



Summit Aims to Extend Social Enterprise in New Directions

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More than 350 people from across the United States and beyond came to the tenth Summit of the Social Enterprise Alliance, held April 15-17 in New Orleans, Louisiana. The conference served as the launching pad for a wide-ranging discussion on many themes, including the current economic crisis, potential policy openings for social enterprise, and expanding the definition of social enterprise to include a broader range of socially oriented ventures.

Jim Fruchterman, Chair of the Social Enterprise Alliance and CEO of the social enterprise Benetech, helped lead off the opening plenary session of the conference with an address that highlighted the role social enterprise could play in helping move the country past its current economic crisis. Fruchterman defined social enterprise as the “new face of business that puts social issues foremost” – a noted contrast with a U.S. economy that has often cast social issues aside. “I’ve been told, “Fruchterman noted, “that it is actually immoral for a business to consider social impact, that ‘more deregulation is mo’ better.’ I think we’ve seen how this works.” Social enterprise, Fruchterman argued, by blending “some of the best of charity, government, and business” could be a “crucial part of the solution that charity, business and government need to get us through this crisis and get us to the more sustainable and just world.”

Following Fruchterman’s address, Mitch Landrieu, Lieutenant Governor of Louisiana, discussed policy opportunities in social enterprise in an interview conducted by Andrew Wolk, CEO of Root Cause. In 2007, Landrieu helped found the first statewide Office of Social Entrepreneurship. In large measure, the disaster of Hurricane Katrina helped propel Landrieu to try new tactics such as government promotion of social enterprise. As Landrieu explained, “I came to this by accident ... I didn’t come to it academically. I came to it pragmatically. I came to it by necessity.” Landrieu noted that, “The impact of 9-11 wasn’t close to the magnitude of destruction of Katrina: 500,000 houses were damaged, 200,000 houses were lost. Necessity forced us to have a new way of doing things, because the old ways didn’t work.”

Jim Schorr, former Executive Director of Juma Ventures in San Francisco and now a business professor at Vanderbilt University, led the conference’s second plenary session, which sought to widen the definition of social enterprise to include a broader range of enterprises. Schorr pointed out that historically social enterprise had focused on providing a better form of workforce development, where “clients” become employees of the nonprofit-owned business, both earning income while also building workplace skills. However, Schorr noted that there were many other forms of socially oriented business that also pursue a double bottom line. In particular, the panel focused on three areas — micro-credit, fair trade, and community health services.

Janie Barrera, CEO of Acción Texas, spoke about the growth of micro-credit in the United States. “Micro credit in the United States is about 16 years old,” Barrera noted. “It is not the same in the United States as on the international scene,” she added. “What does work [both in the United States and abroad] is character lending and providing access to credit.” To date, Barrera said Acción Texas had made \$78 million in loans with 95-percent repayment. It now averages one new loan every two hours. This works out to roughly \$1.5 million in new lending a month and \$14,000 per loan. At present, Acción Texas covers 65 percent of its costs through earned income and aims to become the first U.S.-based self-sufficient micro-lender by June 2011.

Lynn Lohr, Vice President of Resource Development, Transfair USA, a fair trade certification organization, spoke of the growth and impact of the “fair trade” movement. Founded in 1998, the organization calculates that its fair trade work has generated \$148 million in additional income for producers and \$19 million in “social premium” funds that support farmer-backed community development projects. TransFair generates earned income from the licensing fee it collects for its certification work. In 2007, 64 percent of organization’s \$7.6 million in revenue came from license fee earned income (a fee that amounts to less than ten cents per pound of coffee). Lohr estimated that earned income’s share of total income at Transfair increased to 75 percent in 2008.

Deb Levine, Executive Director of Internet Sexuality Information Service (ISIS), spoke about the role of social enterprise in community health. Founded in May 2001, ISIS is a nonprofit organization developing technology for promotion of sexual health and healthy relationships, and to prevent disease transmission. In particular, ISIS is known for its innovative use of cell phone text messaging to communicate information about reproductive health topics. ISIS earns contract income from public health departments, which provides about 80 percent of its total budget, with the remaining 20 percent coming through grants.

If the first two conference plenary sessions looked forward, the third conference plenary looked back at social enterprise’s historical development. Panelists were Charles King, CEO of New York City-based Housing Works and the first Chair of the Social Enterprise Alliance; Jed Emerson, Co-Founder of REDF (formerly Roberts Enterprise Development Fund) in San Francisco; and Deborah Alvarez Rodriguez, CEO of Goodwill Industries of San Francisco, San Mateo and Marin Counties in California. King introduced the session by noting that, looking back over the past decade, he felt “like a proud parent looking at his child walking across the room to receive an award.” Jed Emerson observed that getting involved in social enterprise was his way to get “away from traditional nonprofit management and philanthropy.” Emerson noted that in the 1980s, social enterprise was considered more than a little crazy: We were “trying to make money with all of the people your competitors have fired,” Emerson observed. Yet social entrepreneurs, Emerson added, “were seeing value in a way that the market didn’t recognize and that’s what nonprofits are all about.” Alvarez-Rodriguez contended that the impact of social enterprise has been profound. “I don’t think there is a nonprofit out there that is unaffected,” she said. “It has required us to think about how do you create real and genuine lasting value.”

The closing plenary was led by two social enterprise practitioners – Kevin Lynch of Rebuild Resources and Julius Wells of Greyston — who had recently co-authored a guidebook on how to run social enterprises, titled *Mission, Inc.* Rebuild Resources is a Minneapolis-based social enterprise that offer full time transitional employment for 3-6 months in entry-level positions for men and women completing treatment and living in halfway houses, while generating roughly two-thirds of its income from its businesses. Greyston is a nonprofit based in Yonkers, New York, that runs a bakery that has gross sales of \$7 million and offers on-site training and fair wages and benefits to more than 65 local residents, regardless of their work history.

Both speakers noted that the social enterprises they led have faced significant challenges that have required creative responses. To avoid layoffs or cuts to the salary of the hourly workers that are at the heart of Rebuild Resource’s social mission, in March 2009, Lynch agreed to cut his own salary by greater than 30 percent and asked all salaried staff to cut their salaries by at least five percent. Greyston, a unionized social enterprise, has not faced wage cuts, but it has negotiated extended payment terms with vendors. Wells also negotiated a wage freeze in its latest union contract, in which the union agreed to a freeze in wages in exchange for a profit-sharing formula and full access to company financial information.

Nonetheless, despite the business difficulties they have faced, a central theme for both Lynch and Wells was the existence of what Wells termed “a historic opening for social enterprise.” Lynch contended that while “some of the hardships are going to continue, the demand for our work is going to get bigger.” Wells added that, “We have long known that traditional enterprise has not solved many of the world’s problems and in fact has caused many of them. But now we are witnessed an epic realization that the traditional structures are not even capable of sustaining themselves economically. There is widespread disgust at the shareholder-only model. ... From a practitioner’s standpoint, this gives you a lot of soft, but real advantages.”

For more information on the Social Enterprise Alliance, see <http://se-alliance.org>.