

## Can YOUR Business Change the World? (March 2020)

Or maybe just your little corner of the world? While not a new concept, social enterprises are on the rise and our global culture is adjusting to make room for them. Social enterprises are designed to address identified social problems and can be classified as either for profit or not-for-profit. Some sources indicate that 25% of all new small businesses start as social enterprises. Entrepreneurs want to start them, workers (especially millennials) want to be employed by them, and increasing numbers of consumers want to patronize them. The increase in social enterprises is even making some more-established businesses rethink their corporate social responsibility efforts and policies.

[B Lab](#), an organization in the United States, certifies successful social ventures that have made an impact on the social mission they have selected. As of 2019, 3,000 social ventures had been certified in 71 countries around the world. B Labs requires businesses to be in operation for one year before they get certified, and also requires businesses to publish public reports that show their social and environmental performance compared to third-party standards, according to B Lab.

A business could pursue a social enterprise-like model for a variety of reasons. According to the [Harvard Business Review](#), a social venture's mission could mean a better ability to grow because more people would want to support the business since it also means supporting the mission.

One example is Bombas, a clothing company that donates a pair of socks to a homeless shelter for each pair of socks purchased by a customer.

Another example of a social enterprise is Hot Chicken Takeover in Columbus, Ohio. This social enterprise hires people who are homeless, people who have been incarcerated, or people who are perhaps caught in the cycle of addiction. Not only do they hire those at risk, but they also provide supportive services to help stabilize other aspects of their lives.

Younger generations want to give their money to businesses that want to make the world a better place, according to an article from [Forbes](#). These customers want to feel like they are supporting their communities. If a local venture's mission is to invest into community organizations and issues, that venture's mission aligns with these customers' values.

There are several different types of social ventures. One type is the one-to-one model, like Bombas or TOMS, which gives a pair of shoes to people in need for every pair of shoes sold. TOMS has also promised to donate \$1 for every \$3 it makes.

Other social ventures do not operate under a one-to-one model, but either give money to causes they support or make pledges to be environmentally sustainable. One example of this type of business is outdoor-clothing company Patagonia. Patagonia has given itself a 1% "self-imposed Earth Tax" since 1985 and donated that money to

environmental groups who support protecting the natural environment. Patagonia has said it has given \$89 million in social causes under this social venture model.

## **Challenges in Social Enterprise**

Social enterprise startups face many of the same hurdles as non-social enterprise startups. But they are also faced with additional challenges in finding investment funds and managing their revenue producing venture, along with their social venture. Certain types of social ventures are required to provide metrics—often referred to as social return on investment (SROI), which can be complicated and time-consuming. Social entrepreneurs also face a fairly high rate of burnout. On the other hand, a large part of almost any venture is the willingness to learn from initial failures. So many social entrepreneurs come back for more and are finding success a second or even the third time around.

## **In Real Time**

It wouldn't feel right to end this Action Brief without mentioning some of the things that businesses are doing right now to help ease the pain of COVID-19 in their communities: Distilleries are making hand sanitizer, Keen is giving away 10,000 pairs of shoes to frontline workers and others, and Amazon donated \$1 million to a new Seattle Foundation fund for people in that region affected by COVID-19.

## **Classroom Implications:**

Consider asking students what they would do if they were going to start their own social venture. Ask them to think about what social mission they would support. Why would they choose one social mission over the other? After they have selected a social mission, ask how they would sustain the business. What product or service would they sell? Would it be a one-to-one business like Bombas? Or would it be more similar to Patagonia, who gives a percentage of money to support causes it believes in? [Click here](#) for a more detailed description of different types of social ventures.

Links for further learning:

<https://www.businessinsider.com/b-corp-retail-companies>

<https://www.reuters.com/article/us-global-business-social/purpose-over-profit-are-b-corps-the-future-of-sustainable-business-idUSKCN20K2H1>

<https://www.fundera.com/blog/corporate-social-responsibility>

<https://www.fsg.org/blog/it%E2%80%99s-time-companies-imbed-social-purpose-their-business-strategy>