

# Social Enterprise Reporter

Innovative Business Solutions for Nonprofit Entrepreneurs

## High Tech Approaches for Building Social Enterprises: Leveraging Intellectual Property-Based Social Ventures

by Jim Fruchterman

Social sector organizations need efficient technology to maximize their impact. Whether you are planning the logistics of feeding refugees, advocating for human rights or providing clean water, well-designed technology tools help you make the best use of available resources and deliver the desired benefits.

Even social enterprises that are not explicitly technology-based can benefit from strategies borrowed from the high-tech community. If your organization has developed a better method to train health workers in the developing world, for instance, that information can be better managed using techniques pioneered by successful businesses whose survival depends on effectively managing their intellectual property.

Of course the business world is swifter to reward innovators whose ideas are more likely to generate revenue. Companies often risk large sums of money to create, market and distribute new technology. Investors and shareholders expect managers to generate healthy profits. But market pressures produce an environment in which those who most need certain types of technology are often least able to afford it. The challenge for nimble technology social ventures is to overcome market

failure by applying proven ideas to new development models.

### INNOVATIVE SOLUTIONS

Software companies are often highly profitable because they create a useful tool once and then replicate it cheaply. If we treat social sector workers as technology consumers, we can effectively leverage open source technology platforms and existing tools such as e-mail and the web.

Here is an example of how this works. Our nonprofit organization, **Benetech**, has launched several social enterprise projects to serve the needs of those in the disability, literacy and human rights communities. We have based our ventures largely on software applications and Web-based services and content.

Benetech started out by building the Arkenstone reading machine, a product that was spun off from a venture capital backed Silicon Valley startup. The for-profit company that conceived the idea could not afford to pursue the tiny market for reading machines for the blind, which was estimated to be \$1 million per year. By using standard PCs and components, we were able to drop the price of this reading system by a factor of five over ten years—and build a social enterprise that profitably generated \$5 million a year.

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# Letter to Readers:

Dear Reader,

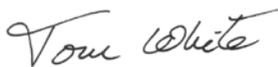
In May of 2006, TechSoup and CompuMentor sponsored its first NetSquared conference. The conference is over but resources, news and views are available on the NetSquared web site. Here's an excerpt from the Net2 site that speaks to the central theme of this issue of SER:

"There's a new generation of online tools available that make it easier than ever before to collaborate, share information and mobilize support. These tools include blogs, wikis, RSS feeds, podcasting, and more. Some people describe them as "Web 2.0"; we call them the social web, because their power comes from the relationships they enable."

This issue of SER looks at how several entrepreneurs have used the Web and other online tools to facilitate social enterprise. For more examples of other Web 2.0 social entrepreneurs, check out NetSquared's video profile series at <http://netsquared.org/tags/vlog>. You'll find interviews with entrepreneurs such as Sam Bower, Executive Director of the Green Museum, a virtual online virtual art museum, Joseph Mouzon, Executive Director of Nonprofit Services for Network for Good, Brahm Ahmadi, Executive Director of the People's Grocery, and Ami Dar and Lea Policoff of Idealist.org.

Please send your examples of Web 2.0 ideas for social enterprise to SER so that we may add them to our list of resources, or post them directly to the npEnterprise.net Forum, the official listserv of the Social Enterprise Alliance.

Best wishes,



Tom White

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No. 209 September 2006

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Social Enterprise Reporter™ (ISSN: 1550-7300) is published monthly 10 times per year at [www.sereporter.com](http://www.sereporter.com), Jan-June, Aug-Nov by Social Enterprise Reporter.

### Annual Subscription:

\$69 institutional/multi-user license; \$59 Individual; \$29 Student/Low-Income.

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## MEMBER SPOTLIGHT

### PEOPLink: democratizing global trade and the Internet

by Ron Schultz

*Daniel Salcedo, CEO and Founder of Maryland-based non-profit PEOPLink, was interviewed at the 7th Gathering of the Social Enterprise Alliance for At Work in the Community. Produced by Red Tiger & Associates for The Legacy XXI Institute in cooperation with the Social Enterprise Alliance and Ashoka: Innovators for the Public.*

#### What is PEOPLink and how does it work?

DS: PEOPLink grew out of a social enterprise that my wife and I started 20 years ago. **Pueblo to People** was a nonprofit that sold crafts from Latin America, using the cutting edge technology of the time—a mail order catalog, with a peak circulation of 1 million, \$3.5 million a year in sales, and it was completely self-sustaining from day one. When the Internet was invented, we formed PEOPLink with the idea of working with Fair Trade artisans all over the world, helping them sell their items directly to buyers in the U.S. and Europe over the Internet, bypassing the middlemen, including ourselves. As a result the artisans are getting a much higher return on their work than normal, which is about \$0.10-.15 on the final retail dollar.

#### How did you go about making this network?

DS: We've been working with members of **Ifat.org**, the **International Fair Trade Association**, which has 270 organizations representing about 200,000 artisans all over the world. We rely on them to make contact with the local artisan groups through networks that are already set up.

#### How many artisans are you representing?

DS: We're working with about 1400 organizations and 20,000 artisans are working with our software.

#### What prompted you to assemble this?

Internet e-commerce made more sense than the



Daniel Salcedo with Guatemalan artisans

paper-based commerce of Pueblo to People so that's when we started PEOPLink. It is all about democratizing the two most powerful forces around: global trade and the Internet.

#### What cultural barriers did you have to surmount?

DS: Very few. Everybody knows about the Internet, about the need to sell enough to earn an income. With our e-commerce tool and \$100 a year, any business anywhere can create and maintain their own web catalog. It's user friendly, and in six different languages. There are more barriers on this end, getting customers to be aware that these enterprises exist, that their web sites are online, offering beautiful products.

#### What kind of leadership has been required?

It's hardwork more than leadership, putting the technical pieces together with the organizations that really make it work. The biggest challenge to e-commerce

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## PEOPLink

(Continued from page 3)

is trust, visibility, and credibility. That's why working with the Social Enterprise Alliance is so important.

### How does PEOPLink work?

DS: You go to our web site, [www.catgen.com](http://www.catgen.com) and you download a free open source piece of software that you install on your computer. It allows any user to input basic information for a catalog: the product name, description, code, price and digital image of any size. It allows you to organize your catalog locally offline, print paper catalogs, or burn CD's. When you're ready, you go online and upload it to any server or our server for \$100/year. It's a full function web catalog with Paypal™ credit card payment and debit services and it's drop dead easy to use. It's being used in 42 countries, some of the poorest in the world, such as Nepal, Haiti, Zimbabwe and Laos. It's the easiest system around to create your own catalog.

### What kinds of sales are happening?

DS: Mostly they're business-to-business sales that happen offline, so we have no way of knowing how many. The **United Nations Development Program** asked us the same question and sent a development consultant to evaluate our program in Nepal. The consultant concluded that the biggest impact of this pro-poor e-commerce approach was on income and employment. They documented that 3918 women owed their jobs to the extra sales generated by using Catgen. They

also confirmed that young, inexperienced IT professionals could, with the proper tools, create employment for themselves while providing e-commerce services to local Small and Medium-sized Enterprises. Local entrepreneurs can make a living providing e-commerce services to local businesses using our tools.

### What's your vision for the future?

The biggest challenge to any e-commerce is trust—building visibility and credibility. That's why we now have a referral system so that any nonprofit can, just by placing a button on their web site, promote sales from any one of our users and the nonprofit gets a commission of 12%. The artisans are happy to pay a 12% commission if they're able to eliminate most of the middlemen.

### What advice do you have for other social entrepreneurs contemplating a leap into this world?

Look at your markets first, then everything else makes sense. If you have got a market, you're pulling the project with a string, if you don't have a market you're pushing it with a string. ■

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Ron Schultz is a Founding Director of the Center for Social Profit Leadership – part of the Legacy XXI Institute. He was the founding Executive Director of Volunteers of America, Los Angeles' Social Entrepreneur Incubator.

### Resources:

- ➔ [www.catgen.org](http://www.catgen.org)
- ➔ [www.peoplinc.org](http://www.peoplinc.org)
- ➔ [www.legacyxxi.com](http://www.legacyxxi.com)
- ➔ [www.Ashoka.org](http://www.Ashoka.org)
- ➔ [www.se-alliance.org](http://www.se-alliance.org)

## The Best Way to Improve Customer Service: be your own customer for a day

by Jerr Boschee

In her column in a British business magazine this past summer, Jane Simms reported that CEOs rank customer service above product innovation, sales performance and regulatory compliance as their top priority.

But what struck me most was her recipe for success. “The best way to improve customer service,” she wrote, “is not to invest in expensive research techniques or pointless CRM systems, but *to experience the company and its products and services as a customer would.*” Referring to the senior executives for one of England’s largest rail companies, she wrote: “How many have recently tried to buy a standard-class train ticket? Because if they did, they would realize what a complex and expensive nightmare that particular exercise has become.”

Yes, we all agree customer service is important. After all, without customers, where would we be? But how many of us genuinely grasp what type of service customers want? More importantly, how many of us truly understand the obstacles customers face when they try to get it?

As we used to say back in my corporate days, customer service starts on the street, not in the tower. By that we meant too many senior executives haul up the drawbridge and retreat to their corner offices, rarely venturing beyond the moat. In the worst cases—and I’ve lived them—the senior execs refuse to listen to the street-level employees who try to convince them their products and services simply aren’t meeting the needs of their customers.

Do *you* know which aspects of your product or service delivery systems are the most comforting to your customers? The most discomfiting? Have you ever hired “mystery” customers to explore the positives and the pitfalls embedded in your product and service delivery process?

More to the point, have *you* ever decided to become a customer for a day? Or a week? Or to experience a customer relationship from beginning to end—from the brochure to the phone call to the initial visit to the actual purchase decision to the customer satisfaction follow-up and beyond?

*Jerr Boschee's column about entrepreneurial marketing is a regular monthly feature of the Social Enterprise Reporter*

Actor William Hurt starred in a 1991 movie called *The Doctor*. He played Jack McKee, a doctor who has it all—he’s successful, he’s rich, and he has no problems . . . until he’s diagnosed with throat cancer. Suddenly his world is overturned: He becomes the patient, not the doctor.

He becomes the customer.

Needless to say (this being a Hollywood movie), Dr. McKee eventually realizes there’s more to being a doctor than surgery and prescriptions. At the end of the movie, he orders the five young residents under his supervision to become patients themselves. Each is assigned an imaginary illness, and the first step they must take (over indignant protests, to be sure) is to strip off their clothes and don that ridiculous hospital gown that ties in the back in two places but leaves us, um, exposed. He then forces the residents to undergo for a week all the mysterious tests we as patients know well, all the hurried visits from busy and distracted doctors, all the wonderful food, all the middle of the night wake-up calls for seemingly inconsequential reasons, all the cheerful but distant smiles from harried nurses who’ve just come on shift and aren’t entirely sure why we’re taking up space (I’ve been there, believe me).

So, how many of us have done anything more than conduct rudimentary customer service surveys or talked formally or informally with a few customers? How many of us have actually become customers for our own organizations?

Try it. You might not like it. ■



Jerr Boschee has spent the past 25 years as an advisor to social entrepreneurs in the United States and abroad. To date he has delivered seminars or taught master classes in 41 states and 14 countries and has long been recognized as one of the founders of the social enterprise movement worldwide. Mr. Boschee is Executive Director of The Institute for Social Entrepreneurs → [www.socialent.org](http://www.socialent.org), which he created in 1999, and is the former President and CEO of The National Center for Social Entrepreneurs. His most recent book (February 2006) is *Migrating from Innovation to Entrepreneurship: How Nonprofits are Moving toward Sustainability and Self-Sufficiency*. Please direct your comments to ✉ [jerr@orbis.net](mailto:jerr@orbis.net).

# Who are you calling a “social enterprise?!”

by Mal Warwick

**Q**uickly—define “social enterprise” in 25 words or less. No cheating now. No peeking at your neighbor’s paper!

Are you finished? Good. Now compare what you’ve written with your friends and neighbors.

Are you all on the same page? No? Well, welcome to the crowd.

I’ve read a fair amount about this phenomenon we so loosely refer to as “social enterprise,” and I’ve spoken personally to many of those who are most often publicly identified as among its leading advocates—and not just here in the United States, but around the world. (For that matter, I’m even a member of the Advisory Board of this wonderful newsletter.)

Guess what: the “experts” don’t agree, either. In fact, their contrasting definitions appear to come from completely different mindsets. They might as well be from different planets.

In an effort to sort through all this confusion, I’ve devised a nifty little diagram. Maybe it will help you, too, to find your way more smoothly through the field. Here goes (see below):

As you can see, Quadrants 1 and 2 correspond to the revenue-generating model. In Quadrant 1 you’ll find parking garages operated by nonprofit hospitals to help underwrite their budgets and a plethora of other for-profit enterprises launched by nonprofit organizations to make money, pure and simple.

Quadrant 2 holds such remarkable ventures as **Newman’s Own, Working Assets Long Distance, and Give Something Back**, all of which operate traditional businesses and dedicate most or all the profits to support a range of social-sector organizations. This quadrant also includes any businesses established independently of the nonprofits they support but whose primary function is to funnel their profits to those particular organizations—if, in fact, there are any such businesses. (I, for one, can’t think of any.)

By contrast, Quadrants 3 and 4 include those enterprises established primarily to address one or more social problems. Quadrant 3 includes such organizations as **Goodwill Industries** and **Rebuild Resources**, both of which engage in business to provide training and jobs to people who would otherwise face barriers to employment, and environmental organizations such as the **Environmental Management Institute** that operate as businesses but are organized as nonprofits.

In Quadrant 4 lie those enterprises established as for-profit businesses rather than nonprofits but whose nature is centered on its social mission. **Shorebank** comes immediately to mind—a precedent-setting bank operated and regulated like any other but dedicated to creating “economic equity and a healthy environment.”

What you won’t find in this typology are those businesses—such as my own, **Mal Warwick Associates** as well as others much better known—that characterize

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	Social sector	Business sector
Revenue-generating	1. NGO generating revenue through a business enterprise to support its social mission	2. Business generating revenue to support the social mission of one or more NGOs
Problem-solving	3. NGO established to address a social problem in an entrepreneurial manner	4. Business established to address a social problem in an entrepreneurial manner

## Who are you calling a Social Enterprise? (continued from page 6)

themselves as “socially responsible” and pursue the “triple bottom line.” There are thousands of us, companies that operate with a view toward serving all our stakeholders, not just the owners. Many folks include us in the category of social enterprise.

**Wikipedia**, for example.

I could shoehorn my company into Quadrant 4, since from the beginning our mission has been to raise money for progressive nonprofit organizations and political candidates, but most other triple-bottom-line companies don't fit so neatly into that little rectangle. (Ben & Jerry's? Selling flavored fat? Where's the social mission in that?) That's one reason why I think we don't belong under the label “social enterprise.”

Another, much bigger reason is that I'm convinced all for-profit businesses will eventually be forced to acknowledge their responsibility to their customers, their employees, their suppliers, the community or communities where they do business, and to the environment. If that ever comes to pass, then presumably every business would be considered a social enterprise—robbing the term of all remaining sense. There are some, such as Steve Mariotti, Founder and President of

theNational Foundation for Teaching Entrepreneurship, (writing in SER 207), who contend that every business already is, but from my perspective that just confuses matters. To my mind, a social enterprise is something special—not just another company. A social enterprise is conceived to address a social problem or challenge, either directly (Quadrants 3 and 4) or indirectly (Quadrants 1 and 2).

One more point: if you have more than a passing familiarity with the field, it will be obvious to you that many social enterprises straddle one or more of the quadrants in this typology. These are the enterprises generally referred to as “hybrids.” **Greyston Foundation** is an excellent example. Originally founded as a business to provide employment for the “unemployable,” the Greyston Bakery has since spawned several nonprofit enterprises which benefit from, but aren't dependent on, its profits. That's a hybrid operation in anyone's book! Another fascinating example is **Pura Vida Coffee**, which is “changing the world, one cup at a time.” There are dozens of other brilliant examples.

Still, most of the organizations that are normally described as social enterprises appear to fall into one or another of the four quadrants of this typology. I find it useful. I hope you do, too. ■



Mal Warwick is the co-author, with Ben Cohen, of *Values-Driven Business: How to Change the World, Make Money, and Have Fun* (Berrett-Koehler, 2006) and has

written, edited, or co-authored 17 other books.

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### Resources

- ➔ [www.newmansown.com/ourstory.cfm](http://www.newmansown.com/ourstory.cfm)
- ➔ [www.workingassets.com](http://www.workingassets.com)
- ➔ [www.givesomethingback.com](http://www.givesomethingback.com)
- ➔ [www.goodwill.org/page/guest/about](http://www.goodwill.org/page/guest/about)
- ➔ [www.rebuildresources.com](http://www.rebuildresources.com)
- ➔ [www.envtlmgmt.org](http://www.envtlmgmt.org)
- ➔ [www.sbk.com/bins/site/templates/splash.asp](http://www.sbk.com/bins/site/templates/splash.asp)
- ➔ [www.malwarwick.com](http://www.malwarwick.com)
- ➔ [http://en.wikipedia.org/wiki/Social\\_enterprise](http://en.wikipedia.org/wiki/Social_enterprise)
- ➔ [www.greystonbakery.com](http://www.greystonbakery.com)
- ➔ [www.puravidacoffee.com](http://www.puravidacoffee.com)

*Editor's Note: Kim Alter, SER Editorial Advisor, and Principal of Virtue Ventures, has also published a social enterprise typology at*

- ➔ [www.virtueventures.com/setypology](http://www.virtueventures.com/setypology)

## GoodStorm: a new standard of social responsibility for e-commerce

by Tom White

*Yobie Benjamin, Founder and CEO of GoodStorm, was Senior Partner and Chief of Global Strategy for Ernst & Young for 5 years and is a minority owner of a 25-year old San Francisco-based manufacturing and merchandising business. He and GoodStorm Co-Founder, Andy Rappaport, are both technology venture capitalists who wanted to find a way to apply their financial capital, technological expertise and business savvy to redefine capitalism and reform e-commerce. SER spoke with Yobie about the January 2006 launch of GoodStorm's online storefronts for nonprofits.*

YB: You can't just complain about how bad the world is. When you've been given so much, you need to give back. Andy and I have been active philanthropically, but I don't believe that's enough—we need to enable people to help themselves. I wanted to create a system wherein every barrier to entry was taken away and all that you need was drive and a little bit of self-motivation to make meaningful amounts of money, and in that process not only help your organization, but help others as well.

### **SER: Why did you choose to start a merchandising venture?**

YB: We could create a business where a significant amount of the profits go directly to people that need it. The model has been tested and proven to be successful by other online storefronts like **Café Press** and **Zazzle**, but they only give you 10-15% of the retail price. \$2-\$3 on a \$20 t-shirt is unattractive from an earned income perspective. We decided to change the model and give people 70% of the gross profits. Our printed shirts are \$5 wholesale in a case and our lower MSRP is \$15. The nonprofit gets \$7, roughly double what they'd make elsewhere. One of the most well known progressive businesses, **Working Assets' GoodsforChange.com** just moved their goods to us.

Most of us are guilty of being price shoppers. What we're trying to do is move towards a values-based model—voting with your dollars. Is it truly possible to do this? In a bold experiment we worked with peace organizations,



Yobie Benjamin, Founder and CEO of GoodStorm

came up with the idea for a \$0.39 anti-war postage stamp, and marketed it in time for tax day. With shipping and handling they were priced at \$1.20 and we sold 60,000 of them. We proved that people are willing to buy on the basis of their values. We think we can build this model to exceed the scale of **eBay!**

### **SER: What types of products do you offer?**

YB: We're moving into music, books, movies and other media. We're about to launch **MeCommerce™**, enabling anyone to sell single products or groups of products on their website or blog. Organizations can sell books or other media at full cover price and we'll split the profits. For example, if we sell Thomas Friedman's hardcover book *The World is Flat* for a nonprofit focused on economic issues, at the full cover price of \$40, we make a 40% gross profit, and we would split that profit with the

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## GoodStorm

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organization or individual 50/50. So they would make \$9 on a \$40 book. And we pick, pack and ship the book and other media.

In order to change economic conditions, you need to democratize the access to financial capital and the means to make money. On eBay you still have to carry your own inventory, pack it and carry it to the Post Office. Not to mention the worries with credit card processing. To democratize the access, we're taking away every single barrier.

We're very transparent about how we conduct our business—how much we pay for our product. If an organization wants to discount a product we tell them the bottom price so that we'll cover our costs. We're a for-profit company running a values-based business.

### **SER: What is your source of shirts?**

YB: I'm minority owner of a manufacturing company that makes and sells t-shirts for over 150 big music bands, like the Ramones and Led Zeppelin, as well as sports teams like the SF Giants, and Google. I wanted to start a business that allows us to give the retail profits to others and still be able to sell it at low cost so that others can maximize the retail profits selling the items themselves. The key difference between us and other earned income strategies is there's no barrier to entry. You've got to be motivated to promote your products, but you don't have to worry about boxes of t-shirts in your office. The reason merchandising has failed for nonprofits is because they

assume the cost of the goods. If the products don't sell, they lose money on the dead inventory.

### **SER: Do your clients get access to customer names?**

YB: We allow our clients to obtain sales information on their customers. List building is very important for nonprofits. We retain the information for fulfillment. It's your client and you deserve to know who's buying your products. You know not only how much money you make but who is buying what.

### **SER: What has been the range of sales at GoodStorm online stores?**

Sales scale with the nonprofit's membership, and the desire of the organization to promote their products. Sales vary from \$2,000 to up to \$70,000 on a single campaign that lasted only two weeks. It depends on how large your mailing list is.

### **SER: What are your goals for GoodStorm?**

YB: I want this to be a global enterprise. There is no limit to what we want to do for nonprofits, clubs, guilds, and schools—the need for earned income is so great. Our online stores include Mom's Rising, Craigslist, the UN World Food Programme and we expect to launch MoveOn.org very soon. I believe good works tend to propagate themselves, and as long as we focus on our core mission, we'll continue to scale this. ■

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Tom White is Editor and Publisher of the *Social Enterprise Reporter*.

### **Resources:**

➔ [www.goodstorm.com](http://www.goodstorm.com)

## High Tech Approaches for Social Enterprises

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### Leveraging Existing Skills And Infrastructure

After establishing our nonprofit that served those with disabilities, we expanded our reach by partnering with Dr. Patrick Ball, a leading human rights statistician. Dr. Ball viewed human rights organizations as a pyramid-shaped information processing industry. At the base of the pyramid are grassroots groups who gather raw data. Above them are larger national and specialized issue organizations that process this information, identify patterns and make the case for reform.

At the top of Dr. Ball's conceptual pyramid are major international human rights groups like **Human Rights Watch** and **Amnesty International**. The human rights community does not create enough of a market to drive the development of products that meet their needs. As a result, only these top organizations have their own information technology departments that can build mission-focused tech solutions. The rest of the community makes do with generic software applications such as e-mail, Web pages and word processors.

Together with Dr. Ball, Benetech targeted grassroots activists who had basic e-mail and Web surfing skills. We asked human rights workers in such varied regions as Sri Lanka, Cambodia, Guatemala and Russia what they needed to increase their security and productivity. Based on this feedback, we created Martus, a simple and secure software application for

gathering, organizing and backing up the documentation of human rights abuses. Martus also publishes any information earmarked as public to a Web-based human rights information search engine.

**To maximize social impact, Martus software is freely available and Benetech charges only for associated services.**

In addition to building this basic client solution that can be used by social justice groups documenting and monitoring human rights violations, we also created Analyzer. The Analyzer tool is a high-end "who-did-what-to-whom?" database program that organizes the data needed to generate statistics that support large-scale human rights investigations.

Benetech identified this market niche by focusing on human rights workers' mission-driven needs. Although these solutions have the benefit of replication from an established technology base, the software often needs maintenance and new feature development. Users of these tools also require training and support services to deliver the needed value. This results in fixed costs that can remain steady even as the customer base increases. But to maximize the social impact in the target market—human rights groups in poorer countries—Benetech decided to make the Martus software freely available and charge only for the associated services.

### Developing A Business Plan

Like other businesses that expect to succeed, social entrepreneurs need to develop sound business plans. You may have determined that you have an opportunity to build a socially beneficial product on top of an existing infrastructure. But you still need to attract capital for your project, determine margins and create alliances that will help meet your goal.

Raising money is a crucial part of the process and there are increasing options for social entrepreneurs seeking capital for novel social ventures. A sound business plan is essential for obtaining funds from the venture philanthropy community. These approaches are quite similar to those used by tech start-up entrepreneurs to court venture capitalists.

Another way social entrepreneurs can replicate high tech business strategies is to pursue high margins. Creating the original unit generates most of the cost of a technology-based product. Every additional unit has relatively low manufacturing costs. Can you leverage a high margin model with your proposed social venture? Do not forget to examine incremental costs associated with new customers: What does it cost to acquire and support new customers after amortizing your fixed costs? Good margins only materialize if you can actually control these very real costs.

Many high tech businesses also seek to build a community of users around their product or service. Some successful commercial examples include **MySpace**, which now has a large following of young people who have created entire social structure around the product.

Benetech used this strategy when

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## High Tech Approaches for Social Enterprises

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it created a community of volunteers to support its **Bookshare.org** project. The world's largest accessible on-line library of scanned books and publications, Bookshare.org is supported by a community of volunteers who donate their time to scan books that are uploaded to a library which now includes over 28,000 texts. These volunteers actually do the majority of the work to add books and provide the majority of technical support to each other using on-line e-mail lists.

Bookshare.org subscribers listen to digital books on a PC with voice synthesis software or output them to a Braille display or printer. The actual cost of these accessible e-books is a tiny fraction of the traditional alternative, which amounted to four-track audio tapes delivered through the mail. Once Bookshare.org gets to a revenue level that covers its fixed costs, it should be able to apply good incremental margins to deliver more books and more marketing (often known as "outreach" in nonprofit speak).

## Different Definitions of Sustainability and Success

The goal of a technology social enterprise is to maximize social impact while breaking even financially. This is a much easier standard to meet than that of a typical for-profit high technology company that needs to aim for a \$50 million market and deliver a 30–40 percent annual return on investment. If the unit of service for a social enterprise is a piece of information or a technology

**Bookshare.org is supported by a community of volunteers who donate their time to scan books uploaded to a library of over 28,000 texts.**

product—as opposed to an hour of human time—the possibility of being able to scale up is greatly increased.

Some social enterprise ventures don't quite generate enough revenue on their own to be self-sustaining. But social enterprises have both a social and financial bottom line, and projects must be designed with internal metrics to measure both.

For example, Benetech does not charge anyone to download Martus. The project makes money from contracts with NGOs and other groups that pay Benetech to build new features, provide training or deliver customization and support. Since Martus is based on open source software, each new feature that is built for the project can be downloaded for free and improved on. Each time a new feature is added to support one customer, all of the customers benefit from that feature.

However, human rights groups in countries in or recovering from civil conflict are often not adequately funded. It is a measure of how well our technology meets their mission that many groups reach into their core funds and buy services from Benetech. But, this funding does not cover the full cost of the developing the technology and providing services in the field. (For example, the cost of one project in Asia was \$250,000 and the customer could only afford to pay \$100,000.)

This funding gap is met by the third party payers for human rights: major foundations like the **MacArthur Foundation** and the **Oak Foundation** plus international government funding agencies. Still, delivering services to human rights groups as you would commercial customers, even if partially subsidized, helps meet the needs of these groups more efficiently.

## Practical Advice

Many technology companies seek to attract capable entrepreneurs in their market segment and bring them in to build robust teams within the organization. They often look for people with strong concepts who offer unique benefits that can be widely replicated. If you don't have the internal skill set to launch a project, get expert help. Many experts would be delighted to apply their skills to a social venture. Benetech accomplished this by partnering with Dr. Ball to create Martus and Analyzer. Benetech also partnered with the **National Federation of the Blind** to extend the NFB-Newsline service, which provides daily newspapers to those who cannot read a printed newspaper. **The Center for Literacy and Disability Studies** at the **University of North Carolina, Chapel Hill** joined with Benetech to create the new Route 66 Literacy service.

When developing a new socially beneficial product or service, it is also useful to run a pilot project and gather feedback from potential users. In the tech field, this is often called "beta testing." It is much easier to fix and improve a product when the customer base is small and actively engaged. Bookshare.org members play an active role in selecting and

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## High Tech Approaches for Social Enterprises

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scanning books to place on-line, thus shaping the library to reflect their needs.

Both the Bookshare.org and the NFB-Newsline reflect Benetech's core values of technology serving humanity. Social entrepreneurs benefit by staying close to their own values while developing products or services. The likelihood is low that a social venture will succeed when it is incompatible or simply unrelated to the mission of the organization.

It is not difficult to see the impact of technology social ventures. The Benetech staff was reminded of this recently when a Martus user in Colombia was robbed of her laptop at gunpoint. Because the data on the machine was encrypted and backed up, the data was not lost, nor could it be used to target witnesses who provided human rights testimony.

The value of Analyzer was made apparent when Dr. Ball used statistical data to effectively refute claims made by former Serbian strongman Slobodan Milosevic during his trial at the **International Criminal Tribunal for the Former Yugoslavia** (ICTY). Without the Analyzer tool, there would have been no geek versus tyrant moment for history to record.

Other non-technology social ventures illustrate the value of simply sustaining a critical product or service. A programmable hearing aid sells for about \$1600 in the United States. **Project Impact**, a California-based social enterprise, has designed and built a programmable hearing aid that it can make in India for about \$45. It plans to sell these for prices

**Many tech business tools work well when the goal is not to make as much money as possible, but instead to help as many people as possible while breaking even.**

ranging from free to \$600 depending on ability to pay.

**OneWorldHealth**, a nonprofit pharmaceutical company based in San Francisco, is developing drugs to treat diseases that affect the world's poor people. The organization focuses on effective drugs that are dropped by major pharmaceutical companies for insufficient market opportunity. It brings these drugs through clinical trials and certification to the market.

## Conclusion

What intellectual property assets do you have or could you develop that might help many people? Think like a high tech entrepreneur to leverage these assets and build a social enterprise that could reach break-even, or provide the desired social outcomes for a significantly lower cost. Many tech business tools and ideas work well even when the goal is not to make as much money as possible, but instead to help as many people as possible while breaking even. Technology could be doing far more to help society. Find a way to use lessons from the marketplace to maximize your mission! ■

Jim Fruchterman is Founder and CEO of



Benetech and a Founding Director of the Social Enterprise Alliance. A technology entrepreneur and former rocket scientist, Jim has founded two of the foremost optical character recognition companies. Jim was named an Outstanding Social Entrepreneur in 2003 by the Schwab Foundation and was recently awarded a Fellowship by the Chicago, IL-based John D. and Catherine T. MacArthur Foundation.

*photo: Michael Callopy/Courtesy of the Skoll Foundation*

## Resources:

➔ [www.benetech.org](http://www.benetech.org)

## **Second Annual Sustainability Awards and Symposium**

September 25–26, Minneapolis, MN

➔ [www.afs.nonprofitoffice.com/](http://www.afs.nonprofitoffice.com/)

## **Social Enterprise and Community Economic Development: Recognizing and Managing Common Barriers to Business Success and Community Impact**

September 27, Chapel Hill NC

➔ [www.law.duke.edu/ced/](http://www.law.duke.edu/ced/)

## **Inaugural Conference of Center for Social Profit**

**Leadership: Transforming the Helping Industry from Co-Dependency to Co-Creation, October 6, San Diego, CA**

➔ <http://socialprofitleadership.org>

## **2006 Transitional Jobs Conference**

October 12–13, Atlanta, GA

➔ [www.transitionaljobs.net/Events.htm](http://www.transitionaljobs.net/Events.htm)

## **National Network of Grantmakers Annual Conference**

**Communities Unbound: Claiming the Power of a Just Society**

October 14–17, Loyola University, Chicago, IL

➔ [www.nng.org/2006\\_conference.html](http://www.nng.org/2006_conference.html)

## **The Nonprofit Congress National Meeting**

October 16–18, Washington, DC

➔ [www.nonprofitcongress.org/](http://www.nonprofitcongress.org/)

## **Urban Land Institute Fall Meeting**

October 17–20, Denver CO

➔ [www.uli.org/Meetings](http://www.uli.org/Meetings)

## **Redefining Economic Development in California**

**San Benito County: A New Model for Success**

October 19, Hollister, CA

➔ [www.livingeconomies.org/sanbenito](http://www.livingeconomies.org/sanbenito)

## **How to Create Successful Public Markets**

**Project for Public Spaces Training Course**

October 19–20, New York City

➔ [www.pps.org/info/ppsnews/markets\\_training\\_course](http://www.pps.org/info/ppsnews/markets_training_course)

## **PLACEMATTERS06**

October 19–21, Denver CO

➔ [www.placematters.org](http://www.placematters.org)

## **Enterprise Community Investment Forum and Network Conference. October 24–27, Los Angeles CA**

➔ [www.enterprisecommunity.com/newsevents/forum.html](http://www.enterprisecommunity.com/newsevents/forum.html)

## **Opportunity Finance Network Conference**

October 30–November 2, Washington, DC.

➔ [www.communitycapital.org/training/atc\\_index.html](http://www.communitycapital.org/training/atc_index.html)

## **2006 Net Impact Conference**

October 27–29, Chicago IL

➔ [www.netimpact.org](http://www.netimpact.org)

## **Investor's Circle Fall Conference**

November 5–7, Boston MA

➔ [www.investorscircle.net](http://www.investorscircle.net)

## **Entrepreneurship Education FORUM**

November 4–7, Phoenix AZ

➔ [www.entre-ed.org](http://www.entre-ed.org)

## **Fourth Annual Co-op America Green Business Conference**

November 7–10, San Francisco CA

➔ [www.coopamerica.org/cabn/conference](http://www.coopamerica.org/cabn/conference)

## **LISC Center for Commercial Revitalization Urban Forum**

**2006. November 8–10, Miami FL**

➔ [www.lisc.org/urbanforum](http://www.lisc.org/urbanforum)

## **National Community Investment Fund Annual Development Banking Conference**

November 13–14, Chicago IL

➔ [www.ncif.org](http://www.ncif.org)

## **Brownfields 2006**

November 13–16, Boston MA

➔ [www.brownfields2006.org](http://www.brownfields2006.org)

## **National Association of Workforce Development Professionals and National Youth Employment Coalition Youth Development Symposium**

December 4–7, Chicago IL

➔ [www.nawdp.org/youthsymposium.htm](http://www.nawdp.org/youthsymposium.htm)

## **Canadian Conference on Social Enterprise**

January 28–31, 2007, Vancouver BC

➔ [www.enterprisingnonprofits.ca/conference](http://www.enterprisingnonprofits.ca/conference)

## **New Partners for Smart Growth Conference**

February 8–10, 2007, Los Angeles CA

➔ [www.newpartners.org](http://www.newpartners.org)