

Yale School of Management Receives Twin Grants Totaling \$4.5 Million

from The Goldman Sachs Foundation and The Pew Charitable Trusts
to Foster Business Growth Among Nonprofit Organizations

Susan Froetschel

A new Yale School of Management initiative — known as Yale SOM–The Goldman Sachs Foundation Partnership on Nonprofit Ventures — emerged this year to support nonprofits as they increasingly venture into the marketplace to generate new revenues beyond their philanthropic activities.

The Pew Charitable Trusts is contributing \$3 million over three years, and the Goldman Sachs Foundation is investing \$1.5 million over two years as well as in-kind services. The three partners anticipate that state-of-the-art management and financial techniques will increase the measurable impact of organizations with worthy causes. To foster business growth among nonprofits, The Partnership has developed an online resource center, offering current research, business tools, and the opportunity for nonprofit ventures to exchange information. (<http://ventures.yale.edu>)

The Partnership is also sponsoring a competition to identify innovative nonprofits, providing awards and technical assistance. Nonprofits submit venture plans online, and SOM students will work with Yale faculty and professionals from the Goldman Sachs Foundation and the broader community to evaluate and develop ideas. In addition, Yale SOM will offer a new course on nonprofit venturing, with opportunities for students to research issues. Even those nonprofits that do not ‘win,’ nevertheless, will get considerable feedback on their ventures,” said Sharon Oster, Yale SOM professor and a leading authority on competitive strategy and nonprofit management. She will direct the new Partnership with SOM Deputy Dean Stanley J. Garstka.



The competition will culminate in a three-day conference in May 2003, at which nonprofit practitioners, foundation and corporate investors, venture capitalists, venture philanthropists, and others will gather with Yale students, faculty, and alumni to network and learn more about nonprofit business strategies. Among 20 finalists, four grand-prize winners each will receive \$100,000 and four semi-finalists each will receive \$25,000 — in addition to ample technical assistance — to launch business ventures. Nonprofits began submitting plans in May 2002.

Nonprofits are an emerging force in the economy and community service. In 1999, more than 1.25 million organizations filed for tax-exempt status from the Internal Revenue Service, according to the National Center Charitable Statistics.

Nonprofits, with a vast range in missions and size, often rely on volunteers or limited personnel who lack management experience. “With a still-fragile economy, nonprofits are facing similar challenges as for-profits,” Oster said. “As a result, nonprofits are seeking ways to be more enterprising.” Consequently, more nonprofits enter the marketplace to generate new revenues beyond their philanthropic activities. Most hope to create greater self-sufficiency and others hope to diversify their revenue streams. Others expect ventures to create employment oppor-

tunities, improve community relations or revitalize neighborhoods.

“Unfortunately, many fail to fully achieve their objectives due to lack of the requisite business skills,” explained Yale SOM Dean Jeffrey Garten. “This major initiative will be imbued with the school’s philosophy that superb business and management skills are a critical ingredient for leadership in every sector of the economy.”

Sound business planning has a significant impact on the success of any nonprofit venture, according to deputy directors of the Partnership, Cynthia W. Massarsky and Samantha L. Beinhacker: “Yet we learned that only half of those operating ventures actually wrote business plans before launching their businesses,” Massarsky and Beinhacker reported in a research study. “Business planning assistance, in the form of targeted business analysis, market research, and strategic planning, could be a valuable resource and critical ingredient to help ensure success. Such assistance would certainly increase the capacity of those that are currently operating ventures and encourage those that are not to begin exploring opportunities to do so.”

Stephanie Bell-Rose, President of the Goldman Sachs Foundation, anticipates that the competition will inject financial and management techniques into the complex nonprofit sector, which currently lacks clear criteria, standards and strategies specifically designed for the nonprofit model.

“Nonprofits across the country have always had to balance their social mission and bottom line,” concluded Don Kimelman, Director of Pew’s Venture Fund. “We expect that this pioneering project will have ripple effects throughout the nonprofit sector.”