

THE WALL STREET JOURNAL.

May 10, 2005

Purpose and Profit Go Together

By **STEVE CASE**

I recently spoke before a gathering of ambitious, dynamic entrepreneurs whose goal is nothing less than to transform American society. Their passion and vision reminded me of the spirit that surrounded AOL's birth, yet this was not a dot-com audience.

Instead, the 600 participants came from the dot-org community -- that is, nonprofit organizations ranging from children's centers to women's collectives to homeless shelters. They had united from across the globe under the banner of the Social Enterprise Alliance (SEA), which is catalyzing the growth of nonprofit organizations running for-profit ventures to finance social change.

Of course, such revenue generating nonprofits aren't new -- think Goodwill shops and Girl Scout cookies. In fact, the U.S. nonprofit sector's commercial activities generate billions in revenue each year. But today, more than ever, nonprofits are finding that earning income is an imperative, not an afterthought. It provides the financial foundation they need to bring about meaningful social progress.

Many groups are turning to this model because competition for philanthropic dollars is rising faster than the dollars themselves. Too often, nonprofits with terrific programs to feed the hungry or house the homeless are barely scraping by instead of expanding their operations. Trapped in perpetual supplicant mode, many are forced to engage in what Michael Shuman and Merrian Fuller, two leaders in the social enterprise community, have called a "fund-raising arms race," where talented leaders spend more and more of their time chasing money instead of changing the world.

The social entrepreneurs I have met believe that creating their own unrestricted wealth is the necessary solution. It will give them the means and muscle to serve more people more effectively and enhance their ability to recruit the best people for their staff and boards. Moreover, many of the attributes of well-run businesses -- such as discipline, accountability, planning processes, and a more entrepreneurial culture -- can strengthen their organizations overall.

The obstacles to running a business are great, especially in the nonprofit world. But there are many inspiring models that show how it can be done. Some may devise a product or service that also advances a social mission, as National Geographic does with its magazine. Others may forge win-win partnerships with private-sector companies, as hunger-fighting Share Our Strength has done with kitchenware maker Calphalon. Still others might launch a business whose revenues

can underwrite a social service, like New York-based Greyston Bakery, whose brownie sales help finance the Greyston Foundation's community development programs. The key is ensuring that the enterprise is at the core of the mission, with the same commitment of talent, time and resources going toward the business as to the cause.

Both privately and through the Case Foundation, I've been working to encourage a climate where social enterprise investments can flourish. I've tried to lead by example in my home state of Hawaii -- investing in businesses that are socially active, supporting social enterprise training for nonprofit executives, and funding the University of Hawaii's business plan competition so that it includes a social enterprise category to support tomorrow's innovative nonprofit leaders.

In a larger sense, though, in Hawaii and beyond, I'm trying to promote a new paradigm for giving back to the community. Too many people still act as if the private sector and the social sector should operate on different axes, where one is all about making money and the other about serving society. A better approach is to integrate these missions, with businesses that are "not-only-for-profit" and social service groups with their own earned income all contributing to positive, durable, significant social change.

Last month, for example, I launched a company, Revolution, which will help build businesses that empower consumers -- especially in health care. Yes, it's for-profit. But if Revolution builds clinics where a sick child can be seen quickly and affordably on a Sunday, or a health portal where consumers can get reliable information about health-care providers, or tools to manage health-care spending, we think the public good will be served as well.

The real strength of organizations in this "sector-blending" space is that they don't just balance competing goals -- they try to maximize both. Whether you're running a business that also serves a valuable social objective, or running a nonprofit that earns part of its income through viable commercial activity, purpose and profit aren't zero-sum, they're mutually reinforcing. And together, these investments pay dividends to the community as a whole -- because everyone, after all, has a stake in a more hopeful, supportive and just society.

Mr. Case is the co-founder of AOL, founder of Revolution, and the chairman of The Case Foundation.