

A social enterprise is a firm dedicated to benefiting the community or society. Unlike a private firm, social enterprises are not fixated on profits but, unlike a charity or non-profit, can reward investors to some degree. There is no contradiction between doing good and being commercially self-sustainable in the long run. Governments can encourage these enterprises with tax incentives, seed funding, and financial regulations. They can also spin off internal units as social enterprises. As with any blurring of the lines, there is dispute about what should count as a social enterprise. Nonetheless, an ideal type is emerging, one with four defining features. →



Social Enterprises are ...

NOT ... a *sideline*: neither a social responsibility branch of a for-profit business nor a commercial shop run by charity; self-perpetuating social benefits are a social enterprise's *raison d'être*.

NOT ... a *pretence*: not an attempt to whitewash a harmful business, nor a scheme to gain charitable tax status, nor a ploy by non-profit "grantpreneurs" to appear less dependent on support.

NOT ... a *diffusion* of self-interest, as with worker cooperatives that share profits internally but have no larger social cause.

1 FINANCIAL MODEL

A sustainable business allows financial independence and political self-determination, not reliance on the goodwill of donors and granting agents. Revenues are not sought as an end, but as a means to an end.

2 MISSION

Entrepreneurial risk-taking creates social value, not just economic value, by serving needs unmet by other sectors of society and striving for a greater cause.

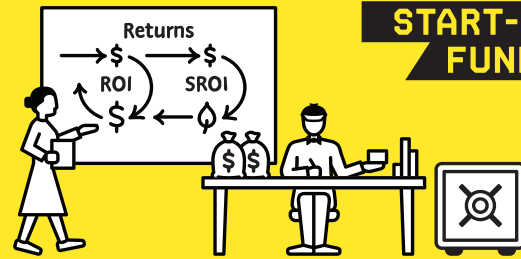
3 PRACTICE

The methods of fast-moving start-ups and design studios are used to innovate. Social enterprises have more discretion to think holistically about the nature of challenges.

4 RELATIONS

Social entrepreneurship redefines relationships between the enterprise and those who benefit. Members of the broader community participate in the development of services and products as co-creators or are empowered to help themselves.

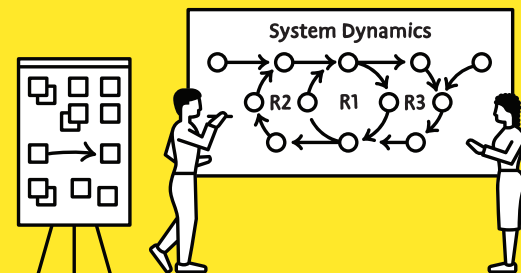
START-UP FUNDING



Rethinking the nature of investing. Some social enterprises reinvesting profits and some offering modest financial returns to investors. **Social Returns on Investment (SROI)** are expected, with new indicators and reporting methods demonstrating success to investors.



Rethinking value creation and destruction. Doing good involves tackling neglected problems, helping the under-served, disrupting problematic behaviours, and rejiggering systems with harmful affects. Social enterprises also model the change they advocate.



Rethinking management practice. Entrepreneurialism is not merely mimicked. Business skills support market viability. Design methods create thoughtful products and services. Systems thinking helps see problems holistically. Experimentation enables learning.



Rethinking social relationships. Collective intelligence of social networks is the source of new insights. Social change is part of the value created. Those affected are involved in decision-making. Power relations between stakeholders are rebalanced to be fair and equitable.

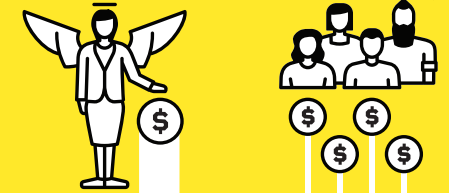
INSTITUTIONAL INVESTING

Social Investors Governments Venture Philanthropists

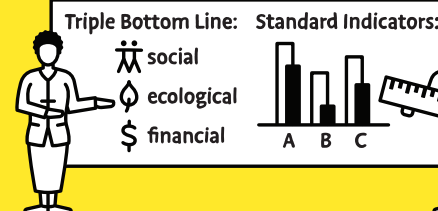


DISINTERMEDIATED

Angel Investors Casual Investors



WHOLESALER

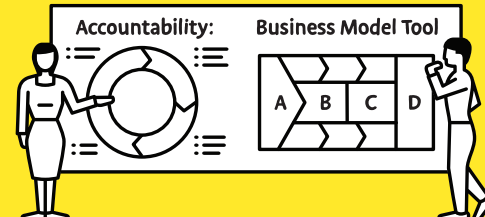


Grow market for social investments by educating potential investors and advocating for change.

Standardize investment language: promote common indicators of financial and social returns.

Package investment instruments and align them to investor risk thresholds, social goals, and expected returns.

INCUBATOR



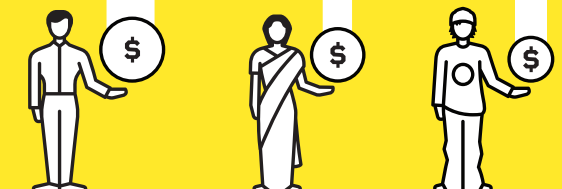
Structure risk on the ground by promoting good social entrepreneurship practices and discouraging bad ones.

Offer support services to social entrepreneurs, such as advice, mentorship, and start-up tools.

Scrutinize investment opportunities to find promising ones, then match with the right investment instrument.

SOCIAL BANK

TYPES OF FUNDING



Social Entrepreneurs

FUNDERS

AGGREGATION

DISPERSION

RECIPIENTS