

The Social Venture Network Series

# Mission, Inc.

the practitioner's guide  
to social enterprise

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An Excerpt From

***Mission, Inc:***  
***The Practitioner's Guide to Social Enterprise***

by Kevin Lynch and Julius Walls, Jr.  
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# Introduction

## The Most Successful Business on Earth

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If you're a businessperson who has picked up this book, chances are high that you already know something pretty important: we've got to change the way things are done.

There's a big pile of problems out there: violence, poverty, environmental degradation, human rights violations, disease, and more. It's a big and daunting pile. It's so well chronicled that we needn't repeat endless statistics about its scale and scope, nor endlessly debate how things got to this point and who is to blame. The point remains: we've got to change it—and change it fast.

The good news is, things *can* change. The pleasant surprise behind this book is that business—the same institution that by any measure must bear a fair amount of the responsibility for the current situation—is also the most potent force for turning things around. In fact, hundreds of businesses are *already* hard at work doing exactly that.

The business you run, the business you're starting, or the one you're simply dreaming of can change the world for the much, much better. Make that your aim, and you'll be running the most successful business on earth.

## The Power of Business

One way to understand the history of a civilization is to observe the history of its architecture. For long periods of history, the greatest power resided in the grandest seats of government and monarchy. In other epochs, the driving force of religion was

located in the great cathedrals, temples, and mosques, none more magnificently than the entire city-state of the Vatican.

Today, fifty-one of the world's one hundred largest economies are corporations. The vision evoked by the very title of David Korten's seminal book, *When Corporations Rule the World*, has apparently already come true. In this age, the defining architecture of the world reflects the primacy of business, whether that be epitomized by the skyline of Manhattan, the Google campus in Palo Alto, or the emerging towers of Dubai.

Many would argue, and rightly so, that commerce in general, and capitalism as its most highly evolved manifestation, is responsible for the great advances in what is generally accepted as our improved quality of life. Whether you're a fan of sliced bread or of the greatest thing since (as of this writing, the iPhone, in the authors' humble opinion), you can chalk it all up to business.

The mantra behind every successful business is repetitively simple: find a need or want and then figure out how to fill it at a cost to the seller that is less than the buyer is willing to pay to satisfy the need. Put another way, find a pain and then offer an antidote to that pain at a price below the pain threshold.

But why would anyone go to the trouble of meeting all of these buyers' needs and wants? Our system is built on the conventional wisdom that enlightened self-interest attracts sellers to the task of meeting needs. Thus, the pursuit of profit is the catalyst for the vast improvements we have seen in the human condition.

But what happens when human needs are fully met? What is the catalyst supposed to act upon then? Remarkably, it has learned to self-regenerate through a process of creating and filling *new* needs. Jerry Mander, in *Four Arguments for the Elimination of Television*, explains how this works:

The only need that is expressed in advertising is the need of advertisers to accelerate the process of conversion of raw materials with no intrinsic value into commodities that people will buy . . . The goal of all advertising is discontent or, to put it another way, an internal scarcity of contentment. This must be continually created, even at the moment when one has finally bought something. In that event, advertising has the task of creating discontent with what has just been bought, since once that act is completed, the purchase has no further benefit to the market system. The newly purchased commodity must be gotten rid of and replaced by the “need” for a new commodity as soon as possible.<sup>1</sup>

Underlying the propensity of the need-inventing market system to propagate itself is a deeper driving force. That force is an insatiable hunger for continual economic growth that stems from ownership of the market system itself. Marjorie Kelly has devoted an entire amazing volume to this idea, aptly named *The Divine Right of Capital*. She argues that many different stakeholders have an interest in the course of the market system. But only one, ownership, is awarded a *preeminent* right that trumps those of the other stakeholders:

If we go rummaging through [capitalism’s] entire basket of economic ideas—supply and demand, competition, profit, self-interest, wealth-creation, and so forth—we’ll find most concepts are sturdy and healthy, well worth keeping. But we’ll also find one concept that is inconsistent with the others . . . and it is these four words: maximizing returns to shareholders.<sup>2</sup>

Throughout this highly recommended work, Kelly crafts a powerful argument that the market system—the same well-intentioned organism that has broadly raised the quality of our life and civilization—creates havoc and ultimately threatens our survival by awarding “economic sovereignty” to ownership at the expense of employees, the community, and by extension, the natural world itself.

The primacy of ownership demands continued and growing returns. Business can meet this demand in only three ways: one, by inventing desire as Jerry Mander describes, despite the increasing raw material inputs and labor efficiencies required to satisfy those elevated passions; two, by focusing production on those who can afford to buy rather than those with the greatest unmet needs, creating vast and growing disparities between “haves” and “have-nots”; and three, by disregarding the real social, environmental, community, and human costs of production, or at the very least, by transferring those costs away from shareholders. In other words, by following the script of economic sovereignty for ownership, which does not require owners to pay their full share.

## **Business for the Common Good**

But there’s a catch to this, of which more and more of us are becoming aware. We’re social beings. That means we have to live together. “Social,” simply put, means “living or disposed to live in companionship with others or in a community, rather than in isolation . . . of or pertaining to the life, welfare, and relations of human beings in a community.”<sup>3</sup>

Uh-oh. Being social beings creates a bit of a problem for business in modern times. Tasking the most powerful institution on earth with anything *other* than promoting the life,



welfare, and relationships of human beings in a community just won't do. Will it?

We started with the premise that there are some pretty big problems that don't seem to be getting any smaller. It's probably no coincidence that the challenges we face are growing every bit as fast as the institution of business. This should come as no surprise as long as the institution views the common good as an expense item that detracts from the primary purpose of creating shareholder returns.

We have to do things differently. So, what if we put the power of business in the hands of people who think differently? What if the purpose of a business were to fulfill a *real* human, social, or community need? What if the goal were to return value to the community rather than push off expenses on it? What if the obligation to employees were to elevate them rather than extract from them? What if the cost of a raw material were pegged to its replenishment, not its depletion? What if profit were not the *point* of business but the *means* by which the point of a better world were achieved?

Now *that* would be a successful business—perhaps the most successful business on earth. That would be the kind of business that could go by the name of *Mission, Inc.* And it would be the kind of business that would epitomize what we call a social enterprise.

We're far from the first people to use this moniker to describe a certain type of organization doing a certain type of work. In fact, we seem to be relative latecomers. As we were writing this chapter, we Googled "social enterprise" and came up with 15,700,000 immediate references. A lot of people have called a lot of things social enterprises. Here are some of them:

- “Social enterprises are organizations which trade in goods or services, and link that trade to a social mission.”<sup>4</sup>
- “An organization or venture that advances its social mission through entrepreneurial, earned income strategies.”<sup>5</sup>
- “Social enterprises are typically, but not always, related to a nonprofit’s tax-exempt function, and are often developed in partnership with for-profit partners. Social enterprise is a business tool often employed by social entrepreneurs.”<sup>6</sup>
- “A business trading for a social purpose.”<sup>7</sup>
- “A revenue generating venture founded to create economic opportunities for very low income individuals, while simultaneously operating with reference to the financial bottom-line.”<sup>8</sup>
- “The myriad of entrepreneurial or ‘self-financing’ methods used by nonprofit organizations to generate some of their own income in support of their mission.”<sup>9</sup>
- “A nonprofit venture that combines the passion of a social mission with the discipline, innovation and determination commonly associated with for-profit businesses.”<sup>10</sup>
- “Any business venture created for a social purpose—mitigating/reducing a social problem or a market failure—and to generate social value while operating with the financial discipline, innovation and determination of a private sector business.”<sup>11</sup>

Reasonable people hold different opinions on what constitutes a social enterprise, particularly on the question of corporate form and the closely related question of use of earnings (which we tackle as a matter of strategy in chapter 3). Yet the

very existence of such wide-ranging opinions suggests that social enterprise is an idea whose time has come. And among all the ideas about social enterprise are a couple of common elements: one, that a social enterprise involves some sort of business activity; and two, that it is driven by a social purpose of some sort.

Which raises another question, which you've surely guessed by now: What is a social purpose? (And who anointed Lynch and Walls to define it?)

After all, a business cannot survive without meeting a social need, real or invented. One could craft an argument, no matter how hollow, that *any* enterprise is a social one: the NFL's purpose is to provide an escape from everyday life; the fashion industry's purpose is to create and celebrate beauty; the beer industry's purpose is to help a guy take the edge off after a hard day.

So, yes, if you really want to argue about it, every business has a social purpose. But we all know better than that. Some things really matter, and some things really don't. Those things that matter are part of what we might call the common good, and everything else just isn't. We would argue that the social purpose that is the target of any social enterprise must be squarely aligned with this concept of the common good.

The common good: it's really hard to define, but you know it when you see it. The Markula Center for Applied Ethics, drawing upon the work of philosophers, ethicists, and theologians, offers as good a working definition as any:

The common good, then, consists primarily of having the social systems, institutions, and environments on which we all depend work in a manner that benefits all people . . . Because such systems, institutions, and environments have such a powerful impact on the well-being of

## Social Enterprise: Our Working Definition

The short version:

*A social enterprise is a business whose purpose is to change the world for the common good.*

The long version:

*A social enterprise is*

*a business*

an organization whose primary activity and means of revenue is the profitable trading of products and services, whether organized under a for-profit, a nonprofit, or some other legal or tax structure,

*whose purpose*

whose driving force—created by charter, form, bylaws, mission statement, governance, and/or shareholder fiat—

*is to change the world*

is to reform current conditions, not to maximize financial returns for ownership, although owners, too, may benefit,

*for the common good.*

so that the social systems, institutions, and environments on which we all depend work in a manner that best benefits all people.

members of a society, it is no surprise that virtually every social problem in one way or another is linked to how well these systems and institutions are functioning.<sup>12</sup>

The center gives several examples of the elements of the common good:

- An accessible and affordable public health-care system
- An effective system of public safety and security
- Peace among the nations of the world
- A just legal and political system
- An unpolluted natural environment
- A flourishing economic system

Business is a vehicle of incredible power. It can be used for the good, it can be used for the bad, or as is most often the case, it can simply be used selfishly for the merely mundane. We have to change how things are done. We have to, and we *can*, harness this power for the good. The opportunity is great because the need is great.

We need *businesses whose purpose is to change the world for the common good*. In other words, we need social enterprise.

## The Practitioners

The good news is that social enterprises are already accomplishing amazing social purposes. We'll tell you about some of them throughout this book. They're doing it by landscaping properties, by selling hot dogs at ball games, and by creating art. They're doing it by making toilet paper, by running restaurants, and by doing diversity counseling. They're doing it by importing herbs and by making clothes. They're doing it by building playgrounds and by making soap. And without exception, they're doing it for the common good.

*We're* doing it by printing T-shirts and making brownies.

Lynch is the leader of Rebuild Resources, Inc., in St. Paul, Minnesota. Rebuild's mission is to help recovering addicts and alcoholics become sober, self-sufficient, and of service to society by offering them transitional employment in its business units. The largest of these is a custom apparel and promotions business that screen-prints and embroiders every manner of logo'd apparel and promotional good.

Walls runs Greyston Bakery in Yonkers, New York. The Bakery hires men and women who have little or no credentialed work experience, many of whom have come to Greyston with backgrounds that include homelessness, incarceration, substance abuse, welfare dependence, domestic violence, and illiteracy. It bakes for the industrial and gourmet markets and is especially renowned for its brownies. Greyston pursues the dual objectives of job creation and personal development for local residents and financial support for its parent, Greyston Foundation, which, in turn, operates several intensive self-sufficiency programs in Yonkers.

You could walk into Rebuild and Greyston and miss the fact that they are social enterprises. We have receiving departments that take in raw materials, production floors that convert the materials to finished goods, and shipping departments that send out the goods to customers. We have salespeople who sell, customer service people who serve, and accountants who count. We have profit and loss statements that break out the cost of goods, labor costs, and operating costs and balance sheets full of inventory, work-in-process, receivables, and payables.

At first blush, you wouldn't know that we are running anything other than going businesses. We wouldn't want it any other way because a social enterprise, first and foremost, *is* a business. But if you looked closer, you'd see something more.

You'd see that Greyston (a for-profit subsidiary of a non-profit parent company) is hiring whoever walks in the door, teaching him or her to bake, and diverting 100 percent of its profits to the housing, health-care, and AIDS hospice projects of its parent, Greyston Foundation. You'd see that Rebuild (a nonprofit social enterprise) is hiring people that no one else will touch, investing heavily in training them, sending them to work for its competitors, and then starting over with someone else—and taking pride in the *300 percent annual turnover* this strange model creates.

We love what we do. We've both run businesses our entire lives. We're into it. And we both found that our higher callings demanded that we put our capabilities at the service of a social purpose.

Our enterprises have enjoyed some degree of success, if measured by no other than the mere fact that they are still in business after twenty-six and twenty-three years, respectively. They've made a substantial impact in the communities in which they've operated and in the lives of the innumerable human beings who have benefited from them.

They've also faced huge challenges and have spent more than their fair share of time at the precipice. These social enterprises are *not* easy to run. Just about everything a traditional business takes for granted is a challenge for a social enterprise (and an opportunity, as we'll reveal throughout the book).

Consider that 80 percent of businesses fail after five years under the best of circumstances. Now add all the challenges of running a business as a social enterprise, and you'd be a little bit proud too.

As leaders of social enterprises, we've been blessed with work that is more gratifying than anything else we could imagine doing. Achieving any degree of success has stretched every

fiber of our capacity. Along the way our processes have often seemed more error than trial. What has saved us time and time again is the good fortune of being part of some great networks of people who have helped show us the way. Mostly we've learned from other practitioners, and it is in that spirit that we offer this guide to you.

Lots and lots of people are doing this right—building sustainable social enterprises that are creating the common good in big and small ways. They're doing it in a myriad of models and industries and are located near and far. Many of them have become our friends through Social Venture Network, under whose auspices we've written this book, and the Social Enterprise Alliance, on whose board we are both privileged to serve.

Much of what we're going to tell you about running a social enterprise came from a series of interviews with some of the best practitioners in the country. Here's a brief profile of each:

*Rick Aubry* creates and delivers integrated solutions to profound social problems at *Rubicon Programs, Inc.*, via a landscaping business and branded bakery.

*Shari Berenbach* runs *Calvert Foundation*, which raises investment capital through individuals and institutions and uses it to provide affordable loans to nonprofit organizations that help underserved communities.

*Scott Blackwell* founded and leads *Immaculate Baking Company*, which makes incredible gourmet organic cookies and is built around a mission of supporting American folk art.

*Allen Bromberger* practices law at *Perlman & Perlman* and is one of the top experts in the country on the formation and financing of nonprofit business models.



*Jim Fruchterman* is a Silicon Valley entrepreneur who founded *Benetech*, a high-tech firm that uses technology innovation and business expertise to solve unmet social needs. The firm's global endeavors have been instrumental in improving literacy, human rights, and land-mine detection.

*REDF*, a nonprofit organization formerly known as the Roberts Enterprise Development Fund, provides financial investments and forms alliances with a portfolio of businesses in order to employ people who would otherwise remain living in long-term poverty. *Carla Javits* leads REDF, and *Cynthia Gair* heads up REDF's field advancement activities.

*Darell Hammond* is the big kid at the head of *KaBOOM!*, a national nonprofit organization that envisions a great place to play within walking distance of every child in America. To date, it has over thirteen hundred play spaces under its belt.

*Mike Hannigan* cofounded and coleads *Give Something Back*, a business products company that sells office supplies for less and gives the profits back to the community.

*Jeffrey Hollender* founded and still leads \$100 million *Seventh Generation*, the leading brand of green cleaners, laundry detergent, dishwashing soap, diapers, baby wipes, tampons, recycled toilet paper, tissues, and paper towels.

*Kevin Jones* is one of the principals of *Good Capital*, an investment firm that accelerates the flow of capital to innovative ventures and initiatives that harness the power of the market to create sustainable solutions to some of society's most challenging problems.

*Scott Leonard* styles the world in organic, fair-trade fashions via the company he cofounded, *Indigenous Designs*.

*Chris Mann* coleads *Guayaki Yerba Mate*, which uses this unique rainforest drink as the new currency fueling reforestation projects and providing income for the indigenous peoples of South America.

*Kevin McDonald* helps fellow addicts and alcoholics get back on their feet at *TROSA*, a comprehensive, long-term, residential substance-abuse recovery program in Durham, North Carolina, that supports itself with the largest moving company in the Triangle area and several other ventures.

*Clara Miller* provides impartial analysis and flexible, frequently unsecured, financing that nonprofits typically can't get from other sources through *Nonprofit Finance Fund*, which she started twenty-five years ago and still leads.

*Frederick A. Miller* is CEO and lead client strategist of *The Kaleel Jamison Consulting Group, Inc.*, an internationally recognized team of facilitators and consultants with an emphasis on change, difference, and inclusion in the workplace.

*Joan Pikas* helps women advance from poverty by making a delightful line of gift soaps at *The Enterprising Kitchen*, which she founded in Chicago.

*Mal Warwick* founded and still leads *Mal Warwick Associates*, which helps nonprofits and political organizations build long-term, mutually rewarding relationships with individual donors through integrated fund-raising and marketing programs.

*Judy Wicks* lures people into becoming social activists by feeding them well at an amazing organic, fair-trade, locally focused, and community-involved restaurant called the *White Dog Cafe*, in Philadelphia.

*Alfred Wise* provides strategic advice to social enterprises of every stripe through *Community Wealth Ventures*, the consulting arm of *Share Our Strength*.

*Lee Zimmerman* and his partners started *Evergreen Lodge*, a historic hotel nestled in the woods bordering Yosemite National Park, to provide supportive employment to help young people build momentum in their lives and realize their fullest potential.

It's really their wisdom, more than ours, that we want to impart to you.

You may have noticed that 100 percent of the colleagues we have featured in this book are American practitioners—and you may wonder, as one good and honest friend did, if ours is a typically insular American perspective. Well, yes, frankly, it is an American perspective. Social enterprise is an idea that is rapidly blooming all over the globe, yet the demands of our own enterprises keep the two of us pretty close to home. As to typically insular, you be the judge. We suspect that—at the practitioner level, at least—many but certainly not all of the challenges and opportunities we and our colleagues face will be familiar to our counterparts elsewhere. To the extent you find that not to be the case, we certainly welcome your feedback.

Let's get to work.

# The ten paradoxes of social enterprise

Just like our colleagues, we love the enterprises we're running. Hardly a day goes by that we don't see a few glimmers of hope roll off the metaphorical production lines of our enterprises. At the end of the year, we proudly tabulate these incremental glimmers into a set of metrics and a report that documents the social change we've created.

But there's a brutal truth we're not as fond of discussing. It is simply this: *we're not doing enough*.

By any measure, the problems we're trying to address are getting bigger, not smaller. All the while, the aggregation of power continues within a market system that does not recognize the common good as its ultimate master.

We've approached this book as a practitioner's guide because we want to improve the *practice* of social enterprise. We want to improve the business performance of social enterprises so that they grow, succeed, and most critically, go to scale. For only by attaining scale, by becoming large enough to change the current dynamics, can these enterprises serve their social purposes with the proper degree of impact.

Intellectual honesty can be hard to come by in this line of work. It's easy to make yourself believe that *your* enterprise is changing the world because you are personally witnessing inspiring events, daily on the front lines. It's easy to resonate with the story of the man on the beach who is throwing starfish back into the sea, knowing full well he can't save all of them, most of them, or even a small fraction of them, but declaring, as he flings yet another, "I made a difference to *that* one."

And we *are* making a difference. But for the most part, when compared to the need, we are doing so in a series of relatively small, usually local, completely fragmented, and mostly inefficient enterprises scattered across the land. Anyone who could ever find a means of doing a financial analysis of the sector as a whole would undoubtedly uncover a massive amount of duplication of the costs of simply *being* social enterprises—start-up expenses, fixed overhead, and social costs.

Our purpose is to change the world. Every economy of scale that is lost to lack of scale is a lost opportunity for social change. Every ounce of energy and resource that we spend on *being* a social enterprise is an ounce that we're not spending on *doing* social enterprise. We can hardly be considered good stewards of our consumers' trust, our employees' sweat, or our backers' funds if we fail to understand this.

Rubicon Programs, Inc., is among the largest and most successful social enterprises in the employment field. Its leader, Rick Aubry, offers a sobering perspective (with acknowledgment to his colleague Jim Schorr):

You need to be very cognizant of the cost and benefits of starting your business . . . Until there is a really big success in social enterprise, it's going to remain a marginal force in having an effect on poverty in the United States . . . All

of us have started out saying, “How are we going to make some jobs for the guys and gals walking in our doors?” and the businesses that evolved from that are small businesses that are not scalable . . . That really is going to require thinking about what is the value created by a social enterprise and what are the markets that could be turned to create a very large business.<sup>1</sup>

While Aubry is speaking from the perspective of a non-profit social enterprise in the employment field, his point holds equally true for *any* social enterprise seeking to make a dent in the problems that threaten the common good.

#### ■ PRACTITIONER’S TIP

**You must get better to get bigger to do more.**

We’ve all read the statistics about business failure rates. A fact of life for anyone starting any business, social enterprise or not, is that more businesses close their doors than survive, and even more stay small than make it big. If you just go by the odds, you’re not going to make it at all, much less on a scale that will make a difference.

More recently, as the field of social enterprise has grown, a spate of articles has been written about the failure rate of social enterprises, some concluding that social enterprises have not lived up to their promise. These articles have been met, in turn, by angry rebuttals from social enterprise practitioners, consultants, and associations.

To all of which we say, “Of course social enterprises fail—because *businesses* fail.” In most cases, the reasons are fairly obvious, among them:

<b>Reasons traditional businesses fail</b>	<b>Reasons social enterprises fail</b>
Lack of cash	Lack of cash
Lousy marketing	Lousy marketing
Failure to innovate	Failure to innovate
Poor customer service	Poor customer service
Inefficient operations	Inefficient operations
Lack of leadership	Lack of leadership
Unhealthy culture	Unhealthy culture
Lack of business skills	Lack of business skills

The more interesting discussion, in our view, is whether social enterprises fail with the same discipline or even with the dignity of traditional failed businesses. Indeed another whole set of unique factors can detract from social enterprises' success:

<b>More reasons social enterprises fail</b>
Unwarranted optimism
Failure to cut losses
Belief that mission will prevail over reality

These factors operate so powerfully that they often become almost a part of the DNA of social enterprises. The passion of purpose can blind one to the hard calculated decisions that must be made to grow a business. But these factors, all representing some degree of hubris, can be overcome. They require nothing more than leaders who, at their core, understand that social enterprises demand the same levels of business discipline as any other successful enterprise.

Social enterprises can stumble in all the same ways traditional businesses can and a few more to boot. You can take

comfort in knowing that every one of these traps is avoidable. You can take even *more* comfort in realizing that an equally powerful set of factors, not generally available to traditional businesses, can propel your success exponentially. For example, your mission can create a compelling marketing proposition. You have a greater-than-average chance of attracting great talent and harnessing their passion. You have a natural point of organizational focus that can streamline your processes and your decision making. And in general, lots of different potential stakeholders will start with the default position of liking you and wanting to see you do well.

The formula for building a sustainable social enterprise is actually quite simple to articulate, if not necessarily easy to execute:

#### ■ THE PRACTITIONER'S FORMULA

**Do all the right things a traditional business does,  
avoid the social enterprise traps, and grab the  
points of leverage that are available only to you.**

After interviewing social enterprise leaders of every stripe, and through our own experience, we realized that every moving part of a social enterprise is a virtual double-edged sword of challenge and opportunity. In the chapters that follow, we apply this simple formula to these challenge-opportunity sets, one by one. If we can help you navigate around the challenges and capitalize on the opportunities, then perhaps you can improve the odds that your social enterprise will be among the businesses that succeed.

Better yet, then perhaps you can go to scale and *really* change the world.



## What's on Your Mind?

When we sat down to write this practitioner's guide, we could have started just about anywhere. As practitioners ourselves, we get up every morning and face challenges and opportunities in every aspect of our enterprises. But how to translate this myriad of daily, interrelated experiences into a coherent practitioner's guide?

We determined that we would write several chapters, each addressing a related set of challenges and opportunities. One problem, though: we had dozens of challenges and opportunities to choose from—and a lot more to say on any subject than we could reasonably fit into a chapter. Perhaps because we are practitioners ourselves, our bias is always to listen to the voices and collective wisdom of others who are doing the same wonderfully gratifying, wonderfully difficult work. We do believe that this collective wisdom can help us all do better and grow in our impact. So we decided to let practitioners help us define the chapter content. We conducted focus groups at the 2007 Social Enterprise Alliance and Social Venture Network conferences and asked practitioners just like you what was vexing them most at the time.

What we discovered was an amazing consensus about the inherent tensions faced by practitioners. We call these the Ten Paradoxes of Social Enterprise:

- The First Paradox: *Doing Good Versus Doing Well*—An overriding issue that lies at the core of everything a social enterprise attempts to do is the dynamic tension between the demands of the business and the imperative to serve the common good. The most successful ones become adept at balancing impact and profit.

- The Second Paradox: *Form Versus Function*—A profound tension is played out in the social enterprise’s choice of a corporate structure. A confusing array of strategic options is available, making it all the more important to choose the right structure.
- The Third Paradox: *Planning Versus Practice*—Striking a balance between figuring out what to do and just doing it is a reality for social enterprisers at every stage. Working with discipline is key.
- The Fourth Paradox: *Debits Versus Credits*—Sooner or later, the presence or lack of money will determine the impact that any social enterprise can make on the common good. A thorough, multiperspective understanding of money and financing is necessary in order to create financial health.
- The Fifth Paradox: *Do-Gooders Versus Good Doers*—Nowhere is the idea that the right people are your most important asset more true than in a social enterprise seeking to harness people’s passion in a way traditional businesses can’t. It is imperative to hire the best people.
- The Sixth Paradox: *Perception Versus Reality*—Social enterprises are uniquely bestowed with the opportunity to gain strong competitive advantage by taking their marketing efforts to a new level that we refer to as marketing on higher ground.
- The Seventh Paradox: *Value Versus Waste*—A common malady of social enterprises is to become so caught up with the “sizzle” of their social missions that the daily operational blocking and tackling of their businesses suffers. Successful practitioners achieve operational success by eliminating waste and leaning the enterprise.
- The Eighth Paradox: *Metrics Versus Instinct*—Unlike traditional businesses, social enterprises measure their success

in terms of social impact. The intricacies of metrics and measurement are important to learn.

- The Ninth Paradox: *Growth Versus Focus*—Many people are already in tune with the imperative to grow to scale to efficiently fulfill a social enterprise's core purpose. They are equally aware of the challenges of doing so. Expanding sensibly is key.
- The Tenth Paradox: *Sweat Equity Versus Blood Equity*—Running a social enterprise is far from easy for the leader and can exact a personal toll. Long-term sustainability requires a continual commitment to personal growth and caring for self.

## Take Every Word of This with a Grain of Salt

Warning: Never give or take “expert advice” too seriously. You are running a social *enterprise*. “Enterprise” implies “entrepreneur,” and entrepreneurs know that doing the next right thing often defies anything you could plan for, be taught, or logically conclude you should do.

Kevin McDonald (recipient of a 2004 Social Enterprise Alliance award) tells a delightful tale of the sheer entrepreneurial opportunism that put his TROSA—now a sizable and relatively sophisticated enterprise—on the map in its early days.

Practical tips? Survival. You know what I mean? If somebody had front money, say \$5 million, they'd waste a lot of it, I'm sure, because they wouldn't think about survival. A hurricane came through and devastated our place, and we went over to help the neighbors because nobody had any electricity. Then I saw a guy who knew how to use a chain saw, from the mountains of North Carolina. So, I

got a geographical phone book—it goes by streets—and I mapped where the hurricane went through. We started helping him and went into business, cutting up the trees and stuff like that. It was just on a spur of the moment. That was fourteen years ago, and now I have MBAs working for me.<sup>2</sup>

## ■ PRACTITIONER'S TIP

### **Survive long enough to get lucky.**

Your job is to make sure that your enterprise lives to fight another day. Do this enough days in a row, with the power of your social purpose and your commitment to changing the world behind you, and your break will come.

If you take seriously the survive-to-get-lucky mantra, then you shouldn't presume for a moment that the social enterprise you are starting or running today will resemble in any way the one that is going to be creating social change five or ten years from now. Remember, you're dealing with two variables: the needs of the world you are seeking to change *and* the dynamics of the industry in which your enterprise is competing.

Rubicon is today a \$16 million enterprise employing 250 people and serving over 4,000 others through its programs. This is what Rubicon became, but it's *not* what Rubicon set out to become. It was initially a drop-in center for people in Richmond, California, a gathering point for very-low-income people with severe disabilities. It had no programs and its first social enterprises were very small programs that were seen more as extensions of training than anything else. For example, a plant nursery that was started in a local supermarket in the late '70s and a couple of very small cafes started in the early and mid '80s were primarily training programs that also generated some revenue.

Rubicon has evolved into an organization that today serves low-income, homeless, and mentally disabled people in the businesses, housing, and services it provides. Approximately one-third of the people currently served have a mental health disability, so its original focus is still a part, but not the largest part, of what Rubicon does. According to Rick Aubry, “The greater steps forward were when we, in the late ’80s, had a transformative way of thinking about our enterprise as not being training programs that were also secondarily businesses, but that they were fundamentally businesses that, if they were successful enough, could provide training.”<sup>3</sup>

We’re all for having a great plan. As we discuss in chapter 4, you’ll get nowhere fast without one—including nowhere on attracting capital to your enterprise. An entire industry of social enterprise consultants can help you with that. But remember, even the very best plans become outdated the moment you hit Save.

#### ■ PRACTITIONER’S TIP

**Be prepared to operate at the rate of rapidly accelerating change that every business is faced with—squared!**

## Putting Yourself out of Business

Of all the folks we interviewed, we admire no one more than Jeffrey Hollender, founder and CEO of Seventh Generation. Get this: despite a principled decision not to sell to Wal-Mart, Hollender acts as an unpaid adviser to that corporation on environmental and climate-change issues. He does so knowing that his efforts make the competitive landscape for his own social enterprise more treacherous, but seeing that larger companies have much more influence on the environment than Seventh

Generation. Increasingly, his goal is as much about influencing how larger companies are run as making an impact with his own business.

Interestingly enough, he notes, Wal-Mart is probably the greatest reason that his business is more competitive than it has ever been. In large part, Wal-Mart's pressure on the supply chain to be more environmentally responsible has affected the research-and-development spending of virtually every large package-goods company in America, resulting in a tremendous flow of green products into the market. While this creates stiff competition for Seventh Generation, Hollender sees it as a good thing. It has improved the landscape of products but also eliminated one of his points of difference:

In terms of risks, the single greatest risk we face [as a company] is the awakening of our society to global warming. It has created more change in the past year than we have seen in the past nineteen years. Our challenge is to be innovative and to change the way we operate to co-exist with the competition. This means we have to move quicker and be more innovative. When there is little competition it is easier to be differentiated. When there is a lot of competition, the whole landscape changes.<sup>4</sup>

Why does he do it? Because he embodies the core principle of social enterprise. His actions live up to his own words: "We are not in business to be in business. We are in business only because of our mission."<sup>5</sup>

In fact, Hollender inspires us to reconsider our earlier-stated credo. Perhaps the credo shouldn't be "Survive long enough to get lucky" after all. Perhaps, instead, it should be "Get lucky long enough to become unnecessary."

We have to get better all right. We have to get so good that we're no longer needed.

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