Social Entrepreneurship

Whereas traditional entrepreneurs seek opportunities to create market value, there is a growing trend to use entrepreneurship to pursue opportunities to create social value. These social entrepreneurs, people who start businesses so that they can create innovative solutions to society’s most vexing problems, see themselves as change agents for society. Social entrepreneurs are finding the resources to tackle challenging problems confronting the global economy, including pollution, habitat destruction, human rights, AIDS, hunger, poverty, and others. Social entrepreneurship

can be characterized by the following:

1. Social entrepreneurs seek solutions for social problems that are met by neither the market

nor government.

2. Creating social benefit rather than commercial success motivates social entrepreneurs.

3. Social entrepreneurs tackle social problems by taking full advantage of natural market

forces

Funding Social Ventures Through Franchise Businesses

Nonprofits are facing severe funding challenges. Although the number of social ventures is increasing, funding from grants and donations has declined. A recent survey found that 54 percent of nonprofits were not able to generate enough funding to meet demand for their services. As a result, 39 percent of nonprofits

surveyed plan to change the main way they raise funding. To meet this challenge, several nonprofits have turned to a creative way to fund their missions. Rather than rely on grants and donations, a growing number are using franchise businesses to generate new revenue streams to fund their causes.

Sandwich Shop Helps Build Housing Affordable Homes of South Texas develops affordable housing for low-income families. In the past, the agency relied on federal grants as its main source of funding.

However, this source of funding has declined steadily over the past several years due to government budget cuts while demand for its services had continued to climb. Bobby Calvillo, the executive director of Affordable Homes of South Texas, had an inspiration when he noticed lines of people waiting for service in a sandwich shop nearby. Calvillo wondered if Affordable Homes could open its own sandwich shop to help provide badly needed funding for its clients. After getting

approval from his board, Calvillo began the process of buying a Blimpie’s sandwich franchise. Affordable Homes could not directly own a franchise business because nonprofits are not allowed to own such investments. Affordable Homes set up an investment corporation as a parent entity and, under it, formed a limited

liability company that would own the franchise business. Calvillo projects that the franchise will be able to fund the construction of several homes once it is fully operational. Clients of Training Center Bake Pizzas to Generate Revenue Dale Rogers Training Center trains and employs more than 1,100 people with disabilities in Oklahoma City each year. Due to declining private funding, the nonprofit partnered with Papa Murphy’s Pizza to open a franchise operation to provide additional funding and offer a place for at least 15 of its clients to work. Dale Rogers Training Center is not new to using social enterprises to support its operating budget. The nonprofit generates 83 percent of its revenue from several social enterprises, including janitorial, cleaning, and delivery services. Dale Rogers Training Center receives 100 percent of the profits from the pizza shop and is able to fill 75 percent of the store’s jobs with its clients. Even though this

Papa Murphy’s restaurant hires people with disabilities, it has the same standards for its employees as every other Papa Murphy’s store.

Ice Cream Sales Help Several Nonprofits Ben and Jerry’s is a leader in providing franchises to support nonprofits, partnering with a variety of social ventures for more than 20 years. One of the first is a franchise owned by Common

Ground, a New York nonprofit working to end homelessness. The partnership with Common Ground operates three Ben and Jerry’s stores, which hire 15 clients served by the nonprofit. The stores each took two to three years to break even. Ben and Jerry’s partners with several programs providing employment and life skills training for disadvantaged youth. It has five locations owned by Juma Ventures, which supports disadvantaged youth by offering them employment in its social enterprises with the goal of getting them ready to attend and complete

college.

Latin American Youth Center in Washington, D.C., Metro Community Investment in Minneapolis, Minnesota, and Youth Job Center of Evanston, Illinois, all operate Ben and Jerry’s to provide employment and life training for their clients. Ben

and Jerry’s operates franchises through the Postgraduate Center for Mental Health in New York City and Second Chance in San Diego, California, to provide revenue for these nonprofits and job training for their clients. Finally, youth participating in the Chicago Children’s Choir raise money for the choir by singing as they serve customers in a franchise operated in Chicago’s theater district.

Social entrepreneurs use their creativity to develop solutions to social problems that range from cleaning up the environment to improving working conditions for workers around the world; their goal is to use their businesses to make money and to make the world a better place to live. Social entrepreneurship is the fastest growing type of entrepreneurship in most parts of the world. The Global Entrepreneurship Monitor survey of entrepreneurial activity reports that one third

of entrepreneurs in the United States pursue a purely social entrepreneurial venture.

Social Responsibility

The concept of social responsibility has evolved from that of a nebulous “do-gooder” to one of “social steward” with the expectation that businesses will produce benefits not only for themselves but also for society as a whole. Society is constantly redefining its expectations of business and now holds companies of all sizes to high standards of ethics and social responsibility.

Companies must go beyond “doing well”—simply earning a profit—to “doing good”—living up to their social responsibility. They also must recognize the interdependence of business and society. Each influences the other, and both must remain healthy to sustain each other over time.

growing recognition of social responsibility is true not only for large public corporations but also for small businesses. Two surveys by Sure Payroll shed light on the scope of small business owners’ engagement in social responsibility. One survey reports that 55 percent of small businesses’ mission statements include a reference to achieving some type of social goal, and a second report finds that 90 percent of small business owners give to charity and 70 percent donate both money and time to local causes.

Companies that are most successful in meeting their social responsibility select causes that are consistent with their core values and their employees’ interests and skill sets. In fact, some entrepreneurs allow employees to provide input into the decision concerning which causes to support. A common strategy is to allow employees to provide pro bono work for the charitable organizations they support.

Business’s Responsibility to the Environment

Due to a strong personal belief in environmental protection, many entrepreneurs seek to start ventures that have a positive impact on the environment or take steps to operate their businesses in ways that help protect the environment. Also driven by their customers’ interest in protecting the environment, small businesses have become more sensitive to the impact their products, processes, and packaging have on the planet. Environmentalism has become—and will continue to be—one of the dominant issues for companies worldwide because consumers have added another item to their list of buying criteria: environmental friendliness and safety.

Companies have discovered that sound environmental practices make for good business. In addition to lowering their operating costs, environmentally safe products attract environmentally conscious customers and can give a company a competitive edge in the marketplace. Socially responsible business owners focus on the three Rs: reduce, reuse, and recycle:

● Reduce the amount of energy and materials used in your company, from the factory floor to the copier room.

● Reuse whatever you can.

● Recycle the materials that you must dispose of.