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The four monkeys . . .

"Business professors Gary Hamel and C. K. Prahalad wrote about an experiment conducted with a group of monkeys. Four monkeys were placed in a room that had a tall pole in the center. Suspended from the top of that pole was a bunch of bananas.

"One of the hungry monkeys started climbing the pole to get something to eat, but just as he reached out to grab a banana, he was doused with a torrent of cold water. Squealing, he scampered down the pole and abandoned his attempt to feed himself. Each monkey made a similar attempt, and each one was drenched with cold water. After making several attempts, they finally gave up.

"Then researchers removed one of the monkeys from the room and replaced him with a new monkey. As the newcomer began to climb the pole, the other three grabbed him and pulled him down to the ground. After trying to climb the pole several times and being dragged down by the others, he finally gave up and never attempted to climb the pole again.

"The researchers replaced the original monkeys, one by one, with new ones, and each time a new monkey was brought in, he would be dragged down by the others before he could reach the bananas. In time, only monkeys who had never received a cold shower were in the room, but none of them would climb the pole. They prevented one another from climbing, but none of them knew why."

(From Failing Forward*, by John Maxwell, pp. 47-48)*

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Does any of that sound familiar? Is your nonprofit frozen by the past? Are you willing to take risks or are you content to coast with strategies and tactics that worked five and ten years ago?

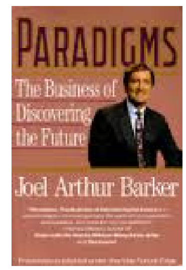
The market for social enterprises began calling in the 1960s and 1970s. Entrepreneurs, small businesses, and big corporations listened -- but nonprofits, with a few exceptions, did not. Why the hesitation? Just ask the monkeys.

The culture of a traditional nonprofit, no matter how innovative, is vastly different from the culture of an entrepreneurial nonprofit. Entrepreneurs have a higher tolerance for risk, a greater appreciation of margins, an eagerness to compete. Traditional nonprofits distrust the capital markets, prefer collaboration to competition, and underestimate the productive capabilities of their disadvantaged employees. They watch other nonprofits become increasingly sustainable or self-sufficient, but are unwilling to emulate their practices.

Instead, they criticize.

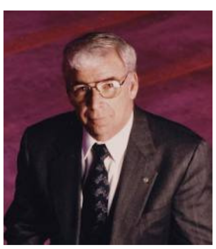
Tony Wagner, who later served as President of the International Federation of Settlements and Neighborhood Centers, was astonished by the resistance he encountered during the 1990s from both the business community and the nonprofit sector. “I was blown away by the level of misunderstanding and mistrust,” he recalls. “For all the writing and talking about the subject, out there in the world people either didn’t get it or didn’t want to get it.”

Why does this happen? Why is the embedded culture of an organization so often the single greatest obstacle for Board members and senior executives trying to launch earned revenue strategies or social enterprises?



Because too many suffer from what Joel Barker calls “paradigm paralysis.” As Barker pointed out in his seminal 1992 book, *Paradigms: The Business of Discovering the Future*, paradigms can be extraordinarily useful. They help us make sense of the world by organizing incoming data and sorting them into categories, helping us decide what to think and do. But paradigms can be a double-edged sword. Blinders are slapped into place and we begin to interpret new information according to our pre-conceptions. We become frozen. Change becomes our enemy. Individuals and organizations begin to believe the categories they are using are the only ones available, and they slowly become paralyzed.

Institutional paralysis can be overcome, with a sufficient dose of courage. But occasionally it takes something dramatic. When the Board of Directors of a nonprofit in Kentucky offered Bob Russell the job as CEO, he realized the existing make-up of the Board worked against entrepreneurship and agreed to accept the position only if every member of the Board resigned. They agreed.



Still another CEO, who ran a sheltered workshop for about 200 people who were developmentally disabled, decided to change the basic values of his organization. On a pleasant summer evening in 1973, John DuRand invited his 11 senior managers to a downtown hotel in St. Paul, Minnesota, where he wined and dined them, asked them to sit down -- and then fired them all.

A moment later he passed out application forms.

“Starting tomorrow,” he said, “we are no longer a rehab agency, we’re a business. Starting tomorrow, we no longer have clients, we have employees. And, starting tomorrow, you are no longer social workers, you are business managers. If you can get your minds and hearts and souls around that concept, I want you back. If you can’t, I’ll help you find a job somewhere else.”

Nine of the 11 returned to their jobs. Two could not accept the philosophic shift. But, from that day, the culture of the organization changed and the primary goal became operating a viable business. By the time DuRand retired in 1997, Minnesota Diversified Industries was a $70 million nonprofit social enterprise with all but one per cent of its budget covered by earned revenue -- and the company had 1,000 employees, 600 of them either disabled or disadvantaged.

However, regardless of dramatics, cultural change must be systemic, and the first step usually has to be taken at the Board level.

When Charlie Graham arrived at his new post in Oregon in the early 1980s, he immediately began promoting the idea of a double bottom line. According to his second-in-command, Roy Soards, “he told the Board we were never going to be able to employ more people with psychiatric disabilities if we continued operating a sheltered workshop and depending primarily on social serv.ice subsidies and charitable giving. He convinced the Board that if we provided quality goods and services, people would buy them and we'd therefore be able to employ even *more* people with disabilities and help them become self-sufficient."

Kevin McDonald, founder of a nonprofit social enterprise in North Carolina that employs former convicts, drug addicts and prostitutes, discovered customers appreciated that approach. He built his company primarily through personal selling and word of mouth. "We didn't have a very big staff," he says, "just me and two others, and we didn't have much money for advertising. We were just trying to survive as a program. So, I decided to start hitting the pavement and gave a lot of speeches. Went out to the Junior League, the Kiwanis Club, that sort of thing...and I found out they were tired of people asking for a handout. So I told them, 'I don't want your money...I want your *business*...call us up, let me give you an estimate...*use* our services.'"

Once they begin paying for actual products or services, customers become increasingly demanding, which puts a further strain on an organization's traditional culture. "When we started working with Ben & Jerry's," recalls Julius Walls, the former CEO of Greyston Bakery, which employs former convicts and others with barriers to employment, "they made it very clear our product (providing brownies and blondies for five Ben & Jerry ice cream flavors) had to always be up to snuff or they wouldn't produce their ice cream with us. They held us accountable as a business and not as their young child. They provided a lot of assistance, but they told us from the beginning we needed to stand up and be a business, not a sheltered workshop."

When Walls first became CEO of the Yonkers, New York, company, he discovered that the biggest obstacle he faced was helping his employees "understand what we needed to do to be a sustainable model. We had to understand we were a business with a dual bottom line. Most businesses have one bottom line -- economic dividends. (At the time) Greyston also had a single bottom line, but it wasn't the economic one. There was a mentality on the part of the employees who came here that if you're really nice we'll figure something out to keep you and it doesn't matter if you're producing or if the business is doing well. But there came a time when the employees and the business needed to understand that's not a sustainable model."

The cultural transformation can turn into a war. "By the time I got here," remembers Soards, who eventually succeeded Graham as CEO in Oregon and is now a social enterprise coach in Portland, "there was a demilitarized zone between the production people who ran the factory and the rehab people who provided social services. We had two very strong-willed managers and each of them had their own lieutenants and armies." The opposing forces fought over resources and, more fundamentally, they fought for the soul of the organization.

It took years for the culture wars to subside, and "it was pretty ugly at times," says Soards. "The rehab people would sabotage the production people, who often had to rely on the rehab folks for employees. If the production people had a job that needed to get done, they were under a lot of pressure, because the rehab people were more concerned about, 'Well, is this the proper training for this individual, they're not ready for work that's too demanding, and why don't you guys find the types of jobs that fit their needs, and no, they can't work after three o'clock because they have to go see their case workers.' We finally had to part ways with the head of the rehab division."

Hiring people from the for-profit world can be another wake-up call. "Everything changed," remembers the former head of a social enterprise in Los Angeles that employs people who are homeless. "Right off the top, it was just the way the new people walked and talked and dressed and approached their day. It was a big shock to the rest of us."

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Years ago, Pablo Eisenberg, Founder and Chairman Emeritus of the National Committee for Responsive Philanthropy, spoke for the critics of social enterprise when he wrote that "far too many charities have . . . forgotten the distinction between for-profit and non-profit activities, between fulfilling a mission and survival at any cost. . . .The appeal of non-profit organizations is their commitment to public service . . . it is not as a shadow private sector."

But, according to Kenneth Mason, the former Chairman of Quaker Oats, "making a profit is no more the purpose of a corporation than getting enough to eat is the purpose of life. Getting enough to eat is a requirement of life. Life's purpose, one would hope, is something broader and more challenging. Likewise with business and profit."

And nonprofit executive Robert Harrington may have put it most succinctly, and in terms social entrepreneurs would resoundingly endorse: "If you want to help the poor people of the world," he said, "step one is to make sure you're not one of them!"