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What Works

Carving out a Niche: A Czech social enterprise uses woodworking to help drug addicts. By Will Tizard

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Carving out a Niche

A Czech social enterprise uses woodworking to help drug addicts *by Will Tizard*



A P-Centrum client sculpts a dragon's head, which will later be sold to earn income for the Czech social enterprise.

Nonprofit organizations are a recent, and still tenuous, phenomenon in much of Eastern Europe. It has been just 17 years since the fall of the Berlin Wall marked the end of an era when the government – however ineptly – took care of citizens from cradle to grave. Not only are many people still used to having the state, not civil society, take care of everything, but memories are still fresh of the time when people were forcibly “volunteered” for social tasks like crop harvesting and industrial labor.

And so it's no surprise that a significant number of Eastern Europeans are still suspicious of the very concept of nonprofits, charities, and philanthropy. In fact, Czech Republic President Vaclav Klaus has gone so far as to accuse organizations not dedicated to making profits of being throwbacks to communism.

In this environment, it is often difficult for Czech nonprofits to raise money and enlist volunteers for charitable causes. That's one of the principal reasons why a number of nonprofits have adopted the social enterprise model – creat-

ing income-generating businesses that teach clients job skills and provide steady and predictable funding for their social programs. One such nonprofit is P-Centrum, which uses a woodworking shop to help recovering drug addicts start productive lives and to generate income.

Becoming a Social Enterprise

Established in 1994 under the name Sananim, P-Centrum started as a drug-counseling center in the city of Olomouc in the Czech Republic's eastern province of Moravia. For the first seven years it operated like a traditional charity, relying primarily on volunteer labor and charitable donations. The nonprofit's drug-counseling services were well regarded, but it had difficulty raising the money it needed to support its operations.

P-Centrum had begun income-generating businesses – an art gallery and a woodworking shop – to improve the organization's financial stability, but they were not well run. In 2001, P-Centrum enlisted the help of NESST (Nonprofit Enterprise and Self-sustainability Team), an international ven-

ture fund based in San Francisco that provides financial assistance and consulting services to social enterprises.

NESST recruited Dan Lynch, of Prague-based 3TS Venture Partners, to serve as a business consultant to P-Centrum. “I'd been trying to pursue this same goal [of helping NGOs become more businesslike] for years, and was amazed by how difficult it was,” says Lynch. “Many NGOs really run themselves as a charity; [they] don't understand cash flow, revenue, budgeting, [and] business development.” But P-Centrum was different. “They were able to adapt themselves to the business concept.”

After completing a feasibility study and a business plan, P-Centrum garnered additional financial and technical assistance to expand its woodworking shop, identify new markets for its products, and find new sources of funding for its addiction recovery program.

Working With Wood

The heart of P-Centrum's activities is the woodworking

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shop, which teaches recovering drug addicts woodcraft and job skills as they create playground equipment and furniture. The clients work mainly with hand tools, which lend a distinctive, old-fashioned style to their crafts. Hand tools are also safer and more therapeutic for the clients. While the clients are enrolled in the woodworking shop, they also go through a drug treatment and counseling program. Those who complete the recovery program graduate from P-Centrum.

Since the infusion of new expertise and capital, enrollment in the woodworking shop has grown – from six people in 2001, to 14 in 2003, to 26 people a year at present. Between 55 and 85 percent of the workshop participants (the number varies from year to year) overcome their drug addiction. And on average, 40 to 50 percent of its graduates later find full-time employment in the private sector.

While enrolled at P-Centrum, clients are under the constant supervision of counselors, who coach them in basic job skills such as promptness and time management, as well as teach them woodworking skills. All of this additional staff time puts a strain on P-Centrum's business model – a classic problem with many social enterprises. "The more clients we have in the workshop, the less profit we make," says Richard Korinek, who worked as a counselor for two years before joining the management team this year.

Creating a Sustainable Business

Since 2004, when the Czech Republic joined the European Union, competition from more efficient Western European countries has become an issue for Czech businesses, including P-Centrum. "The competition is quite strong," says Korinek. To keep up with its rivals, P-Centrum has expanded its sales beyond home and garden stores in the Czech Republic and Slovakia, where most of its products were sold. It now also sells to Czech parks, schools, and city governments, many of which have adopted policies that give preference to local products.

P-Centrum is expanding its product line to generate more revenue and to give clients more learning opportunities. "We helped them introduce wrought iron products [such as music



A hand-carved dragon leers in a Czech park. The recovering drug addicts who make these sculptures earn income for their recovery program while learning job skills.

stands, candlestands, lamps, and gates]," said Lee Davis, co-founder and CEO of NESsT.

To raise additional money, P-Centrum is in the process of applying to receive government incentives for hiring disabled or at-risk employees. These incentives would pay as much as 66 percent of the workshop clients' salaries. "As a rule," says Korinek, "one-third of the cost of the products we cover [through sales, and] two-thirds is by the labor office, grants, and co-funding." Because the Czech Republic is a new E.U. member, P-Centrum is also applying for structural funds, as have hundreds of other Czech businesses. E.U. structural funds are one-time grants to selected businesses in new member countries that help them catch up with more developed E.U. nations.

As for P-Centrum's original mission of helping recovering drug addicts, Olomouc Mayor Martin Tesarik says the results of P-Centrum's work can be seen and felt in his economically challenged city. "The wood-carving workshop substantially increases the client's chance to succeed in getting a job in the face of the competition on the labor market," says Tesarik. Because of this, the city donates \$36,000 annually to P-Centrum. The city is one of eight government bodies that donate a total of more than \$242,000 a year to the organization – an impressive sum for Czech state offices. "We contribute financially every year because we value all help to drug-addicted individuals." It seems that in the former Eastern Bloc, even the state is beginning to recognize the value of a robust civil society. □

CRAFTING A SUCCESSFUL ENTERPRISE

- Choose an activity that will both earn income and help clients
- Adopt good business practices
- Take advantage of charitable and public funding streams