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Social Enterprises Profit From Interest

It seems that everybody wants to cosy up to social enterprises at the moment. It's just not clear if the feelings are mutual.

Governments want them to compete with the private sector to provide services and step in where cuts have resulted in services being withdrawn altogether.

The private sector wants to work with them to engage in activities for social good and demonstrate corporate social responsibility.

And philanthropists, old and new, want to give them money because they like the "business" element.

Social enterprises differ from traditional voluntary sector businesses in that they are profit-making. However, all profits are usually ploughed back into the business or towards a social good. What is particularly attractive about them is that, in theory, they offer a largely market-based solution that is self-sustaining, once initial seed-fund money has been invested.

So a busy time was had by all at the Skoll World Forum on Social Entrepreneurship at Saïd Business School, University of Oxford last week.

There, delegates from the social, finance, private and public sectors discussed where the business model was heading, recent innovations and, perhaps most important of all, how to do business.

Corporations are increasingly viewing social engagement as one of their key performance indicators, claimed Emmanuel Merchant, deputy general manager of Danone Communities:

"I see more companies [embedding] corporate social responsibility into their vision and core business," Mr. Merchant said on the sidelines of the Forum. "However, this is very much at the lab stage with new adventures."

"You cannot work with separate key performance indicators. One where you measure money and the other, social impact. In the end we need to find a blend of these [indicators]," he said.

More companies in the U.S. and Europe are including social responsibility as part of their daily activities, he said, but added that it "is still a small but important part of the business".

The financial crisis and subsequent global recession has made the private sector much more sensitive towards conspicuous corporate excess.

"People don't want to see a faceless profit-making machine," Dorje Mundle, global head of corporate citizenship at Novartis, suggested. He added that corporate responsibility shouldn't be left exclusively to non-governmental organizations or companies.

In 2006 Novartis launched a pilot social program in India to address the health care needs of rural populations. It now partners with 50,000 rural clinics and pharmacies in 25,000 villages in the country and the company is planning to take the concept to Vietnam, Indonesia and Kenya.

Companies have been criticized for their use of social engagement as simply an extension of their marketing tools, but Mr. Mundle said, ultimately consumers, "decide whether they need health care or whether they want to buy medicines or not. We need to see them as empowered consumers."

But what was evident from the sessions at the event was that there is some way to go before the relationship between social enterprises and the corporate sector is cemented.

Smaller social entrepreneurs often find their relationship with big players challenging, says Vivian Vendeirinho, director of

RVE.SOL, a Portugal-based privately-funded company that seeks to build rural energy solutions for villages.

"In a sense we see the major utility companies as a roadblock to the work that we are doing. They are fixed in their classic business model. The challenge is aligning the goals and objectives of the business with the goals and objectives of the corporate and social responsibility units.

"To match both our interests is a slow process [and] depends on one individual with sufficient levels of persuasion or authority within a company."

It's not just social entrepreneurs who believe that the model needs to change.

According to Chris West, Director of the Shell Foundation, grant donors should operate as investors by taking on higher risk and pushing for scale. In a robust challenge to the social enterprise sector, he said that enterprises need to be savvier as businesses.

"Institutions should move away from the traditional philanthropic model in which you hand out drip feeds of small amounts of money to a large number of people and instead should focus on only a few partners to improve skills and scale," he said.

"There is no 'one' grant model but if one wants to achieve scale and financial sustainability the traditional way is going to handicap that," Mr. West said.

He said the new model of philanthropy must move away from the idea of just handing over money. "Charitable money on its own may never allow partners to get the right people or get the proper incentive to shift from dependence on cash to become an independent market player," he added.

Mr. West said a key problem to grant seekers was still a lack of finance but also a lack of assistance. "Apart from capital, the main thing entrepreneurs need is skills to have a viable business plan and the capacity to execute that."

Javier Espinoza also spoke to Archbishop Desmond Tutu—a keynote speaker at the event.