

How to run a social enterprise, in three (not so) easy steps

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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 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.

After interviewing social enterprise leaders of every stripe, and through our own experience, we realized that virtually every moving part of a social enterprise is a double-edged sword of challenge and opportunity. Social enterprises can change the world for the much, much better. If social entrepreneurs can navigate around the challenges and capitalize on the opportunities, then perhaps they can improve the odds that their social enterprise will be among the businesses that succeed. Better yet, then perhaps they can go to scale and really change the world. Here's how.

Step 1: 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 has grown, a spate of articles has been written about the failure rate of social enterprises, some concluding that they have not lived up to their promise. These articles have been met, in turn, by angry rebuttals from social entrepreneurs, consultants and associations. To all of which we say, "Of course social enterprises fail—because businesses fail." In most cases, the reasons are the same as for other businesses: lack of cash, lousy marketing, failure to innovate. In addition, another set of factors can detract from social enterprises' success, including unwarranted optimism, **failure to cut losses** and belief that the 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 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 entrepreneurs can take comfort in realizing that an equally powerful set of factors, not generally available to traditional businesses, can propel their success exponentially. For example, the mission can create a compelling marketing proposition, and social entrepreneurs have a greater-than-average chance of attracting great talent and harnessing their passion. The formula for building a sustainable social enterprise is actually quite simple to articulate, if not necessarily easy to execute: 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.

Step 2: Survive long enough to get lucky.

The job of the social entrepreneur is to make sure 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, 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 10 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 Programs is among the largest and most successful social enterprises in the employment field. Today, it is a \$16 million enterprise employing 250 people and serving more than 4,000 through its programs. This is what Rubicon became, but it's not what Rubicon set out to be. It was initially a drop-in center in Richmond, California, 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 1970s and a couple of small cafés started in the early 1980s 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. About 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.

Step 3: Be prepared to operate at the rate of rapidly accelerating change that every business is faced with—squared.

We admire no one more than Jeffrey Hollender, founder and CEO of Seventh Generation, a \$100 million firm that makes, among other things, green cleaners, laundry detergent, dishwashing soap and paper towels. Get this: Despite a principled decision not to sell his business 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 business more treacherous, but seeing that larger companies have a greater influence on the environment than Seventh Generation. Increasingly, his goal is as much about influencing larger companies as making an impact with his own business.

Interestingly, he notes, Wal-Mart is probably the greatest reason his business is more competitive than ever. 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 packaged-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.

Why does he do it? His answer embodies the core principle of social enterprise: "We are not in business to be in business," he says. "We are in business only because of our mission." 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 we're no longer needed.

This is an edited excerpt from [Mission, Inc.: The Practitioners Guide to Social Enterprise \(Social Venture Network\)](#) by Kevin Lynch and Julius Walls, Jr., published by Berrett-Koehler.