fee-Charging in the U.S. Nonprofit Human Services Sector. *Nonprofit and Voluntary Sector Quarterly*, *47*(5), 960–983. https://doi.org/10.1177/0899764018781749

Bruno, A. (2018). Refugee Admissions and Resettlement Policy. *Congressional Research Service, RL31269*. https://fas.org/sgp/crs/misc/RL31269.pdf

Carroll, D. A., & Stater, K. J. (2009). Revenue Diversification in Nonprofit Organizations: Does it Lead to Financial Stability? *Journal of Public Administration Research and Theory*, *19*(4), 947–966. https://doi.org/10.1093/jopart/mun025

Catholic Charities of Fort Worth (CCFW). (N.d.) Our Initiatives. [Website]. https://www.catholiccharitiesfortworth.org/our-initiatives/

Chikoto, G. L., & Neely, D. G. (2014). Building Nonprofit Financial Capacity: The Impact of Revenue Concentration and Overhead Costs. *Nonprofit and Voluntary Sector Quarterly*, *43*(3), 570–588. https://doi.org/10.1177/0899764012474120

Chikoto, G., Ling, Q., & Neely, D. (2016). The Adoption and Use of the Hirschman-Herfindahl Index in Nonprofit Research: Does Revenue Diversification Measurement Matter? *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, *27*(3), 1425–1447. https://doi.org/10.1007/s11266-015-9562-6

Chikoto-Schultz, G., & Neely, D. (2016). Exploring the Nexus of Nonprofit Financial Stability and Financial Growth. *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, *27*(6), 2561–2575. https://doi.org/10.1007/s11266-016-9786-0

College Forward (N.d.). About Us. [Website]. https://collegeforward.org/approach/

College Forward (2016). 2014-2015 Annual Report. http://collegeforward.org/wp-content/uploads/2016/04/College-Forward-Annual-Report-2014-2015.pdf

Denison-Bicket, C. (2018). Are You Ready to Make Money for Your Mission? [Blog Post]. *Mission Capital.* https://www.missioncapital.org/insights-and-ideas/blog/make-money-mission/

Denison-Bicket, C. & Kirkland, T. (2019). Mission Capital: Revenue Generator. [Workshop].

Doeringer, M. F. (2010). Fostering Social Enterprise: A Historical and International Analysis. *Duke Journal of Comparative & International Law*, *20*, 291–329. Retrieved from https://heinonline-org.ezproxy.lib.utexas.edu/HOL/Page?public=true&handle=hein.journals/djcil20&div=11&start_page=291&collection=journals&set_as_cursor=0&men_tab=srchresults

Ecer, S., Magro, M., & Sarpça, S. (2017). The Relationship Between Nonprofits' Revenue Composition and Their Economic-Financial Efficiency. *Nonprofit and Voluntary Sector Quarterly*, *46*(1), 141–155. https://doi.org/10.1177/0899764016649693

EcoRise. (N.d.). Our Mission. [Website]. https://ecorise.org/about/

EcoRise. (2018). Impact Report: 2017-2018. [Annual Report]. https://ecorise.org/wp-content/uploads/2018/08/EcoRise_Impact-Report_17-18_Final_Digital.pdf

EcoRise. (2017). IRS Form 990 Return of Organization Exempt from Income Tax: 2016. https://pdf.guidestar.org/PDF_Images/2017/800/812/2017-800812900-0fbe49c8-9.pdf

Fischer, R. L., Wilsker, A., & Young, D. R. (2011). Exploring the Revenue Mix of Nonprofit Organizations: Does It Relate to Publicness? *Nonprofit and Voluntary Sector Quarterly*, *40*(4), 662–681. https://doi.org/10.1177/0899764010363921

Fitzgerald, T., & Shepherd, D. (2018). Emerging Structures for Social Enterprises Within Nonprofits: An Institutional Logics Perspective. *Nonprofit and Voluntary Sector Quarterly*, *47*(3), 474–492. https://doi.org/10.1177/0899764018757024

Hartness, C. (2018). The Impact Academy is Now Open! [Press Release]. https://www.missioncapital.org/forums/topic/the-impact-academy-is-now-open/

Harvey, J.C. (2018). How This Woman-Owned Sewing Studio in Texas Combats the Refugee Crisis. *Forbes*. https://www.forbes.com/sites/janeclairehervey/2018/12/22/how-this-woman-owned-sewing-studio-in-texas-combats-the-refugee-crisis/#ea69bb33ff91

Hung, C., & Hager, M. A. (2019). The Impact of Revenue Diversification on Nonprofit Financial Health: A Meta-analysis. *Nonprofit and Voluntary Sector Quarterly*, *48*(1), 5–27. https://doi.org/10.1177/0899764018807080

Levine Daniel, J., & Kim, M. (2018a). The Scale of Mission-Embeddedness as a Nonprofit Revenue Classification Tool: Different Earned Revenue Types, Different Performance Effects. *Administration & Society*, *50*(7), 947–972. https://doi.org/10.1177/0095399716647152

Lopez, A. (2017). Federal grants are administered by a complex network of intermediaries that varies across regions and programs. *Houston Public Media*.

https://www.houstonpublicmedia.org/articles/news/2017/02/08/187112/nonprofits-formally-take-over-federal-refugee-program-in-texas/

Mayer, W. J., Wang, H., Egginton, J. F., & Flint, H. S. (2014). The Impact of Revenue Diversification on Expected Revenue and Volatility for Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly*, *43*(2), 374–392. https://doi.org/10.1177/0899764012464696

Mission Capital (N.d.). Who We Are. [Website]. https://www.missioncapital.org/who-we-are/

Mission Capital (2015). *Does Central Texas Have Too Many Nonprofits?* https://www.missioncapital.org/download/does-central-texas-have-too-many-nonprofits-2013-update/

Mission Capital. (2017). *Beyond the Grant.* https://www.missioncapital.org/download/beyond-the-grant/

Multicultural Refugee Coalition (MRC). (N.d.). Multicultural Refugee Coalition. [Website]. https://www.mrcaustin.org/

Multicultural Refugee Coalition (MRC). (2017). 2017 Year in Review. [Annual Report]. https://static1.squarespace.com/static/5974f50de3df28d8889bbd50/t/5b21be3e575d1f9090cefbbd/1528938052380/2017+Year+in+Review.pdf

Multicultural Refugee Coalition (MRC). (2018). 2018 Year in Review. [Annual Report]. https://static1.squarespace.com/static/5974f50de3df28d8889bbd50/t/5ca4e16ca4af6c0001057509/1554309490357/2018+Year+in+Review.pdf

Nonprofit Finance Fund (NFF). (2018). *State of the Nonprofit Sector Survey*. Retrieved from: https://nff.org/surveydata

Radford, J. & Connor, P. (2016). Just 10 states resettled more than half of recent refugees to U.S. *FactTank.* https://www.pewresearch.org/fact-tank/2016/12/06/just-10-states-resettled-more-than-half-of-recent-refugees-to-u-s/

Refugee Services of Texas (RST). (N.d.). Our Mission. [Webpage]. https://www.rstx.org/about

Refugee Services of Texas (RST). (2018a). Impact Academy Proposal. [Internal organization document].

Refugee Services of Texas (RST). (2018b). Refugee Services of Texas Strategic Plan 2015-2020: 2018 Update. [PowerPoint Slide Deck].

Reiser, D. B. (2012). Theorizing Forms for Social Enterprise. *Emory Law Journal*, *62*. Retrieved from https://heinonline.org/HOL/Page?handle=hein.journals/emlj62&id=695&div=22&collection=journals

Sacristán López de los Mozos, I., Rodríguez Duarte, A., & Rodríguez Ruiz, Ó. (2016). Resource Dependence In Non-profit Organizations: Is It Harder To Fundraise If You Diversify Your Revenue Structure? *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, *27*(6), 2641–2665. https://doi.org/10.1007/s11266-016-9738-8

Sanders, M. L. (2012). Theorizing Nonprofit Organizations as Contradictory Enterprises: Understanding the Inherent Tensions of Nonprofit Marketization. *Management*

Communication Quarterly, *26*(1), 179–185. https://doi.org/10.1177/0893318911423761

Smith, B. R., Cronley, M. L., & Barr, T. F. (2012). Funding Implications of Social Enterprise: The Role of Mission Consistency, Entrepreneurial Competence, and Attitude toward Social Enterprise on Donor Behavior. *Journal of Public Policy & Marketing*, *31*(1), 142–157. https://doi.org/10.1509/jppm.11.033

Smith, B. R., Knapp, J., Barr, T. F., Stevens, C. E., & Cannatelli, B. L. (2010). Social Enterprises and the Timing of Conception: Organizational Identity Tension, Management, and Marketing. *Journal of Nonprofit & Public Sector Marketing*, *22*(2), 108–134. https://doi.org/10.1080/10495141003676437

Stecker, M. J. (2014). Revolutionizing the Nonprofit Sector Through Social Entrepreneurship. *Journal of Economic Issues (Taylor & Francis Ltd)*, *48*(2), 349–358. https://doi.org/10.2753/JEI0021-3624480208

Teasdale, S. (2012). Negotiating Tensions: How Do Social Enterprises in the Homelessness Field Balance Social and Commercial Considerations? *Housing Studies*, *27*(4), 514–532. https://doi.org/10.1080/02673037.2012.677015

UNHCR. (2017). *Global Trends: Forced Displacement in 2017*. https://www.unhcr.org/globaltrends2017/

von Schnurbein, G., & Fritz, T. M. (2017). Benefits and Drivers of Nonprofit Revenue Concentration. *Nonprofit and Voluntary Sector Quarterly*, *46*(5), 922–943. https://doi.org/10.1177/0899764017713876

Walske, J. M., & Tyson, L. D. (2015). Built to Scale: A Comparative Case Analysis, Assessing How Social Enterprises Scale. *The International Journal of Entrepreneurship and Innovation*, *16*(4), 269–281. https://doi.org/10.5367/ijei.2015.0197

Winslow, E. (2015). Turning a New Leaf. *Edible Austin.* http://www.edibleaustin.com/index.php/homeandgarden-2/gardening/1587-turning-a-new-leaf

Young, D. R., Jung, T., & Aranson, R. (2010). Mission-Market Tensions and Nonprofit Pricing. https://doi.org/10.1177/0275074009335411