

Who are you calling a “social enterprise?!”

by Mal Warwick

Quickly—define “social enterprise” in 25 words or less. No cheating now. No peeking at your neighbor’s paper!

Are you finished? Good. Now compare what you’ve written with your friends and neighbors.

Are you all on the same page? No? Well, welcome to the crowd.

I’ve read a fair amount about this phenomenon we so loosely refer to as “social enterprise,” and I’ve spoken personally to many of those who are most often publicly identified as among its leading advocates—and not just here in the United States, but around the world. (For that matter, I’m even a member of the Advisory Board of this wonderful newsletter.)

Guess what: the “experts” don’t agree, either. In fact, their contrasting definitions appear to come from completely different mindsets. They might as well be from different planets.

In an effort to sort through all this confusion, I’ve devised a nifty little diagram. Maybe it will help you, too, to find your way more smoothly through the field. Here goes (see below):

As you can see, Quadrants 1 and 2 correspond to the revenue-generating model. In Quadrant 1 you’ll find parking garages operated by nonprofit hospitals to help underwrite their budgets and a plethora of other for-profit enterprises launched by nonprofit organizations to make money, pure and simple.

Quadrant 2 holds such remarkable ventures as **Newman’s Own, Working Assets Long Distance, and Give Something Back**, all of which operate traditional businesses and dedicate most or all the profits to support a range of social-sector organizations. This quadrant also includes any businesses established independently of the nonprofits they support but whose primary function is to funnel their profits to those particular organizations—if, in fact, there are any such businesses. (I, for one, can’t think of any.)

By contrast, Quadrants 3 and 4 include those enterprises established primarily to address one or more social problems. Quadrant 3 includes such organizations as **Goodwill Industries** and **Rebuild Resources**, both of which engage in business to provide training and jobs to people who would otherwise face barriers to employment, and environmental organizations such as the **Environmental Management Institute** that operate as businesses but are organized as nonprofits.

In Quadrant 4 lie those enterprises established as for-profit businesses rather than nonprofits but whose nature is centered on its social mission. **Shorebank** comes immediately to mind—a precedent-setting bank operated and regulated like any other but dedicated to creating “economic equity and a healthy environment.”

What you won’t find in this typology are those businesses—such as my own, **Mal Warwick Associates** as well as others much better known—that characterize

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	Social sector	Business sector
Revenue-generating	1. NGO generating revenue through a business enterprise to support its social mission	2. Business generating revenue to support the social mission of one or more NGOs
Problem-solving	3. NGO established to address a social problem in an entrepreneurial manner	4. Business established to address a social problem in an entrepreneurial manner

Who are you calling a Social Enterprise? (continued from page 6)

themselves as “socially responsible” and pursue the “triple bottom line.” There are thousands of us, companies that operate with a view toward serving all our stakeholders, not just the owners. Many folks include us in the category of social enterprise.

Wikipedia, for example.

I could shoehorn my company into Quadrant 4, since from the beginning our mission has been to raise money for progressive nonprofit organizations and political candidates, but most other triple-bottom-line companies don't fit so neatly into that little rectangle. (Ben & Jerry's? Selling flavored fat? Where's the social mission in that?) That's one reason why I think we don't belong under the label “social enterprise.”

Another, much bigger reason is that I'm convinced all for-profit businesses will eventually be forced to acknowledge their responsibility to their customers, their employees, their suppliers, the community or communities where they do business, and to the environment. If that ever comes to pass, then presumably every business would be considered a social enterprise—robbing the term of all remaining sense. There are some, such as Steve Mariotti, Founder and President of

theNational Foundation for Teaching Entrepreneurship, (writing in SER 207), who contend that every business already is, but from my perspective that just confuses matters. To my mind, a social enterprise is something special—not just another company. A social enterprise is conceived to address a social problem or challenge, either directly (Quadrants 3 and 4) or indirectly (Quadrants 1 and 2).

One more point: if you have more than a passing familiarity with the field, it will be obvious to you that many social enterprises straddle one or more of the quadrants in this typology. These are the enterprises generally referred to as “hybrids.” **Greyston Foundation** is an excellent example. Originally founded as a business to provide employment for the “unemployable,” the Greyston Bakery has since spawned several nonprofit enterprises which benefit from, but aren't dependent on, its profits. That's a hybrid operation in anyone's book! Another fascinating example is **Pura Vida Coffee**, which is “changing the world, one cup at a time.” There are dozens of other brilliant examples.

Still, most of the organizations that are normally described as social enterprises appear to fall into one or another of the four quadrants of this typology. I find it useful. I hope you do, too. ■



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- ➔ www.malwarwick.com
- ➔ http://en.wikipedia.org/wiki/Social_enterprise
- ➔ www.greystonbakery.com
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Editor's Note: Kim Alter, SER Editorial Advisor, and Principal of Virtue Ventures, has also published a social enterprise typology at

- ➔ www.virtueventures.com/setypology