

# SOCIAL ENTERPRISE:

## AN ALTERNATIVE CAREER CHOICE FOR MBAs

By Greg Dees

**T**HROUGHOUT HISTORY, INDIVIDUALS have created private organizations dedicated to solving social problems, serving the disadvantaged and providing socially important goods such as education and healthcare to markets that are not adequately served by public agencies or existing businesses. In the United States, these "social enterprises" typically are set up as nonprofit organizations, although more for-profit and hybrid forms are emerging. For new MBAs interested in pursuing nontraditional business careers, the social sector provides a promising and challenging alternative.

The "social sector," as management guru Peter Drucker has dubbed it, is experiencing growth and change as societies worldwide search for new ways to serve social needs. The trend in scaling back government-provided services—in response to financial constraints and a shift in ideology about the role of government—is a factor that will shape the future of social enterprises and the opportunities they offer to MBAs. At the same time, nonprofit organizations are scrambling for new, reliable funding sources and experimenting with more "business-like" operations. This sector presents enormous management challenges. MBAs willing to figure out how to adapt their skills to this mission-driven (as opposed to profit-driven or market-driven) operating environment should find significant opportunities to have a positive impact.

Because this is a mission-driven environment, it is crucial to find a segment that fits your values and interests. Fortunately, the social sector is large and diverse. It includes religious institutions, private schools and colleges, hospitals and clinics, museums, social service agencies, economic development corporations, environmental conservation groups and community service programs, to mention a few. These social sector enterprises all have an objective related to improving social conditions. It is this objective that is their defining quality.

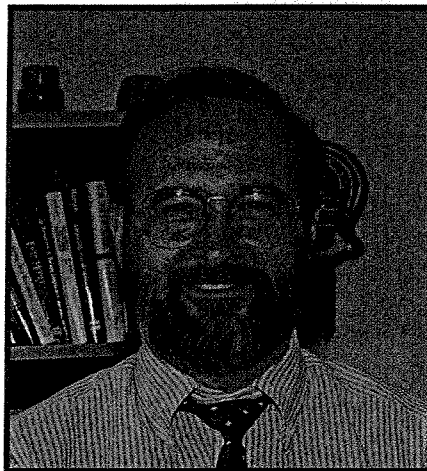
Social enterprises also range widely in their methods of operation. It is useful to think of a spectrum that ranges from purely philanthropic organizations, that give away their services and rely exclusively on philanthropic support, to purely commercial organizations that sell their services and pay market rates for all their inputs (capital, labor, supplies, etc.). Few organizations are at the extreme ends of this spectrum. Most social enterprises mix commercial and philanthropic methods. The challenge for an MBA considering to work in this

commercial laundries, etc.) to provide income and job training for their residents. Museums are creating extensive catalog businesses and are licensing reproduction rights. Collaborations between the private and social sectors are becoming more common. Environmental conservation groups are working with forest product companies to find profitable, yet environmentally sustainable, ways to harvest wood.

It is the hope of many observers that all will benefit from improved methods of operation in the social sector—that we're moving toward more creative economic structures and more innovative solutions that require fewer resources yet do a better job. However, this outcome is dependent, to some degree, on the ability of social enterprises to think in new ways, to assess options intelligently and to implement these new structures effectively. This creates a demand for new talent with an understanding of how to harness business forces to serve social objectives, or at least a willingness to learn how to do this. In the face of such sweeping changes, the social sector will require the creativity, skill and dedication of today's talented MBAs.

MBAs who choose to apply their business education and experience in the social sector, therefore, will be on the cutting edge of finding and implementing new solutions to social problems, and experimenting with new ways to improve social conditions for all.

In working with MBAs over the past few years, I have found that many of them are drawn by this challenge of adapting business-like approaches to non-business entities. This is no easy task. Though many management principles apply universally, one cannot run a social enterprise exactly like a business, because the primary objective is a social one. Measures of success have to be linked to having the desired social impact. Profit may not be perfectly correlated with effectively serving society. Take a homeless shelter's restaurant, for



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sector is to find an organizational structure that fits his or her skills and interests.

There are several elements that might draw MBAs into the social sector, the first of which is the tremendous change taking place. Our society and other societies around the world continuously look for new ways to solve social problems. These new ways often draw on business methods and approaches. Government privatization, constrained public and philanthropic resources, increasing competition, technological change, and a new pro-business ideology all are factors changing the face of entrepreneurship in the social sector. For instance, homeless shelters are setting up businesses (restaurants, T-shirt print shops,

instance. If the objective is not simply to run a profitable restaurant, but to train homeless people in new job skills, the management task becomes more complicated. When do you fire employees who are having difficulty? How much training do you provide? You cannot simply go out and hire the best staff you can get; you must draw from a smaller pool, namely shelter residents—some of whom may not have worked for a long time and may have lost many of their job skills. This requires a modified management approach that, in many ways, is more difficult than the method used in running a traditional business.

To be successful in a career in the social sector, one must possess a wide range of traditional business skills, including solid knowledge of the functional areas (such as marketing, accounting, finance, and organizational behavior) as well as strong practical management skills—being able to handle multiple priorities and projects, to delegate, to lead. In the social sector, however, the emphasis is different and some new elements are added. For instance, though political acumen plays a role in business, it is even more important in the social sector. The action tends to take place on a more “public” stage. Knowledge of philanthropic and government funding sources also is crucial. These sources may be needed to leverage commercial revenues and cover the extra costs of serving a social mission. In addition, social enterprise leaders have a greater need to understand the values and motivations of people—beyond providing adequate compensation and comfortable working conditions. This is especially crucial in organizations that rely on volunteers or underpaid professionals. The social sector, because it pays relatively lower wages in many cases, needs to reward people with “psychic” income—the satisfaction of working for an organization or being part of a movement of which one can be proud. A social sector leader may need to cultivate the ability to motivate people to accept wages below what they could get in the private sector and to motivate volunteers to work for free.

Because the social sector differs from the traditional business sector in significant ways, it is helpful to get special training. Many schools offer courses on nonprofit management. Columbia, Case-Western, Yale, Stanford, and others offer strong

nonprofit programs. Harvard Business School takes a slightly different approach and focuses on the broader concept of social enterprise—including nonprofit, for-profit and hybrid structures—the entire spectrum. The school recently launched its Initiative on Social Enterprise with the strong support of alumnus John Whitehead. After a distinguished career in business at Goldman Sachs and a senior appointment in the State Department during the Reagan administration, Whitehead has taken a more active role in the social sector. He supported this initiative in the belief that business schools should do more to improve the development of management skills in nonprofit organizations. During the first year of the initiative, various leaders in the social sector were asked to think about what the sector needed and what Harvard Business School, in particular, might be able to offer. This led to a broadly defined initiative that addresses the interests and needs of both nonprofit leaders and business-oriented MBA students.

Many of today’s MBA graduates have their hearts and minds set on traditional business careers. They want to run mainstream businesses. The social sector, though an attractive and challenging alternative, does not pay nearly as well—at least not yet. The salary generally is not as it would be in a Wall Street financial institution, consulting firm or even in the higher echelons of some corporations. One can, however, do reasonably well, especially in larger social sector organizations. Nonetheless, for students coming out of graduate programs with high debt, this may be a deterrent. To remedy this, schools such as Harvard are experimenting with loan forgiveness or post-graduate fellowship programs that help students with strong resolve to work in the social sector. At the same time, some forward-looking social sector organizations are increasing salaries to help them attract the business talent they want.

It is important to remember that rewards for a career in the social sector include the personal satisfaction of working for an enterprise that one knows is going to help society tremendously. Many MBAs choose the social enterprise path and forgo a higher income to accomplish an objective in which they have personal or professional investment.

Often they also are rewarded with higher levels of management responsibility sooner than would have been the case in the business world.

Opportunities for MBAs in the social sector abound. One example that appeals to students who have a particularly strong business orientation, but who also want to improve the quality of life in inner cities, is the organization created by Michael Porter of Harvard’s Business School. He launched the Initiative for the Competitive Inner City (ICIC). Drawing on Porter’s work in competitive strategy, ICIC crafts a business-driven approach to inner city economic renewal. ICIC identifies the kinds of businesses likely to be successful in specific inner-city areas, and works to attract and build these kinds of businesses. ShoreBank Corporation in Chicago, a for-profit bank holding company devoted to turning around distressed areas, is another example. It has a nonprofit affiliate and several for-profit subsidiaries working on innovative solutions to the challenges of training, housing and equity investing in these areas. ShoreBank was a model for President Clinton’s initiative to support community development financial institutions.

For the majority of MBAs, it is more likely that they will serve the social sector on a part-time basis at some point in their careers as board members, consultants or volunteers. Even in this capacity, they can add a great deal. But the real, lasting impact will be made by those with the courage to take the leap and work full time on these important issues. These will be individuals who enjoy the satisfaction of meeting challenges and making a difference. The social sector presents some of the greatest and most interesting opportunities as we move into the next century: trying to find creative solutions to solve a wide range of problems—from the environment to education, from drug abuse to crime. ■

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