



On June 1 the Wall Street Journal published the article “Why 'Social Enterprise' Rarely Works”. In response, Kris Prendergast, President of SEA, sent the following letter to the editor:

Dear Editor,

WSJ published an article 'Why 'Social Enterprise' Rarely Works on June 1. Unfortunately, WSJ projects the self-proclaimed failure of the nonprofit SEEDCO to imply the failure of social enterprise across the nonprofit sector as a whole. Viewing social enterprise solely from the perspective of the for-profit world misses the social goals of nonprofits, where the primary measures of success are social outcomes. The nonprofit sector provides important services when the market will fail to act, such as job-training to disadvantaged groups. If a social venture enables a nonprofit to better serve its clients, the venture may be a success even if it doesn't make a profit. So if a social enterprise can deliver great outcomes, such as job training, for lower cost per client from a social enterprise, that's a win for society. Job creation is not the only mission reason for launching social enterprises. Plymouth Housing Group in Seattle opened Plymouth Cafe, not primarily to make money, but to engage the local community in the issue of homelessness through raising awareness while serving food.

Nonprofits should know that social enterprise will rarely provide all the unrestricted funds needed by the organization. As SEEDCO's daycare venture illustrates, nonprofits may need technical assistance to make good business decisions when planning a venture. Social enterprise comes with risks, just like any business. Associations such as the Social Enterprise Alliance can help connect organizations with resources for conducting realistic venture planning, even if profit is not the primary outcome. Growing numbers of nonprofits are joining the ranks of the Social Enterprise Alliance and embracing social enterprise in order to diversify revenue streams, increase independence, improve overall capacity and advance more mission.

Sincerely,

Kris Prendergast

President, Social Enterprise Alliance

Response to Nonprofit Quarterly Article

In addition to the article published by The Wall Street Journal (see above), The Nonprofit Quarterly published 'Nonprofits in Social Enterprise: A Thoughtful Debunking' about the recently released SEEDCO report.

Rick Cohen's article on the recent SEEDCO report chastises the nonprofit sector for being 'snookered' into false promises about the benefits of social enterprise. Mr. Cohen's reflections assume that social enterprise is intended as business as usual, although in the nonprofit sector. What the report really points out is the lack of a common definition of social enterprise around which to have productive dialogue. Some define social enterprise narrowly as ventures which employ the disadvantaged in order to fund job-training programs. Others, like Mr. Cohen, define it as any kind of nonprofit engaging in any kind of commercial venture in the pursuit of unrestricted revenues. Critiques that appeal to either of these definitions fail to remember that universities and nonprofit hospitals are some of the most successful and long-standing social enterprises around. These institutions have successfully incorporated fees for services while advancing public benefit.

The current interest in social enterprise is really the expansion of the kind of business discipline and strategies used by universities and hospitals to a greater diversity of nonprofits. But let's be clear about the aims. Nonprofits are taking up earned income strategies not solely or even primarily to be free of subsidies, just as universities and hospitals don't stop traditional fundraising with their earned income streams. Social enterprise across the sector is an emerging tool that can benefit nonprofits in many ways, including supplementing revenue sources, increasing operational effectiveness, attracting talented leadership, and enabling greater flexibility in pursuing mission. No one says social enterprise is easy, any more than starting a business in the for-profit sector. It's common knowledge that approximately 2/3 of new businesses fail within the first four years, yet no one is encouraging the for-profit sector to stop launching businesses. The question should not revolve around whether it's right or wrong for nonprofits to be applying business strategies. The real question is a much larger one, and one that is evident in all kinds of trends that are beginning to converge around what you might call a social economy (corporate social responsibility, venture philanthropy, community asset development, etc). The Social Enterprise Alliance believes the real issue is how we can develop a thriving economy based on generating social, economic and environmental value, toward a society that is sustainable, abundant and inclusive. The application of business discipline, whether in the for-profit or non-profit sectors, is one of several strategies that can and should be applied toward a society that works for everyone.

Sincerely,

Kris Prendergast

President, Social Enterprise Alliance