

NeighborWorks America Leading Innovation in Nonprofit Sustainability



NeighborWorks America's new initiatives have helped more young families purchase their first homes.

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Embracing Innovation

NeighborWorks America, a 40-year-old congressionally chartered nonprofit, redefined its relationship with its grantees to build a learning lab for innovation.

BY **MARIETTA RODRIGUEZ**

The evidence is clear: Grantmakers can increase the impact of their dollars and better address inequity by collaborating with and learning alongside the nonprofits they support. Thanks to this insight, greater numbers of funders are shifting from transactional grantmaking toward forming deeper partnerships, collaborating with grantees during the design process to cocreate programs and systems. Research demonstrates that the closer grantmakers are to their grantees, the more effective their support can be.¹ In times of change, those closest to the work are best positioned to inform how to shape or reimagine that work.

This trend arrives at a time of great upheaval and unprecedented opportunity to make positive social change. The US economy is growing at the fastest pace in two years,² and yet the middle class is shrinking.³ Compared with previous generations, young adults today are less likely to earn more money than their parents.⁴ Following a roller-coaster of all-time-high housing prices in 2006 and a real estate collapse in 2008, the housing market is rebounding.⁵ Demographic changes in the United States suggest that the nation will have no single racial or ethnic majority by 2055,⁶ encouraging employers across sectors to think about how best to attract and retain nonwhite employees. Racial tensions have increased, and a new presidential administration has introduced drastic changes in funding and policy. Amid these shifts, fewer than half of Americans now believe that anyone who works hard has a fair chance to succeed, casting doubt upon the American Dream.⁷

Homeownership is at the very core of that American Dream. Safe, affordable, quality housing creates a ripple effect for individuals, communities, and the country. For individuals, good housing boosts both health and financial stability. Homeownership provides financial benefits by enabling homeowners to build equity, qualify for tax deductions, and more.⁸

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In addition, access to housing can be one of the most cost-effective health-care treatments available.⁹ Healthy homes and stable housing can improve the health and well-being of children.¹⁰

At the community level, quality housing can provide an anchor for families to develop support networks. It strengthens the middle class by creating new jobs and boosting financial stability, enabling lower-income people to move into the middle class and keeping middle-class people from slipping into poverty.

The benefits of homeownership extend to the country as a whole. A strong housing market is critical to a strong US economy,

our network. Therefore, we dedicate ourselves to strengthening our network members.

Five years ago, we saw that traditional funding sources for community development were slumping. At the same time, the demand for our network members' products and services was growing, especially in the wake of the 2008 financial collapse and foreclosure crisis. Although our funding rules allow members the flexibility to tailor their investments to the specific needs of their communities, these grants would not be enough to offset the decline in support from other sources. This led us to test a strategy of collaboration and cocreation with some of our

At NeighborWorks America, we understood that local nonprofits would need to reengineer the way they were doing business.

since the housing sector accounts for 15 to 18 percent of gross domestic product.¹¹ Quality, stable housing creates a beneficial feedback loop. Each generation builds upon the wealth of the previous generation, strengthening the national economy at the same time.

Our mission at NeighborWorks America, a nearly 40-year-old congressionally chartered nonprofit, is to create opportunities for people to live in affordable homes, improve their lives, and strengthen their communities. To achieve these results, we work through a national network made up of nearly 250 of the top community development nonprofits. We develop the skills, supplement the resources, and amplify the reach of these organizations so that they can build more houses, empower more individuals, and transform more communities than they would be able to on their own. We believe the best way to create widespread change is through the expertise of the organizations that make up



PHOTOGRAPH COURTESY OF NEIGHBORWORKS AMERICA

network members. The goals were to facilitate innovation in new business development and management thinking, and focus on building long-term sustainability and resilience. Given the significant social, political, and financial volatility in the United States, it was more important than ever for us to work with network members to address these challenges together.

THE PROBLEMS WE SAW

At NeighborWorks America, we recognized the need for a different approach. Our network organizations were calling on us to help change the way they operated in the market.

At that time, three forces were converging. A movement was bubbling up within the NeighborWorks network to reengineer network members' business models for delivering and financing homeownership-related services. With fluctuations in government and philanthropic funding, our network members needed a more reliable way to generate income to support their missions of helping families to navigate the home-buying process.

At the same time, market demands were changing, but our members had a "one size fits all" model that did not account for the many ways in which customers want to be engaged—and the new pace of engagement. The network's model needed to change to provide options 24/7.

On top of that, the country was emerging from the biggest foreclosure crisis in US history. Our network members wanted to know how they could help their communities better prevent and withstand such crises. At NeighborWorks America, we understood that local nonprofits would need to improve and scale their affordable housing services—something they could not do without reengineering the way they were doing business.

THE SHP SPARK

Social enterprise—earning income through commercial activity to advance a social mission—could drive those essential changes. Our first effort to shift the NeighborWorks network in this direction was to launch the Sustainable

Homeownership Project (SHP) in 2012, a social enterprise capacity-building and learning-lab pilot created in partnership with members of the network.

We set about designing SHP to respond to these needs by building social enterprise capacity across the network. This process would also bring an intentional shift in our relationship with the network. Network organizations worked side-by-side with staff at NeighborWorks America to design the SHP model's components. We also shifted the funding dynamic by making the process more self-directed for network organizations, such as tying grants to specific phases of the project. In this way, we created space for collaboration and for network members to test and shape the project's methodologies and tools.

Initially, it was difficult to convince participating organizations that they had the license to imagine new strategies, tools, and workflows. But as they began imagining new ways of working, the effort created buzz in the network, enabling peers to influence and learn from one another. Today, it is clear that one of the critical drivers for SHP's success

The NeighborWorks Pavilion in Pocatello, Idaho, is dedicated at a community event.



was leadership by the network. Empowering the national network is what NeighborWorks was created to do.

THE POWER OF COLLABORATION

SHP was rolled out in three phases. (See “The Three Phases of SHP” below.) Its first phase, which launched in 2012, was a think tank of sorts. We invited several external experts and leaders of 13 NeighborWorks organizations to identify the most critical components of a redesigned model for the homeownership services offered by almost all network members.

Once those were identified, 23 additional NeighborWorks organizations joined SHP’s second phase to build a new business model. For two and a half years, these organizations envisioned, designed, tested, and implemented a range of new tools and strategies.

Then, for the third phase, a cohort of 44 NeighborWorks organizations—19 from the design group and 25 new participants—put the new strategies and tools into practice. SHP organizations must first meet prerequisites, such as forming an internal coalition aimed at building a social enterprise culture and preparing internal systems to implement a Salesforce tool for tracking customer needs. These and other requirements ensure that SHP participants successfully adopt social enterprise practices.

In this third phase, SHP was structured more formally as a pathway of 11 consecutive knowledge and skill areas—social enterprise “disciplines.” (See “The Social Enterprise Disciplines of SHP Phase 3” on page 5.) These began with individualized coaching to help network organizations adopt social enterprise culture and covered topics such as financial management, marketing, operational efficiency, and performance metrics. As participants moved through the curriculum, SHP offered a range of comprehensive supports, including access to experts with technical skills, a technology tool, and more.

As a result of this project, almost 20 percent of the network organizations are learning and adopting social enterprise principles.

A NEW WAY OF WORKING

Just as network members are changing the way they work as a result of SHP, so is NeighborWorks America. Inspired by SHP’s focus on building the network’s resilience and financial self-reliance, we are making changes across the entire network by streamlining the grant-application process and offering unrestricted capital to allow network members to make customized operational decisions. We are planning to pilot new ways to use

the network’s collective expertise and capacity to deliver products and services at scale and to share the revenue across the network. Further, we are testing new strategies for engaging with national partners.

Targeted Investment. We made a significant financial investment in SHP relying on nongovernmental funds so that we could take risks. To see returns from that investment, we needed in-house expertise. The NeighborWorks America SHP team brought vast knowledge and savvy in fostering innovation and learning as well as driving momentum. This is a team with deep expertise in moving nonprofits toward new and better models. From this baseline level of expertise, the team’s sophistication developed as we learned alongside SHP participants from the network.

SHP also required investment from NeighborWorks organizations. Those selected to participate invested at least \$75,000 of their own money toward items needed for change within the organization. Those items included website redesign, advertising, and hardware. Participants also devoted considerable time to the initiative. They were required to meet the daily demands of their organizations while at the same time reengineering how their organizations run. Many hired new staff or reassigned employees to meet new needs and shift mindsets. To enable operational and technological upgrades, many overhauled existing systems and processes.

Freedom to Innovate. We found creative solutions to help facilitate innovation. For example, to ensure that NeighborWorks America staff working on the initiative had the freedom to experiment, develop tools, and test solutions, we separated the SHP team from the

rest of the organization. The idea was to create an internal zone for experimentation, much as Lockheed Martin’s legendary Skunk Works was given autonomy in order to encourage creative thinking in the domain of aerospace engineering.

Adaptive Culture. Because SHP asks network organizations to align their cultures with the ideas of social enterprise, the team at NeighborWorks America also shifted its own culture. Our team members modified their perception of nonprofits from organizations that receive donations to mission-driven entities competing in a market to earn revenue. They examined network members through a business lens, considering competition, pricing, and marketing, and collecting and analyzing data on participants’ business performance. They developed greater comfort with risk. They became more flexible and adaptable. Most important, they endeavored to listen and learn. These changes wouldn’t have been possible without the project.

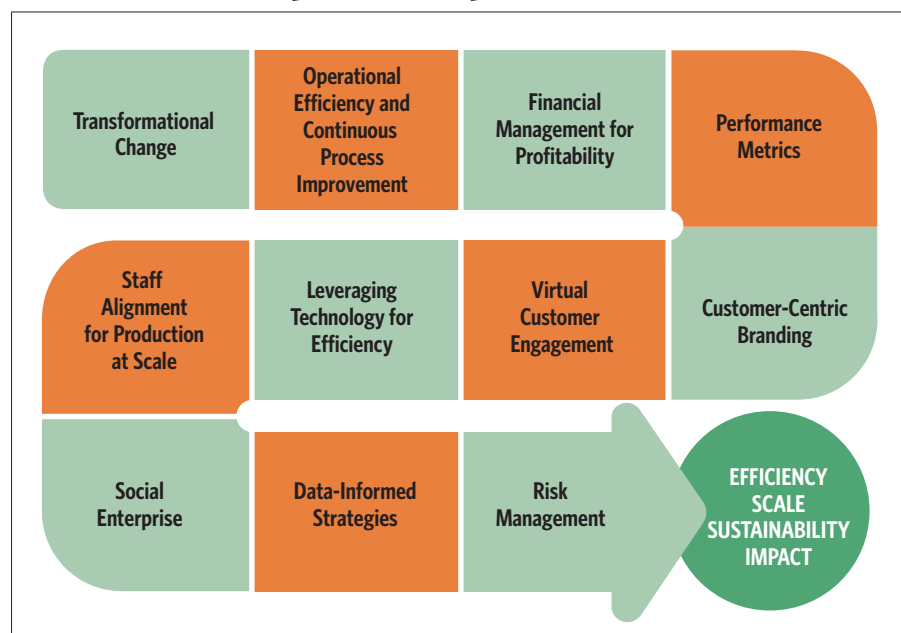
“NeighborWorks America is going about this as a learning organization,” says Jaclyn Libowitz, an executive coach and consultant providing coaching support to SHP participants. “Not every organization approaches their work in this manner.”

This culture of learning extends to SHP participants. The engagement between the NeighborWorks America SHP team and SHP participants is frequent and deep. Through sharing in this experience and taking this journey with network members, we are forming a powerful bond. That bond provides a momentum that helps drive this work forward. For example, there were monthly calls, quarterly in-person meetings, and a virtual Web-based workspace that kept all participants connected 24/7.

The Three Phases of SHP

SHP PHASE 1 Aug. 2012 – May 2013	SHP PHASE 2 June 2013 – Sept. 2016	SHP PHASE 3 Oct. 2016 – Sept. 2017
<ul style="list-style-type: none"> Working group of 13 NeighborWorks organizations Explored the needs and opportunities for innovation 	<ul style="list-style-type: none"> Pilot of 23 NeighborWorks organizations NeighborWorks organizations helped design SHP to meet their social enterprise needs 92% of participating NeighborWorks organizations built new service lines or expanded existing lines 	<ul style="list-style-type: none"> 19 NeighborWorks organizations continued from Phase 2 25 new NeighborWorks organizations added Continuing organizations grew proportion of operating expenses covered by earned income by 69% and reduced cost per customer by 57% New NeighborWorks organizations built business acumen

The Social Enterprise Disciplines of SHP Phase 3



Evaluations indicate that this approach is working. Participating organizations credit SHP with positive changes in financial sustainability, operational efficiency, and capacity. A full 98 percent of participants view SHP as critical to their sustainability, and participants now spend less money to help customers become homeowners. SHP participants who have been involved for at least three years have increased the number of homeowners three times as quickly as non-SHP-participant network members.

SHP participants do more with their funds, increasing the impact of the grants we provide. For example, through NeighborWorks America's collective buying power, network members can use private sector technology tools to amplify their efforts for a fraction of the standard per-organization cost. SHP also provides access to vetted experts who would otherwise cost them thousands or perhaps hundreds of thousands of dollars.

LESSONS LEARNED

At the beginning, some SHP team members expected that deciding how we use our resources would be the hardest part of the process. What proved most challenging, however, was changing the organizational culture and accepting the idea that this work is an iterative process. It will never truly be finished. Today's environment requires identifying efficiencies, challenging unexamined beliefs, and embracing new technologies. Certainly, given the current unpredictable funding environment, survivability is on everyone's mind. So think-

ing like social enterprises is going to catch on. It has to catch on.

We came to recognize that the best-performing organizations, by traditional measures, will not necessarily be the fastest to pivot to a social enterprise model. Soft skills—courage, organizational will, and resilience—are also critical predictors of success.

For our part, we learned that providing an incubator-like atmosphere for SHP during the initial learning process helped mitigate risk. While grantmakers and nonprofits increasingly praise the value of failure on the road to success as a source of important lessons, the reality has not quite caught up with this idea. Significant failures damage organizations' reputations and the ability to compete for funding. Knowing this, we did not publicly discuss the initiative in its early stages, providing the space to fail. Now that we have proof of concept, we are starting to share our results and lessons learned.

WHAT COMES NEXT

We hope to disseminate SHP methodology and practices so that the balance of the NeighborWorks network can benefit. In an effort to encourage the model to be adopted across the network, we are providing all NeighborWorks network organizations access to the following resources:

- An online platform hosting an interactive SHP curriculum that covers disciplines, tools, and resources. It enables peer sharing so that organizations can exchange ideas and engage in dialogue.

- A self-assessment tool that organizations can use to gauge their likely success in reaching relevant milestones.
- An array of distance-learning activities and live webinars.

We are also working to move SHP out of the insulated Skunk Works mode in which it was incubated. This would help the broader NeighborWorks America team formulate other lines of business outside homeownership.

Replication of the social enterprise model will take years, but we recognize it as a game changer. It will change the way NeighborWorks network members operate, and its effects will radiate outward, leading to healthier families, stronger communities, and a growing housing sector and US economy. The NeighborWorks network spans all 50 states, Washington, D.C., and Puerto Rico, serving communities that are small, large, urban, rural, and everything in between. Shifting the network's operating model can move the country forward in ways few networks have the opportunity to do.

We have invested in this work because we deeply believe in its potential. We believe it is key to strengthening the country and ensuring that all families have an opportunity to thrive. This model is aligned with many funders' and impact investors' theories of change; quality housing creates ripple effects across individual lives, communities, and the country. As our society reimagines social change, this model is emerging as a powerful approach. Now, we are looking for bold partners to join us in this journey. ✕

NOTES

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The Strength of Social Enterprise

As government and philanthropic funding becomes unpredictable and markets evolve, some nonprofits can succeed with social enterprise. An innovative NeighborWorks America program shows them how to do it.

BY RACHEL MOSHER-WILLIAMS

In 2012, Neighborhood Housing Services of the Inland Empire (NHSIE), a San Bernardino, Calif.-based homeownership and community development organization, was in dire straits. The state of California, deep in fiscal crisis, dissolved the more than 400 redevelopment agencies, which had financed affordable housing and other redevelopment efforts in the state since the end of World War II.¹ NHSIE, like many other California nonprofits, was reliant on redevelopment agency funds. The organization lost 65 percent of its funding in one year and was heading toward collapse.

During the turbulence of recent years, many other housing organizations faced equally difficult challenges. When organizations operate in a volatile domain such as real estate, financial crosswinds can develop into a perfect storm that devastates unprepared nonprofits in its path. As during past periods of financial or political turmoil, such as the 2008 recession, local and national nonprofits are currently scrambling to address growing community needs and their own financial insecurity at the same time. Grantmakers are being asked to fill in the gaps—but these gaps are generally too big for the philanthropic resources available.

To equip organizations to thrive despite turbulence, an experiment is under way at NeighborWorks America, a national organization dedicated to creating opportunities for people to live in affordable homes, improve their lives, and strengthen their communities.

Since 2012, the organization has worked with NHSIE and many others in its nearly 250-member network of community development nonprofits to introduce and develop the culture, disciplines, and practices of social

enterprise, and through them to bring in revenue via commercial activity to advance their social mission. The goal is to equip NeighborWorks network organizations to earn a significant portion of their income through the market.

THE PROMISE OF SUSTAINABILITY

For members of the NeighborWorks network, social enterprise is revolutionary. In recent years, network members—community development nonprofits focused primarily on affordable housing—struggled to compete in an evolving marketplace. Many had limited reach, relying on word of mouth to bring in customers rather than launching strategic multiplatform marketing efforts. Many wrongly assumed that their rural and low-income customers had limited access to smartphones and the Internet. As a result, resources and methods for reaching these audiences online were not cultivated, leaving them with fewer options. For some, a brand reputation of exclusively serving low-income customers through limited use of technology and marketing impaired their ability to attract new clients such as higher-income customers or millennials.

In 2012, NeighborWorks America's Sustainable Homeownership Project (SHP) set out to address these problems by introducing the ideas and practices of social enterprise. The idea that social enterprise might be a way to energize social change is not new. But SHP's approach to building the NeighborWorks organizations' appetite for and capacity to conduct social enterprise is unique in its structure and supports.

The SHP model offers an ecosystem of support, tools, and incentives, with the goal of helping nonprofits transform their cultural and operational norms. Serving as a sort of travel guide to social enterprise, SHP provides a structured set of steps as well as context, knowledge, and resources on the journey to

transformation. At the same time, SHP encourages nonprofits to be autonomous, with self-directed and organization-specific planning.

Following a feasibility study, NeighborWorks America tested the SHP model in a pilot that first included 23 NeighborWorks network members and was subsequently expanded to include 44.

Here's how the process works: Participants begin with a self-assessment that can determine whether they are ready to adopt a social enterprise model. If so, NeighborWorks America provides an initial implementation grant and additional grants as milestones are achieved to support the organization's progression through 11 knowledge and skill areas—social enterprise “disciplines.” (See “The Social Enterprise Disciplines of SHP Phase 3” on page 5.) Participants contribute \$75,000 of their own funds and dedicate staff members to the project to demonstrate their commitment.

In the first stage, SHP participants are coached on navigating change within their organization and cultivating robust financial management skills, and they receive support from relevant experts in business areas like operational efficiency, product development, pricing, and branding and marketing. Before advancing to the next stage, participants must complete prerequisites such as conducting an efficiency audit and adopting one of the SHP-produced brand strategies.

Next, they implement an online tool to improve efficiency and customer experience. They also receive grants to address organizational business needs and priorities in the areas of data-informed strategies, risk management, and re-envisioning organizational structure and roles. Throughout, program participants can access the NeighborWorks America SHP team's support and expertise.

After these organizations begin adopting social enterprise mind-sets and new

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The Gerges family enjoys their first home, thanks to the Sustainable Homeownership Project.

practices, many not only become competitive but are leaders in their markets. Social enterprise also fuels their ability to make a greater social impact, which was the impetus in the first place.

The potential to expand this model is tremendous. The national network includes nearly 250 organizations, representing all 50 states, Washington, D.C., and Puerto Rico.

WHY SOCIAL ENTERPRISE?

Nonprofits are faced with both impressive opportunities and real challenges. While this sector has not been able to improve the fairly stagnant US poverty rate,² it has made tremendous strides in other areas, including sharp reductions in the teen birth rate,³ cigarette smoking,⁴ and deaths resulting from malaria.⁵ Increasingly, the social sector recognizes the interconnectedness of seemingly disparate issues, such as the impact of quality housing on mental and physical health.⁶ This recognition helps those in the nonprofit-housing sector create more effective and long-

lasting solutions, but it also reveals the broad systemic challenges that must be overcome.

To make lasting, significant change on a system-wide scale, nonprofits need sufficient resources. Funding needs to be uninterrupted and unrestricted, so that organizations can make long-term investments in systems, human capital, and operations. Philanthropic or government funds, by contrast, often fluctuate or overemphasize short-term gains. This pattern encourages organizations to treat symptoms rather than address root causes. Grants also tend to be driven by the goals of the funder rather than the needs of the community.

Operating a social enterprise model enables nonprofits to address community needs and adapt as those needs change. Because it can generate more reliable funding, social enterprise may be a strategy to reduce nonprofits' dependency on unpredictable or politically managed resources. But this business model requires nonprofits to re-envision how they operate and shift their own organizational culture.

The SHP model, for instance, requires participants to evolve from a charity-based mind-set to a more business-based approach that is designed to generate revenue to feed an organization's social mission. It is a fundamental shift.

To succeed with social enterprise, nonprofits need marketable assets, market opportunity, and organizational capacity. Marketable assets are what the organization already has, does, or knows. This might be a product or service such as home-buyer education classes or counseling that it currently delivers for free. Market opportunity means there are customers willing and able to pay, at least in part, for the product or service. This is often the case for nonprofits already operating within a market, such as housing, health care, or education. Nonprofits also must have or be willing to develop the capacity: the time, staff, skills, and, perhaps most important, the supportive culture. NeighborWorks America helps SHP participants identify their marketable assets and market opportunities, as well as build social enterprise capacity.

While adopting social enterprise can generate significant additional revenue, the real

benefits for nonprofits are mission related. For example, marketing efforts critical to successful social enterprise can boost a nonprofit's visibility and allow it to reach more people who could benefit from its services. As an organization's operations become more efficient, increased discipline and accountability help it become more effective and create greater impact.

SHORTCUTS ON THE ROAD TO SUCCESS

Decades of trial and error in social enterprises across the United States led to the insights that inform the SHP model. Research⁷ and practice in the field have identified common themes in successful social enterprises. By guiding participants through the process of becoming social enterprises, SHP helps them sidestep avoidable downfalls and sets them up for success.

Key steps include:

- Maintaining relationships with current or potential partners in the market. While forging a competitive advantage is important, so are relationships with individuals and organizations working toward the same social goals.
- Establishing clear lines of authority and responsibility. It is critical to appoint someone who can own the process and make quick business decisions when necessary.
- Finding a well-positioned champion within the organization. To persist despite the challenges, the organization will need a senior officer who cares deeply about the initiatives.
- Ensuring support from staff and the board. Energy and support must come from everyone, not just those directly involved in the social enterprise work.
- Establishing initial cash flow. Startup funds matter, particularly since social enterprises typically take three to five years to break even.
- Hiring skilled staff. While initially it may make sense to assign responsibility for the social enterprise venture to existing staff, it is likely that nonprofits

will need to hire new staff to ensure that the specialized expertise is available.

THE PATH OF TRANSFORMATION

Recognizing the urgent need among network members for more sustainable funding, NeighborWorks America established a pilot program to create a strong, replicable, effective social enterprise model along with the tools and strategies to support it. The model has five core components: change management, efficient and responsive business operations, smart branding and technology, data-driven decision making, and peer support.

COACHING FOR CULTURE CHANGE

The first step is in some ways the biggest: changing the culture and mind-set of an organization. SHP uses John Kotter's eight-step process for leading change, a well-known method in organizational management across sectors.⁸ Each participating organization is assigned a coach to assist in this journey.

While it can be exciting, it can also be disconcerting. The transformation process can feel like building a bike while riding it. It demands that organizations take short-term risks for long-term gains. On top of the challenges posed by any change, transitioning to social enterprise brings additional hurdles, requiring staff and leaders to navigate the line between working toward a social cause and operating like a business.

For many organizations, staff members misunderstand or distrust the business principles

driving social enterprise. The idea of generating revenue, for example, may seem to contradict a mission of service. The shift from serving clients to helping customers can also feel unfamiliar.

At the Housing Development Fund (HDF) in Stamford, Conn., for example, some staff members were initially resistant to the change. Others were reluctant to adapt to the new strategy or did not have the appropriate skills.

Working through the Kotter framework can ease the transition. At HDF, it helped shift staff members' understanding of the organization and how they saw the scope of their own roles. The process prepared them for a move to social enterprise so that when the idea arose of expanding to a new location, they saw it as an opportunity rather than a source of "stressful chaos," says Elyse Pitts, HDF's director of innovation.

When hiring new staff, HDF now looks for those who understand that social enterprise will help the organization grow and serve more people more effectively. "We had to shift our hiring practices to identify flexible, entrepreneurial people," Pitts says. "That's not my job" is no longer heard around the office, because it's no longer accepted." New staff members come on board expecting to deliver services that will keep customers coming back.

CHANGING HOW WE DO BUSINESS

Nonprofits that go through SHP also take a hard look at their business operations with an eye toward tweaking them, adding to them, or completely reimagining them. These changes

Scaling Social Enterprise by Leveraging Virtual Tools

Readiness Assessment and Foundational Content	Group Coaching on Change Management	Curriculum to Build Business Skills	"Blueprints in a Box" to Launch New Service Lines	Expert Support on Business Issues	Financial Resources for Transformation
In addition to taking a self-assessment, participants take introductory courses to learn core social enterprise concepts before getting access to a coach.	Coaches guide participants through transformational change, but this support is now delivered in a group setting for greater efficiency.	Participants learn core business skills online through the KnowledgeBase system, giving them access to expert-designed courses, a library of resources, a progress tracker, and peer forums, while saving on costs.	Participants access online, step-by-step guides to starting new, sustainable service lines in areas such as solar, lending, realty, student loan resolution, energy efficiency, and more.	Participants master core content, then experts provide tailored support on strategic challenges.	Participants receive seed capital to expand business lines.
				Technology to Improve Results	Partnerships for Growth
				Participants adopt Salesforce to improve efficiency and customer experience.	Participants enter national partnerships to generate more revenue.

NeighborWorks team: Serves as a hub of expertise, continuously improves model, and provides support for participants.

can help both the nonprofit and its customers become more financially sustainable.

Through this process, NeighborWorks network member Affordable Homes of South Texas, Inc. (AHSTI), seized an opportunity to simultaneously generate revenue and help homeowners keep their homes. After insurers raised rates following a hailstorm in south Texas, AHSTI noticed that home buyers were not shopping around to get better rates. At the same time, their own data suggested that high insurance rates were the primary reason why homeowners were falling behind on payments. With lower insurance payments, some homeowners could avoid delinquency. In January 2016, AHSTI launched an insurance agency to serve as an independent broker, providing home buyers with quotes from various insurance companies and supporting them in making informed decisions.

The positive impact of this new service on home buyers was quickly apparent: Mortgage delinquencies caused by high insurance rates decreased by an average of 2 percent in the first year, and the organization expects greater decreases in future years. The brokerage brought in \$74,500 in commissions for AHSTI during its first year. And the organization can better tie its services together: Because AHSTI also services loans, the organization sends renewal notices that remind customers to shop around for the best insurance rates on those loans. AHSTI has been able to build trust with customers who see the organization as a partner through the process of building and financing a home, receiving financial management counseling, repairing a home, and paying a loan.

NeighborWorks Anchorage was another organization that successfully reimagined its business operations. Prior to working through SHP, the organization stayed within the limits of Anchorage, the most populous city in the state. But the city had limited affordable housing, driving customers into the nearby Matanuska-Susitna (Mat-Su) Valley, one of the state's fastest-growing areas. To serve those customers and broaden its impact, the organization needed to follow them there.

Expanding to the valley quickly led to more growth. Through the SHP process, the organization re-envisioned and rebranded itself as NeighborWorks Alaska and began serving customers in remote locations across the state. An Alaska Native Corporation community development financial institution engaged NeighborWorks Alaska to provide financial education to people in towns reachable only by small planes. NeighborWorks Alaska staff quickly realized that their usual curriculum—

Ingredients of Social Enterprise



which included examples such as “going out to dinner” when discussing budgeting—would not be relevant. They adopted a more tailored approach. Before the trainings, they studied these communities to understand relevant details such as population size and local water, sewer, and road systems. With this information, they adapted the curriculum to fit the local economy and terminology.

NeighborWorks Alaska also came to recognize the importance of selling critical stakeholders, like community leaders, on the value of financial education. Initially, few community members attended the trainings. But holding the trainings at schools—trusted institutions that served as community centers—helped increase attendance. So did ensuring that a trusted community member would escort them on their visits and vouch for their presence.

In the past year, NeighborWorks Alaska served 60 percent more customers than it did the prior year. Its fee-for-service revenue has increased eightfold. Through these trainings, the organization is helping bolster economic development for these communities and their residents.

“It’s been an adventure,” says Barbara Worley, director of lending and homeownership for NeighborWorks Alaska. “These changes mean we are more sustainable and better able to meet our mission of making healthy, affordable housing available to all Alaskans.”

THE POWER OF MARKETING AND BRANDING

Before SHP, many NeighborWorks organizations waited for clients to come to them rather than seeking out customers for their homeowner-

ship services. Some had never created explicit marketing strategies or worked to build market demand. By employing the SHP social enterprise model, these organizations have adopted a mind-set focused on developing new markets, relying on online and mobile technology as well as relevant branding.

The “Tech Suite,” built on the customer-relationship management platform Salesforce by NeighborWorks America for network members, is a crucial element of SHP. It enables organizations to engage virtually and in real time, allowing customers to schedule appointments, sign up for classes, submit payments,

track progress toward homeownership, review next steps from their housing counselor, and more. It incorporates Google Analytics, enabling organizations to understand how customers engage with their website. The tool also helps organizations track active customers and identify leads on potential new customers.

For those NeighborWorks organizations that have launched the tool, customer engagement is more efficient, better tailored, and improved overall. A full 100 percent of SHP participants report that the Tech Suite offers a competitive advantage, and 77 percent are planning to use it not just in homeownership business lines but across their organization.

The NeighborWorks network excels at creating default-resistant home buyers: Home buyers who receive NeighborWorks prepurchase counseling and education are one-third less likely to become 90 or more days delinquent in the two years after initiating their loan.⁹ The Tech Suite is building on that success and enabling organizations to better understand their customers and support them in buying homes and keeping up with payments.

The Tech Suite helped AHSTI make dramatic changes in its business operations. Better information about customers, along with the ability to engage more efficiently, meant the nonprofit could serve people faster and serve more people by clearing its waiting list.

In turn, AHSTI began to find ways to attract more customers, increasing potential customers by 88 percent and actual customers by 93 percent. AHSTI staff assumed that lower-income residents did not have easy access to the Internet or technology like smartphones. But their website analytics data provided by the

Tech Suite showed that 64 percent of people accessing the site did so on mobile phones. “The findings challenged our stereotypes,” admits Myra Martinez, director of operations and communications at AHSTI.

The AHSTI team also created an online marketing strategy. Through text reminders, e-mail counseling, and other digital offerings, AHSTI increased the number of customers returning for follow-up appointments. In its 2016 fiscal year, the organization more than doubled the number of people receiving counseling services. Adds Martinez: “The impact we’ve been able to make is tremendous, because we realized we can and should meet the customers where they are.”

WHY DATA WORKS

Access to comprehensive data from the SHP Tech Suite enabled Massachusetts-based Urban Edge to identify a gap in services: Because its online registration forms were in English, Spanish-speaking potential customers were not able to

finish the registration process and, as a result, could not enroll in Spanish-language home-buyer education classes. Now, through updated language and the Tech Suite’s automated systems, they are referred to a Spanish-speaking “leads manager” who helps them register.

“We’re in a totally new place now, using tech tools the way they should be used,” says Bob Credle, director of community programs.

Comprehensive data from the Tech Suite can lead to small shifts in practice that have a big impact, agrees HDF’s Pitts. “A lot of these changes weren’t big or sweeping,” she says. “I was thinking social enterprise was going to facilitate making big decisions. It does, but only after it helps with the small ones.”

To measure the business outcomes and social impact of SHP, participants use the Tech Suite to track a set of key performance indicators—the “Transformative 10.” They can be grouped into four areas: efficiency, scale, sustainability, and social impact. These measures, which quantify the effectiveness

of a social enterprise, include average cost per customer (efficiency); the number of new leads and customers served (scale); the ratio of earned versus donated revenue (sustainability); and the number of additional home buyers locally produced (social impact). To ensure that these data are both collected and applied effectively, SHP offers technical assistance, webinars, and expert coaching to help participants learn how to apply findings to organizational decision making.

LEARNING FROM PEERS

Learning from peers is another integral component of SHP, a major part of all its systems and tools. Sharing knowledge in this way fosters a culture of innovation, and is one of the richest and most effective ways to internalize new concepts.

SHP participants build stronger relationships by joining monthly calls with others in their cohort, seeing them at quarterly convening events, and initiating ad-hoc com-

A Portrait of Innovation

NeighborWorks of Western Vermont created a social enterprise, transforming the way it helps its community.

For some nonprofits, gaining—and then losing—funding can be a catalyst for launching social enterprise efforts.

In 2010, NeighborWorks of Western Vermont (NWWVT), a homeownership and community development organization, received \$4.5 million from the US Department of Energy (DOE) to launch an energy-efficiency project. The grant subsidized the program’s infrastructure and gave NWWVT a chance to test and refine ideas. Since its launch, this “HEAT Squad” effort has conducted about 4,500 audits, in which inspectors assess how much energy a home consumes and how it could be made more efficient. The Heat Squad has served about 1,200 households across the state, helping each household to lower heating costs by an annual average of \$1,000, for a combined savings of about \$1.2 million a year.

The program was clearly valuable: In Vermont, residents heat their homes six months or more each year, and low-income households may spend 10 percent or more of their incomes on energy-related expenses such as heating.¹ Improving energy efficiency also boosts residents’ health by reducing mold and improving indoor air quality.²

But the main source of the HEAT Squad’s funding—the DOE grant—had an end date in 2014. This looming loss of funding threatened not just the program but the whole organization: When the grant ended, NWWVT would lose nearly a quarter of its operating budget.

Fortunately, NWWVT was ready for this change. In 2013, it joined the Sustainable Homeownership Program (SHP), a social enterprise-building movement within the national NeighborWorks network of community development nonprofits (see “The Strength of Social Enterprise” on page 6). SHP prepared the organization for this shift

by helping NWWVT build capacity through technical skills training, boost its creativity by connecting to peer organizations, and adopt business principles, including concepts and methods from social enterprise as well as other types of support.

As a result, NWWVT applied the SHP program’s business management principles to the HEAT Squad and transformed it into a viable competitor in the energy-efficiency marketplace. The organization was able to accurately price its services, identify market demands, and provide customer-focused service.

“In the past, we have forgotten to look at what the customer wants, and we instead provide what we think they need or what we have available,” says Ludy Biddle, NWWVT’s executive director. “One of the cultural changes we went through was flipping our perspective to understand what the customer wants and values.”

In the early days of the HEAT Squad, NWWVT established loyalty among local energy contractors who otherwise might have considered the organization a competitor. First, they adopted a philosophy of partnership. NWWVT created a contractor’s guild, underscoring the fact that all of them were working together and would benefit together. Next, the organization began developing personal relationships with the contractors to inspire them with the organization’s mission of community service. NWWVT began hosting a monthly breakfast where staff members could connect face-to-face with guild members.

The fee structure and cost-sharing arrangement for services was a critical—and radical—part of NWWVT’s strategy. The organization paid guild contractors \$450 each to audit a household but charged customers only \$50 initially, only later raising the price to \$150. The

munications with one another. In fact, 82 percent of NeighborWorks organizations taking part in SHP have shared knowledge with other participants. Through the SHP KnowledgeBase, an online tool with various resources including trainings and a forum, new knowledge generated locally can be shared with other participants.

Peer sharing motivated Ludy Biddle, executive director of NeighborWorks of Western Vermont, to launch a service she had never considered before. At SHP training, she heard a representative from a NeighborWorks housing organization in California talk about his realty program, which generates a revenue stream up to 6 percent of home sales. A lightbulb flicked on. Although Vermont's housing market is very different, there was something in his experience that she could learn from. In her own market, too

many residents participated in home-buyer education and enrolled in a lending program but subsequently bought the wrong home. Her organization could help them avoid that mistake with a realty service, which could also help NeighborWorks of Western Vermont bring in new revenue.

people and have increased the number of home buyers by 64 percent¹⁰—three times greater than the home-buyer growth rate for NeighborWorks organizations not taking part in SHP.

SHP has also had an impact on sustainability and growth. Participants have boosted the

Before and After SHP

BEFORE SHP	AS A RESULT OF SHP
Performance data to inform decision making was inconsistent or unavailable	SHP participants track business performance and use data to inform decisions
SHP participants were dependent on government and philanthropic funds	SHP participants have increased earned revenue becoming more resilient to shifts in grant funding
The priorities and programs of SHP participants were funder-driven	SHP participants have a customer-centric approach

Learning from another SHP participant was the key, Biddle says. "There's no other way I would have been inspired to do that, because I wouldn't have known that a NeighborWorks organization *could* do it."

THE IMPACT

SHP is transforming organizations, making it possible for them to, in turn, transform the lives of those they serve. Participants who have been in the program for at least three years have reduced their per-customer costs by 57 percent. Overall, they serve 83 percent more

idea was to attract as many customers as possible during the startup phase. The HEAT Squad service became the lowest-cost option in the market, accessible to the low-income households that the organization most wanted to reach. Contractors who were hired to make energy improvements on a house following an energy audit then returned 10 percent of that project's revenue to NWWVT. Instead of becoming competitors, those contractors became evangelists for the project.

NEW PROBLEMS—AND NEW SOLUTIONS

But other for-profit players in the local housing market weren't so supportive when NWWVT branched out into other revenue-generating projects. Some of the organization's programs, such as home-buyer education and counseling, couldn't be self-sustaining. So the organization launched a realty company to bring in revenue and help offset expenses for those less lucrative training services.

The realty company and associated mortgage-lending unit were formed in compliance with state law and clearly related to the home-ownership mission of the organization. But the president of a local Realtor association claimed that NWWVT's actions were illegal. Others questioned whether the organization was still focused on its mission. The decision to build a mortgage-lending operation that generated income, in competition with local banks, led two bankers on NWWVT's board of directors to resign. Those board members were replaced with new directors who shared the larger board's confidence in the social enterprise strategy.

"As a halo-wearing nonprofit, we'd never come up against competition that wanted us to stop," Biddle says. "We persisted, and it has all worked out well."

Other challenges came from within. In 2014, NWWVT began charging for its home-buyer education classes. The move was designed to generate revenue—if the organization was going to continue offering classes, it had to stop doing so for free. NWWVT leadership also

felt that paying customers would perceive the classes to be more valuable and take them more seriously. This logic stems from the psychology of the sunk-cost effect, in which people are compelled to use products or services they've paid for to avoid feeling that they've wasted their money.³

Yet some staff at the organization felt that it was wrong to charge low-income households. "Up until then, we all shared that point of view [against charging for services], but we had to change if we were going to survive," Biddle says. As with any major shift inside an organization, NWWVT managed its evolution by educating its staff on the importance of the social enterprise model and its impact on the sustainability of the organization. It was a person-by-person process.

The new market-based approach worked. The number of participants in home-buyer education classes tripled in 2017. NWWVT is now a far more sustainable organization, reducing its dependence on government and philanthropic support from 80 percent to 40 percent.

Throughout the process, SHP provided foundational social enterprise concepts to help the organization make strategic decisions, guidance in managing the change in culture, and a supportive peer group of NeighborWorks network members, coaches, technical experts, and others. As a result, the housing nonprofit has developed an innovative community-serving program to increase its reach and impact.

"Our impact has gone wider and deeper: wider, in that we've had to add classes at the last minute, for example, and deeper in that we're reaching people who truly never thought themselves to be home-buyer potential," Biddle says. "We're sold on social enterprise." ❌

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proportion of earned income in their portfolios by 69 percent.¹¹ They also have become more cost-effective, achieving more at a lower cost than if they did this work alone. For example, standard development and implementation of the SHP Tech Suite can be cost-prohibitive for many organizations, but NeighborWorks America's support of a special application for its members and help with coverage of their subscription to the platform saved thousands of dollars for SHP participants. Participants also realized savings through NeighborWorks America's vetting of and provision of access to experts for SHP organizations. Through these savings, network members are able to work more efficiently, resulting in greater impact.

At HDF, SHP has made it possible to take on higher volumes of customers (up by 33 percent already), building its reputation in the community. The organization recently launched a new program with the state of Connecticut that will bring in \$3 million for the organization to deploy over the next two years. In just four months, HDF has already funded approximately 25 percent of the program, well ahead of schedule. "We now feel more confident in our own ability to have partnerships like that," says Pitts.

SHP changes the way participants operate, transforming them from paper-centric, word-of-mouth-driven entities to market-competitive organizations that can track and share data, earn revenue independently, court new customers, and deliver quality services to broad swaths of the market. Participants say that SHP has greatly expanded their overall capacity, and 98 percent agree that the program has created a strong foundation that will facilitate their organizations' future growth and sustainability.

PITFALLS OF SOCIAL ENTERPRISE

As nonprofits transform into social enterprises, there are risks. One potential unintended consequence is "mission creep," the tendency for an organization to stray too far from its core mission and prioritize profit instead.¹² Nonprofits that launch endeavors without clear, mission-related goals are more likely to see this happen, as are those that do not utilize their existing assets. In addition, tax-exempt organizations could be hit with surprising legal or financial consequences, such as having to pay Unrelated Business Income Tax.

AHSTI experienced this tension between generating revenue and staying true to its mission. A business perspective would suggest that the organization cut some of its costlier services—ones critical to the community.

Through SHP, the organization learned how to calculate which unprofitable services needed to be eliminated and which ones could be subsidized with revenue from other services. The organization has not yet cut any services but is now more focused on its bottom line and aware of the need to balance a program's bottom line with its impact.

"We now recognize that sometimes we will just have to make the call that a program is going to be a drain on financials, but we still need to operate it," Martinez explains. In other cases, another local organization might provide the service more effectively.

To avoid these pitfalls, nonprofits can engage a lawyer to understand legal or financial consequences and charge its board of directors and staff with keeping the organization mission focused.

READY FOR THE FUTURE

As government funding becomes less predictable, philanthropic priorities shift, and markets change, nonprofits must simultaneously become more sustainable and address greater needs. Social enterprise gives nonprofits freedom to address community needs in the way and at the scale that they require, helping nonprofits position themselves as anchors in the community. When done well, social enterprise forces nonprofits to focus on providing quality services to market-driven customers.

For San Bernardino-based NHSIE, which has participated in SHP since 2012, the social enterprise transformation has translated into growth and excitement about the future. Since then, the organization has increased its ratio of earned versus donated revenue from 27 percent to a whopping 109 percent.¹³ It now helps nearly twice as many customers to become homeowners as it previously did.¹⁴

Transforming a nonprofit into a successful social enterprise isn't merely a matter of applying a new business model. It requires an entire system of tools and strategies. NeighborWorks America and its collaborating network organizations built an ecosystem of goals, disciplines, milestones, action steps, and structures to provide support and accountability. They designed a multidimensional approach to social enterprise, with standardized systems and processes that can be customized as necessary for local markets.

NeighborWorks America is now ready to expand SHP beyond the pilot stage to create a new norm, expanding the program across all NeighborWorks organizations. The promise is to dramatically increase the impact for network

members and the individuals and communities they serve.

NeighborWorks is perfectly positioned to create large-scale change across the country. Its 250-member network is widespread and diverse, spanning urban and rural locations across all 50 states, Washington, D.C., and Puerto Rico. As the social sector recognizes the importance of housing in relation to other issues like poverty, health, and education, there is a new understanding that improved access to affordable housing sets individuals up to escape poverty, have improved health, and access high-quality education. By boosting its own impact, NeighborWorks can create a ripple effect across other social change efforts in the United States, along with partners at national, regional, state, and local levels.

Social enterprise is the fuel that can propel the sector forward. With SHP's tested and proven capacity-building model and additional investment by other donors, community-based organizations can ensure that every community thrives. ✕

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From Clients to Customers

Changing the paradigm for marketing and service delivery.

BY WILLIAM H. WOODWELL JR.

The NeighborWorks HomeOwnership Center in Utica, N.Y., tried something radical to attract a younger demographic. “Let’s get you out of mom’s basement,” read the tagline from a recent advertising campaign. Aimed at millennials, the radio and TV ads use humor to reach the younger audience and undercut the widespread belief among this group that homeownership is out of reach for them.

“It’s not that members of this age group don’t want to buy a home,” CEO Danielle Smith says. “They’re told again and again that they need to pay off their student loans and focus on their careers before they even think about homeownership.”

The goal of the ad campaign, which includes extensive social media, is to get more millennials to take advantage of the center’s services, such as home-buyer education, down-payment assistance, and financial coaching.

The “mom’s basement” campaign is just one example of how organizations in the NeighborWorks network are changing how they reach out to and interact with the people they serve. They actively target specific populations with sophisticated marketing campaigns. They use technology to boost efficiency and streamline the process of signing up for services and buying a home. They’re adding new, cash-generating business lines such as realty and lending services, and actively cross-selling these offerings to encourage people to take advantage of as many services as possible.

These changes are the result of NeighborWorks America’s efforts to foster social enterprise across its network.

INTRODUCING SUSTAINABILITY

In order to introduce the ideas and practices of social enterprise to its nationwide network

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of nonprofits, NeighborWorks America in collaboration with a small cohort of network nonprofits created the Sustainable Homeownership Project (SHP), a system of tools and resources to help nonprofits transform their culture and implement a new business model.

Many nonprofits were created to provide services that they and their funders consider to

We have seen how financial coaching puts our customers in the best position to own a home. It is generating more revenue for us as well.

be essential. As a result, they may tend to wait for people to come to them. It’s a philosophy of “If you build it, they will come.” Those people who do come knocking often receive one-size-fits-all support: services designed by the organization to meet its (and its funders’) definition of client and community needs. If the demand doesn’t materialize or if the nonprofit isn’t getting the anticipated results, the organization’s funders may lose interest and move on to something else—leaving both the nonprofit and its community to fend for themselves.

The social enterprise calculus behind SHP turns this approach on its head. Participating NeighborWorks organizations focus on how to find customers and how to personalize service, providing what each individual customer needs. Various business lines generate revenue for the organization, providing greater independence from grants and philanthropy and new flexibility to design products and services that serve their customers. To the extent that customers see and understand the value in

what the organization offers, they will pay for those services. The HomeOwnership Center and other participating organizations remain focused on their mission of expanding homeownership, but they also expand revenues so they can have an impact in their communities that is sustained for years to come.

SHP “changed the mind-set of this organization, so we are thinking more like a business all the time,” says Smith, who left a career in banking to work at Utica’s HomeOwnership Center. “We’ve completely dropped the mentality that we have to wait for people to come to us.” Like their peers at other NeighborWorks organizations across the country, the center’s staff no longer talk about “clients”; now they work with “customers.”

NeighborWorks organizations participating in SHP see marked increases in the number of people using their services. Those organizations that took part in both Phase 2 and Phase 3 of the project more than doubled their customer leads—that is, customer inquiries about services. In addition, they more than tripled the number of people enrolled in home-buyer education classes. (See “The Benefits of SHP” on page 14.) These classes, incidentally, are often the first opportunity for NeighborWorks organizations to charge a nominal fee for their services and generate revenue.

Additionally, participating organizations see notable increases in customer accounts, increased digital engagement, and an uptick in the number of customers using mobile devices to access products and services and engage with the nonprofit. (See “Keeping Customers Engaged: SHP Results” on page 15.) Equally important, the program brings notable increases in revenues and operational efficiency, as evidenced by a rise in the percentage of operating expenses covered by earned income. (See “Realty and Lending Provide New Revenue” on page 16.) In fact, this “sustainability ratio” mea-

sure has increased a remarkable 200 percent for three SHP organizations.

Representatives of the participating NeighborWorks organizations say SHP's social enterprise framework helped them become more customer-centric and more focused on sales and revenue in three ways: by strengthening their marketing and branding efforts; by facilitating the adoption of new technologies that streamline engagement, management, and retention of customers; and by supporting them to pursue new business strategies for increasing sales and expanding services.

MARKETING: MEETING CUSTOMERS WHERE THEY ARE

Gabriella Marchesani joined the HomeOwnership Center staff in 2014 after graduating from a local college with a degree in public relations. Her position as marketing coordinator at the center is a perfect fit, she says, because the center's customer base has been skewing younger in recent years. "We were starting to see that the largest group of people coming through our system were in the 24-to-35 [age] range," Marchesani says. She set out to help the center market its services to her peers in the millennial generation.

Using tools and strategies from SHP, Marchesani and her colleagues launched a wide-ranging marketing and branding effort targeting young adults. Radio and TV advertising adopted an attention-grabbing tone, with the "mom's basement" ads leading the way. The HomeOwnership Center also made its first foray into targeted online marketing, such as Google ads that appear in response to searches for houses or home-buying assistance.

The center also became the first NeighborWorks organization to offer "bundled" services to prospective home buyers that encourage them to make use of valuable

resources. Customers who sign up for both home-buyer education classes and financial coaching save \$25. Smith says this simple change has more than doubled the number of people enrolled in financial coaching, a critical service that can be a harder sell for prospective home buyers who are eager to move quickly in buying a home. "Time and again, we have seen how financial coaching puts our customers in the best position to own a home," says Smith. "Now we have more people taking advantage of this service, and it's generating more revenue for us as well."

The HomeOwnership Center also hired an outreach specialist who meets with real estate agents and local businesses to spread the word about its services. "Sitting in the office is not the way to build relationships in the community,"

Tech Suite lets neighbors start the home-buying process virtually, whether they are in the computer lab in our lobby or sitting at home in their pajamas.

says Smith. "We needed that person who is out hunting for leads and telling people what we do and what we offer."

The results are evident: a 40 percent jump in enrollment in home-buyer education classes, along with a 30 percent increase in the number of customers who successfully purchased homes with the center's help. SHP technology enables Marchesani and her colleagues to track how customers find their way to the center, and this data shows that 68 percent of customers are learning about the center through its advertising and marketing activities.

Millennials, Marchesani's original market, are responding "in a big way," she says. "No one teaches you at age 25 how to prepare for homeownership," she adds. "Even if they attend a home-buyer education class and find out they aren't ready yet, they are getting a lot of good information about managing debt and building assets and starting down the road to financial stability and success."

TECHNOLOGY: NEW WAYS TO FIND AND KEEP CUSTOMERS

The nonprofit homeownership industry has lagged other industries in terms of using technology to engage virtually with customers. For the first time ever, because of a tech-based tool (SHP Tech Suite) by the SHP cohort and resourced by NeighborWorks America, customers can create an account with the NeighborWorks organization. Customers use their accounts to schedule and pay for appointments and classes, upload and download documents, and monitor the status of their tasks as they progress toward homeownership.

The NeighborWorks Rochester website, like similar technologies adopted by other organizations across the NeighborWorks network, is a direct result of the Sustainable Homeownership Project. As part of SHP, representatives of NeighborWorks Rochester and other organizations designed the Tech Suite to facilitate the process of customer acquisition and retention that could be used by all members of the network. Based on the Salesforce customer relationship management (CRM) system, the Tech Suite provides organizations with a platform that can be fine-tuned to help customers navigate the home-buying process from a smartphone, computer, or tablet.

"It's really caused a revolution in how we work," says Greg Stefl, operations manager with NeighborWorks Rochester. The system

is used across the organization, in order to streamline and simplify the process for customers, or "neighbors," as NeighborWorks Rochester refers to them. "This lets neighbors start the home-buying process virtually, whether they are in the computer lab in our lobby or sitting at home in their pajamas," Stefl says.

The system also helps the staff at NeighborWorks Rochester to shepherd customers through the process more efficiently. It includes

The Benefits of SHP

	HOME-BUYER DEVELOPMENT	HOME-BUYER EDUCATION	REALTY	LENDING	OVERALL
New Leads Number of people who provide contact information, increase from 2014/5 to 2016/7	133%	147%	326%	55%	127%
Customers Number of individuals who receive a service	10%	243%	15%	54%	83%

Keeping Customers Engaged: SHP Results

Returning user sessions	Mobile use	Average Web session	Average number of new accounts added per month
+65%	+27%	+14%	755

both a platform for NeighborWorks staff use and a program for customers. Shoppers can sign up for home-buyer classes and financial coaching, schedule appointments and phone calls, upload documents and information, and track their progress toward buying a home. On the organizational side, the CRM system allows staff to log all contacts with a customer in a secure repository, enabling them to plan and customize support.

"With the CRM, we can see in one glance our neighbors' full stories, including how they have interacted with us and the services they have taken advantage of to date," Stefl says.

"That helps us identify other opportunities to serve each neighbor." It also makes it easier for staff to connect customers to other personnel.

Before the Salesforce system was implemented, the staff at NeighborWorks Rochester and many other organizations in the network used various software systems designed specifically for homeownership counseling. Or sometimes, they simply used a lot of paper. "Relying on spreadsheets, notepads, and paper was getting old," Stefl says. "It was also very inefficient. But now we have this centralized system where you have access to everything at the click of a button."

The transition to the new system was not without headaches, Stefl admits. They had to become familiar with the new technology and get used to a new way of managing the clients' data. But now that all staff are trained, NeighborWorks Rochester is a significantly more efficient organization.

In 2016, the nonprofit was faced with a large influx of new customers when a local bank redirected its referrals from another community organization to NeighborWorks. While adding the new customers and simultaneously focusing on increasing efficiencies, Stefl and his team were able to reduce NeighborWorks Rochester's "cost per customer" from a pre-SHP baseline of \$5,877 to just \$18 in 2017. In addition, the nonprofit's "service velocity"—the average number of days it takes to serve a homeownership customer—dropped by nearly two-thirds over the same period, from 244 days to merely 80 days.

The Story of Sustainability

BY DAWN LEE

At the Neighborhood Housing Services of the Inland Empire, our homeownership work traditionally focused on connecting low- and moderate-income families in Southern California with public grants and low-interest loans so they could buy a home.

The Sustainable Homeownership Project gave our organization tools and resources to move to a whole new level of impact. Now, we can help people at *all* income levels. We provide services in an area that includes four million people—a huge untapped market. Our attitude now is that we can help anyone and everyone who is thinking about buying a home to become a smart home buyer with our valuable suite of services and tools.

To be able to do this, we're investing in technology, branding, and marketing to help customers move toward homeownership. At the same time, we're increasing efficiency, generating more earned revenue, and making our business more sustainable.

Our marketing has become far more sophisticated: In the past, we would set up a table at street fairs, community events, and anywhere else where we thought we could hand out a flyer about what we do. Thanks to SHP, we now target our efforts on Instagram, Twitter, LinkedIn, Facebook, and Pinterest, exposing our services to an increasing number of potential customers. One video we posted recently on social media had 6,600 views, and our monthly Twitter impressions have more than tripled in the past year alone. The result: a marked increase in the percentage of clients who, after taking advantage of our home-buyer education services, a critical first step toward homeownership, became homeowners.

Once a customer is in the system, SHP provides the technology and tools to stay in contact and efficiently manage our pipeline. In the past, significant numbers of people would drop away for various reasons: Maybe they decided they weren't ready to buy, or maybe they didn't have the information they needed to take full advantage of our services or to find the right lender or Realtor. With the Salesforce system, automated e-mails and reminders help keep people engaged through the process. Last year, 76 percent of those who took our home-buyer education class ended up purchasing a home. We couldn't have had such an impact without our new social enterprise mind-set and focus, or without the technology to put those ideas into practice.

Previously, our participation in the real estate transaction was limited to providing down payment assistance to customers through the use of public funds. Today we have a full-service realty business serving buyers and sellers, and that business is starting to generate real revenues for the organization. We are dramatically expanding the scope and scale of our lending services, utilizing both public and private funding sources, and we expect this business to generate the lion's share of our revenue gains in the years ahead.

We still have a long way to go, but we know we are on the right path to achieving sustainability and delivering services at scale because of the Sustainable Homeownership Project. My team can be mission focused and maintain our commitment to expanding access to homeownership, but we also need to be revenue focused—because that's the way we're going to have a bigger impact over time. ✕

DAWN LEE is executive director and chief executive officer of Neighborhood Housing Services of the Inland Empire.

Realty and Lending Provide New Revenue

	HOME-BUYER DEVELOPMENT	HOME-BUYER EDUCATION	REALTY	LENDING	TOTAL
Sustainability Ratio Portion of operating expenses covered by earned income	-14%	-10%	145%	188%	69%

Other organizations are equally enthusiastic about the Salesforce system. Among the network organizations that participated in Phase 2 and Phase 3 of SHP, 85 percent either strongly agreed or agreed that the Tech Suite helped them “improve and personalize the customer experience.” And 93 percent strongly agreed or agreed that it helped them “serve each customer faster.” (See “Improving Efficiency with Tech Suite Tools” below.) When convened in a focus group about SHP, organizations estimated that they now can serve 65 new customers for every single customer they served previously—a massive increase in efficiency.

EXPANDING SERVICES: GIVING CUSTOMERS MORE VALUE

NeighborWorks organizations are also expanding the products they offer, in order to bring in additional revenues and build more sustainable businesses.

Karen Turner joined the staff of Virginia-based Community Housing Partners (CHP), a community development organization, after almost 30 years in the banking industry. When she came on board in 2014, CHP’s CEO and director of homeownership were deeply

involved in SHP. From the start, the project’s focus on increasing customer engagement, converting leads into paying customers, and expanding the organization’s product offerings made sense to Turner.

“Coming from a banking background, I had worked with organizations where the focus was always on getting people to use the full complement of the services you offer,” Turner says. “That’s where you really get a win-win for both the organization and the customer.”

CHP is a 400-employee organization with a real estate development portfolio spanning more than half a dozen states. It also operates two homeownership centers—one-stop locations for customers who want to buy, maintain, or retain their home—in Christiansburg, Va., and Inverness, Fla. However, as an organization that traditionally focused on developing and owning rental properties, CHP tended to approach its homeownership development work in an “opportunistic” way, Turner says. “As single-family development projects came along, we would find people to live in those homes and then provide education, counseling, and realty services as part of the development work.”

Thanks to the Sustainable Homeownership Project, CHP was able to develop its homeownership business, building a pipeline of customers of all incomes who could take advantage of the full range of CHP services. “We shifted from a development organization that provided counseling and education services to a full-service

homeownership provider,” Turner says.

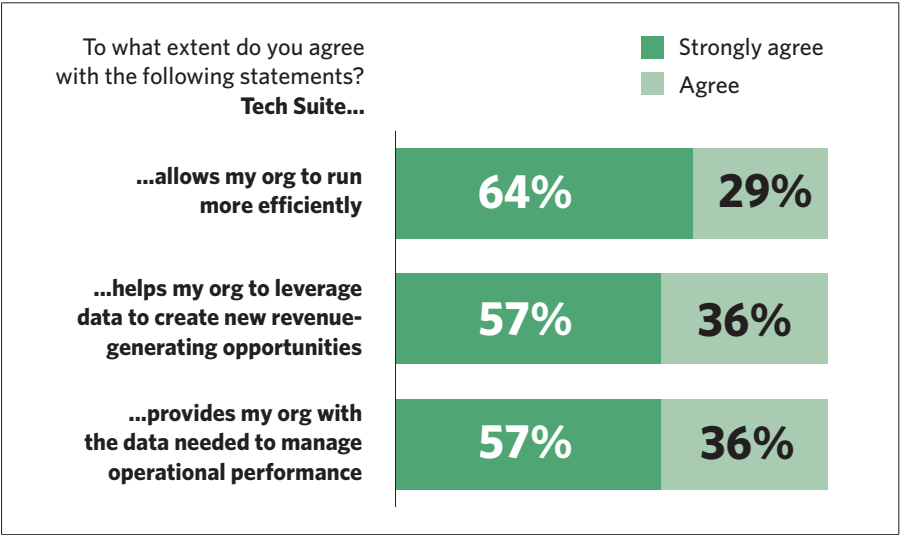
As part of this shift, CHP expanded the scope of its realty operations in Virginia and Florida. Across the two offices, transactions grew by 40 percent between 2014 and 2016. Over a four-year period between 2013 and 2017, CHP also doubled the number of customers using its home-buyer development services and increased the number of “homeowners created”—the number of people who move into homes—by more than 500 percent. Consequently, the organization’s earned revenue more than doubled, and its sustainability ratio (the portion of operating expenses covered by earned income) increased from 51 percent to 91 percent.

“We could not have done this without SHP,” says CHP client service manager Alicia McCoy. Participating in the project “totally transformed the way we thought of our work and our hopes and aspirations for what we could be,” she adds. “We’ve broken the mold and we’re better because of it.” Staff maintain the organization’s mission, while focusing on finding and serving more customers and increasing efficiency, bringing in more earned revenue, and creating a more sustainable organization.

It’s a story that is playing out in organizations and communities across the country, thanks to the social enterprise ethos embraced by NeighborWorks America and its national network.

“For the organizations we’re working with, the social enterprise approach and mind-set have supported them to have bigger impact,” says Marietta Rodriguez, the acting senior vice president of national initiatives at NeighborWorks America who launched SHP. “Once that starts happening, it’s hard to turn back the tide. These organizations now have the management chops, the resilience, and the organizational strength to sustain this work even if they lose their CEO or face other challenges. From top to bottom, they see social enterprise as a means to an end, which is a scaled, well-functioning nonprofit organization that can deliver its mission more effectively.” ❌

Improving Efficiency with Tech Suite Tools



Realizing the Dream of Homeownership

NeighborWorks' courses on homeownership and support services empowered these people to buy their own homes and transform their lives.

Jennifer Yakunovich Rutland, Vt.

After leaving home to go to college out of state, Jennifer Yakunovich never thought she'd end up back in her hometown of Rutland, Vt. But she kept hearing that good things were happening in Rutland, and the pull of family was hard to resist. She found work overseeing fundraising and marketing for a Rutland women's shelter. She was paying off student loans and living in a rental apartment, but she soon started to think about buying a home.

"I had a great landlord, but I was frustrated that I was almost 30 years old and I was paying for my landlord's kids to go to college," she recalls.

In the fall of 2014, Yakunovich enrolled in the home-buyer education class offered by NeighborWorks of Western Vermont. She says the class was "incredibly helpful" and provided "a lot of great information"—enough information, in fact, that Yakunovich decided that she needed to put off home buying until she got her finances into better shape.

Yakunovich moved in with her grandmother, both to support her and to save money. About six months later, she was back at NeighborWorks talking with the organization's financial counselor and its Realtor. (NeighborWorks of Western Vermont added a realty arm as a direct result of participating in the Sustainable Homeownership Project.) "It was great to have all that support in one place," she says.

The financial counselor helped Yakunovich develop a plan to build up her savings; the counselor also helped her identify mistakes in her credit report. She cleared them up, which improved her score. Realtor Gene Felder showed Yakunovich a number of houses before mentioning that NeighborWorks was rehabbing some homes in Rutland's Northwest neighborhood, right down the street from her office.

At first, she wasn't interested; the neighborhood had developed a reputation as a hub for crime and break-ins over the years. But once she saw the homes and heard about the efforts of NeighborWorks and other local partners to strengthen the neighborhood, she was sold. Yakunovich moved into her new Northwest home in 2016.

Yakunovich's story is one of sustainability on many sides. First, she became a more secure homeowner because of the services and support she received. Second, NeighborWorks of Western Vermont is becoming more sustainable as an organization as it generates revenue from customers like Yakunovich. Finally, the town of Rutland becomes stronger and more sustainable because more people like Yakunovich can put down roots and become homeowners.

Melanie Reyes Anaheim, Calif.

For Melanie Reyes, the story of homeownership involves both laughter and tears. It's the story of a homeless single mother of three young boys who can now provide her family with new opportunities. "Miracles happen," she says. "Hope is real."

She says NeighborWorks Orange County, which taught her the ins and outs of homeownership and created an affordable loan package for her, was the key to making her family's miracle happen. After participating in the Sustainable Homeownership Project, the organization significantly expanded its lending and community outreach so that it could serve more customers like Reyes, while also generating revenue to support its mission.

Reyes, 44, was born in the Philippines. Her father, a career Navy man, brought her to the United States when she was a toddler. After graduating from college and starting her career, she got married and had kids. But when she

went through a divorce in 2012 after 18 years of marriage, her life fell apart.

At the time, she was finishing a master's program in clinical psychology and marriage and family therapy. She needed to finish 3,000 hours of clinical training, with little or no pay, so that she could obtain her therapy license.

Reyes and her ex-husband worked out joint custody of her three sons. But she had no stable place to live. She was determined to make sure that her sons, Joshua, 16, Jonathan, 14, and Ethan, 10, had a roof over their heads. Many times, that meant driving to her father's home in San Diego and staying some nights there, or crashing with relatives in Carson or Azusa. Sometimes, it even meant a hotel room. There were other times when Reyes would drop the boys off with their father in Garden Grove and sleep in her car.

About two years after the divorce, Reyes was able to rent a studio apartment and then a one-bedroom place in Anaheim. She worked odd jobs to earn enough money to pay her bills. Finally, after eight years of effort, she received her California Marriage and Family Therapy License in 2016.

"The divorce was brutal," Reyes says. "It was a difficult journey. But I kept going. I needed that license to get my kids in a nice, stable environment."

Reyes took a job as a mental health clinician and crisis counselor at a residential treatment center for youth. She also began serving clients at a domestic violence shelter in Garden Grove and at the same time started her own counseling practice.

With her career under way, Reyes set her sights on homeownership. After she began meeting lenders and working with a Realtor, a bank referred Reyes to NeighborWorks Orange County. In August 2016, she took an eight-hour homeownership class offered by the organization, where she learned about money management, insurance, and the responsibilities that come with owning a home.

NeighborWorks Orange County formerly offered the class for free but now charges a fee, says Karla López del Río, the organization's vice president for strategic partnerships: "We haven't seen a drop-off in participation, and charging for the class has meant we're seeing customers who are much more serious about homeownership."

With her Realtor, Reyes looked at seven or eight homes, but she discovered that single-family houses in her price range often were located in neighborhoods she considered unsafe. Finally, she found a 1,001-square-foot, two-story condominium in Anaheim.

"It was furnished," Reyes says. "The way it was presented was beautiful. It was by Disneyland. And it was cozy for me. I wanted the boys close to their schools and close to their dad so we could share custody in an effective manner."

The two-story condo, built in 1974, gave the boys the space they craved. It came with bunk beds in one upstairs room that the two younger boys share, and a sofa bed on the first floor provides what Reyes calls "a bachelor pad" for Joshua. Upstairs are two bathrooms, while downstairs, near the entryway, is a half bath with toilet and sink.

In collaboration with a local bank, NeighborWorks Orange County assembled a financial package that included forgivable down payment assistance for Reyes, who qualifies as low income under federal standards that take into account family size and Orange County income levels. NeighborWorks Orange County received revenue from the points on the loan as payment for its services.

"It was a tough journey to get to homeownership," Reyes says. "I saved and saved and saved and saved." She closed on the condo on October 25, 2016, and moved in the following weekend. "When we got the keys, I wept," she says. "Finally, my dream came true. We had our moments of anxiety and sadness, but we believed there was a better end to our story. NeighborWorks is the catalyst. They helped us."

"Melanie's story is a great example of how we've changed the way we operate, and how that's opening up new opportunities for customers and for us," says López del Río. "We now offer a clear value proposition the clients see and understand, and that's paying off for everybody."

Dalton Aseltine Camden, N.Y.

Dalton Aseltine had been looking for houses for about a year when he found the one he wanted: a house on a hill about eight miles outside his hometown of Camden, N.Y. It has a two-car garage, tongue-and-groove cathedral ceilings, and a big stone fireplace in the living room. But the best part, for this avid outdoorsman who loves to fish, was that the house is situated smack dab between a reservoir and a lake. It was love at first sight.

"I honestly couldn't believe it when I saw it," Aseltine says. "It was everything I wanted."

A year or two earlier, his dream house would have stayed just a dream. Aseltine, 26,

works as a machinist with a local company that manufactures fishing tackle. He is one class shy of graduating from Morrisville State College with a degree in mechanical engineering and technology. He was determined to settle in the area where he had been born and raised, and began to explore the possibility of homeownership, but he soon learned that he would need at least \$13,000 to cover a down payment and closing costs for the type of home he wanted.

"I thought to myself: 'That's unreal,' given where I was in my life," Aseltine says. "I figured I wouldn't be able to buy a house for a long time."

But his mother suggested he join the first-time home-buyers club at the bank where she works, and he took her advice. Club members are required to take advantage of the educational and coaching services offered by the HomeOwnership Center (HOC) in Rochester, N.Y. While participating in the Sustainable Homeownership Project, HOC began bundling its services, charging one fee for a package that included home-buyer education and financial coaching. The bundling of services ensures that clients like Aseltine are supplied with the full range of support they need. It also creates more revenue for the center.

Aseltine signed up for the Home Buyer Education Course taught by HOC's Kristen Graves and learned that his dreams might possibly become a reality. "I couldn't have gotten a better value for my money from the HomeOwnership Center, and part of it is because I learned so much in that class," Aseltine says. Although he had \$14,000 in student loans to pay off in addition to credit card debt, he was able to work with HOC financial coach Elizabeth Preuss to craft a plan that would allow him to buy the house.

"I went in there with every bill I had, and she walked me through everything I had to do to increase my credit score and get my ducks in a row so I could safely handle a mortgage," he recalls. Aseltine paid off one of his credit cards, cut back on eating out and other expenses, and committed to putting a set amount of his income into his savings account every month.

Aseltine was approved for a mortgage and moved into the house in early 2017. Within months, he had set enough money aside to buy a tractor with a bucket loader for home projects. He has already recommended the center's home-buyer class to several friends.

"I'm living the dream, and I wouldn't have been able to do any of it if I hadn't been connected with the HomeOwnership Center," he says. ☒

A CONVERSATION WITH Marietta Rodriguez

Marietta Rodriguez has been leading the effort to expand homeownership opportunities at NeighborWorks America since 2006. During that time, much has changed, most notably the market conditions for nonprofit service providers. Resources are becoming scarcer while the need for services grows. In order to meet demand, nonprofit homeownership service providers must innovate and find new ways to work.

Rodriguez focuses on strengthening the resilience of NeighborWorks organizations that help people to realize the American dream of homeownership. With support of senior leadership, Rodriguez led the launch of the Sustainable Homeownership Project, an effort to build a stronger link between homeownership program providers' business operations and their social mission. During a period of more than five years, she organized a cohort of nonprofits to solve some of their biggest business challenges through a unique effort of collaborative innovation.

Why is it important to think of nonprofit homeownership services in business terms?

The Great Recession uncovered weaknesses in how nonprofits provided homeownership services—chiefly, by spotlighting how dependent these organizations are on grant funding. Once NeighborWorks saw this, we knew we had to work with our network to shore up weaknesses and build stronger organizations so their communities could continue to be served consistently. I was delighted to see NeighborWorks America responding so powerfully to the desire across the network to explore more sustainable approaches to the work we do. And I was thrilled to see this organization and the network embrace the power of social enterprise to take our work to new levels of scale and impact. The challenges we want to address are not getting any smaller, and public resources are more and more constrained. So we need new business models that will allow us to bring affordable housing and critical services to communities more effectively.

How has the NeighborWorks network responded?

The response has been amazing. I visit and talk with participating organizations and their leaders all the time, and they tell me the Sustainable Homeownership Project has been profoundly transformational for their organizations. You go into their offices and you see charts on the walls with metrics gauging their progress on the path to sustainability. You sense a real entrepreneurial spirit. And you hear a genuine enthusiasm for the work of reengineering and rethinking their basic processes and structures so they can take what they do to the next level. While the work has been hard, the enthusiasm for the early wins has spread throughout the network like wildfire.



And a counterproductive culture will undermine the change effort every time. We took a great deal of care to help foster culture change in our network organizations. Each of the participating nonprofits was paired with a performance change coach to support the team.

Last but not least, there is a lot of attention in philanthropy right now on program-related and mission-related investing. I think foundations that are exploring different ways to use their endowment should think about how to deploy capital to organizations that are embracing the tenets of social enterprise. Instead of investing in programs, the idea would be to invest at the enterprise level in strong organizations that are doing significant work and that are exploring new ways to generate a financial return on what they do.

What are some of the specific changes?

We're seeing changes in a couple of key areas. First, there has been a ton of work on changing the overall culture of these organizations. They have enthusiastically embraced the social enterprise mind-set and are changing how they think about themselves and the people they serve in far-reaching ways. Second, they have made fundamental changes in core business practices from cost accounting and pricing to sales and marketing. Just the fact that people are talking about the concepts of lead generation and sales in a nonprofit setting is transformational. This project has given these organizations new tools and resources for bringing more customers through the door, retaining them through new engagement strategies, and successfully connecting them to homes.

What does this project suggest about the future for affordable housing and community development?

I think the writing is on the wall. I believe that the success—even the survival—of this field depends on the ability of organizations to innovate and become more sustainable in many of the ways that this project has promoted. The strongest, most effective organizations will be those that embrace and advance the approaches and the model of social enterprise, including diversified fee generation. Those organizations will be in the driver's seat as we continue the mission of expanding affordable housing and addressing other challenges facing communities across the country.

What's your advice to other funders about supporting this kind of work?

First, if funders are interested in resourcing innovation and transformational projects, they need to have a healthy risk tolerance. Not all innovations will work. However, some of the greatest lessons come from the failure of new hypotheses.

Second, remember the power of networks. This project is proof positive that a network is always greater than the sum of its parts. Through peer exchange and collaborative work across communities and organizations, these groups have accomplished so much more than they could have on their own. The project has given them a platform for innovating and problem solving together and for disseminating new ideas more quickly across the network.

Third, once you find the right organizations, consider relaxing some of your standard programmatic and reporting requirements. From the start of this project, NeighborWorks viewed it as a skunk works project where people and organizations could test new approaches and iterate and not worry about having to do things in a certain, specified way. For a funder of this kind of work, you don't want your requirements and expectations driving the business model. The key is to focus on impact instead of process.

Fourth, encourage organizations that are embarking on a transformational change to think about how to create a culture that supports the strategy. Because we all know that when strategy and culture are out of sync, culture wins.

How can these innovations be sustained?

Success breeds success. For the organizations we're working with, the social enterprise approach and mind-set have supported them to have bigger impact. And once that starts happening, it's hard to turn back the tide. These organizations now have stronger management chops, plus the resilience and the organizational strength to sustain this work even if they lose their CEO or face other challenges. It's now embedded in how they function. From top to bottom, they see social enterprise as a means to an end, which is a scaled, well-functioning nonprofit organization that can deliver its mission more effectively. But like anything else, this work should continue to iterate and evolve; it is never truly done.

How can this work reach more communities?

We believe this project has planted the seeds—through common tools, strategies, and language—for ongoing collaboration among the participating organizations. And that's going to lead to bigger, better results down the line. The project also has equipped these groups to be a force for change in the bigger network, and we're convinced that their success is going to be contagious as they support and encourage others to follow their lead. Now that we have proof of concept, we're eager to see social enterprise become a driving force for change across our network and beyond. ❌

The logo for NeighborWorks America. It features the word "NeighborWorks" in a large, bold, sans-serif font, with a registered trademark symbol (®) to the upper right. Above the "N" and "W" are stylized house roof icons. Below "NeighborWorks" is a horizontal line, and underneath that line is the word "AMERICA" in a bold, sans-serif font.

NeighborWorks® AMERICA

NeighborWorks America believes that challenges are best solved at the community level by empowering grassroots solutions. For nearly 40 years, the national nonprofit has served as an umbrella organization, supporting more than 245 of the country's best community development and housing organizations across all 50 states; Washington, D.C.; and Puerto Rico.

NeighborWorks network members serve urban, suburban, and rural communities. To support this network, NeighborWorks America provides grants, organizational assessments, technical assistance, and training. It also facilitates peer sharing to harness the on-the-ground expertise of its members.