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Point of View

Social Enterprise 2.0 Moving toward a sustainable model

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The author poses with Juma Ventures youth participants at the San Francisco Giants' opening game. The participants sell concessions in one of Juma's social enterprises.

potential to become self-sustaining.

To attract the funding for overhead and other indirect expenses that social enterprises don't begin to cover, as well as to enhance client services and outcomes, social enterprise practitioners have developed support services that supplement their employment programs and enable these organizations to attract grants and donations. In the best cases, these services complement the employment programs and are tightly integrated with them. In most others, this approach becomes a formula for a schizophrenic program design that lacks the focus needed to serve the target population effectively.

By setting a clear objective for financial sustainability from the outset, the players in this field created the expectation among funders that ongoing subsidies would not be required to support these ventures. Most social enterprises today continue publicly to proclaim the double bottom line as their goal and use terms such as "earned income" that misrepresent the financial performance of these enterprises. Meanwhile, virtually all of these enterprises lose money and have little hope of changing that trend. This dynamic perpetuates the expectation among funders that supporting these enterprises is unnecessary.

New Models for Sustainability

Today, the social enterprise field is at a crossroads. We can't expect to operate our current enterprises as-is over the long term, so we must find new solutions to sustainability or face eventual extinction. There are two distinct options for moving in a direction that has the potential for long-term sustainability. The first is to develop new social enterprise business models that can scale to a size where they generate sufficient revenue to cover both direct and indirect business costs, as well as the incremental costs that are a function of the social mission. It's a business truism that it takes revenue growth to mask operating cost inefficiencies, and the social enterprise approach will always have inherent inefficiencies.

The second option is to acknowledge that the vast majority of existing social enterprises will never generate sufficient net income on their own, and to develop stable, ongoing funding sources to subsidize the shortfall. When social enterprises are repositioned in this way, the argument can be legitimately made that they are perhaps the world's most effective employment programs for people who lack access to mainstream employment opportunities. And when one considers that social

enterprises often fund 80 to 90 percent of their total costs with revenue that the businesses generate, a compelling case can be made that these ventures are among the most efficient as well. For example, Juma Ventures was recently evaluated as "one of the most efficient programs in the city that have a strong, positive impact on its youth participants" by San Francisco's Department of Children, Youth & Their Families.

I believe that a compelling case could be made for providing ongoing funding subsidies to sustain social enterprises. The challenge with this approach is in the communication and education process, because foundations, government agencies, and individual donors are not conditioned to support continual losses at social purpose businesses. This strategy would require a field-level effort to mobilize social enterprise practitioners to band together and build a case for permanent funding subsidies. A group such as the Social Enterprise Alliance and its large and growing membership base could lead this initiative.

Although both approaches are valid, Juma Ventures has decided to focus on creating new and more sustainable social enterprise business models. We have chosen this path because it maximizes our potential impact—both with youth participants, where we seek to serve thousands, and with practitioners, where we intend to create a model for scaling a social enterprise that informs the work of others in our field. In the past year, we sold our Ben & Jerry's ice cream shops and elected to focus on the concession business we operate at Monster and AT&T parks in San Francisco (which host the San Francisco 49ers and San Francisco Giants). In 2006, we are expanding this social enterprise to Oakland, as the initial phase of a growth initiative that has the potential for national replication.

Although it is certainly true that I am an optimist by nature, I believe there is good reason to be enthusiastic about the future of social enterprise. This field is still in its very early stages of development—barely a teenager at this point—and I expect that the coming years will bring continued innovation and increasingly positive social and financial outcomes. □