



CHAPTER 1

New World, New Rules

It is one of the most beautiful compensations of this life that no man can sincerely try to help another without helping himself.

— Ralph Waldo Emerson

GREETINGS! This book is a guide to succeeding at social enterprise, an emerging approach to organized, productive human activity that seeks to make it easier for people to satisfy their parallel desires to do well personally and serve others.

As lawyers and practitioners with a collective five decades of experience in socially responsible business and social enterprise, we want to help social entrepreneurs succeed — and we know how difficult that can be. A social entrepreneur is first and foremost an entrepreneur, and the vast majority of entrepreneurial ventures come up empty. Add “social” to the mix and the challenge gets even bigger. In part, this is because the social enterprise rules of engagement are inherently more complex. There are more masters to serve, more variables to consider. In addition, the rules are less clear — social enterprise is still in its adolescence, and success maps get built over time. There’s a lot of fog in the air. This is why we wrote this book — to do what we can to dispel it.

Challenging, yes — but definitely a game worth playing. Not only is social enterprise an inherently high-minded and worthy activity — the “best we can be,” as it were — but as a practical matter, it can also increase your chances of success ... if you play your cards right. Now more than ever, people long for what the visionary futurist R. Buckminster Fuller called a world that works for all. This yearning is every social entrepreneur’s trump card. Harness this energy, channel it into your particular project, and it will be the wind in your sails that speeds you to success.

Why Social Enterprise?

Before getting into the mechanics of social enterprise, let’s explore why social enterprise is getting so much traction in the world. Ideas are like sperm in this one sense — for every billion, only one or two actually become manifest in the world. Why has social enterprise succeeded where so many ideas have failed?

We believe social enterprise has caught on because it speaks to a deep human longing, as it happens the same one that inspires all the great religions — the desire to eliminate human suffering.

Say what? That’s quite a leap, isn’t it?

Yes, so let us explain.

If you’re like us, you’d like to see an end to suffering. We can start with modest goals like, say, the elimination of poverty and disease.

Since suffering isn’t only physical, you’d also like things to be fairer. You’d prefer a more equitable distribution of resources between haves and have-nots. You’d like women around the world to have rights equal to men. You’d like to see races and religions equally honored and respected.

If you’re at all strategic, you also yearn for a change in the conditions that give rise to suffering. You’d like our ecological systems to be healthy, not just for their own sake but because a healthy environment is also bounteous and can reduce poverty and disease. You’d like our political systems to benefit all, not just a fortunate few. You’d like our

social systems to be driven more by caring and less by the lust for power. You'd like to see more beauty and nobility in the world.

But — again, if you're like us — it's not just conditions “out there” that you're concerned about. There's also you — the conditions “in here,” as it were. When we contemplate the reality of suffering in the world, we suffer too — and none of us wants that. We really don't want that!

Let's be honest: our altruistic yearnings have a selfish aspect. It's not all about us, but it is a lot about us. This isn't a bad thing and certainly nothing to chastise ourselves about. Even those of us who aren't particularly selfish are self-centered — focused on ourselves. We're all primarily concerned with our own well-being.

The fact is, if there's one thing our species is good at, it's suffering. We feel pain when we look outside at the state of the world. We feel pain when we look inside and conclude that we've been operating from less than our highest self, or that we haven't been doing as much as we could to reduce the amount of suffering in the world.

It also hurts when we don't achieve the results we're hoping for. Sometimes we get in our own way, sometimes the world gets in our way, and sometimes it's a combination. Whatever the cause, it's vexing when there's a gap between our intentions and our achievements — and vexation doesn't feel good.

More generally, whenever our awareness is split, we suffer. If I long to feel noble and view my behavior as base, that's a split. If I envision seamless success but the reality is mixed, that's a split. If I yearn for an end to poverty and see shantytowns everywhere, that's a split, and into that split — into all splits — creeps suffering.

With these thoughts for background, let's return to social enterprise. As currently structured, our organizational forms encourage suffering. The rules of the road for business tend to encourage “me-first” selfishness, a perspective that conflicts with people's desire to view themselves as high-minded. The rules of the road for the non-profit sector tend to discourage bold, effective action, and risk taking,

and since achieving great results is as sought after as nobility of spirit, this, too, is frustrating for many people. The result: people are left feeling torn between two unsatisfactory choices — damned if they do and damned if they don't.

This is where social enterprise comes in. It's about reducing the amount of suffering in the world — physical, spiritual and emotional. It's about reducing the amount of suffering inside ourselves. It's about feeling good about the work we do — and being effective, too. It's about bringing an end to the split in organizational forms that forces us to choose between doing good and doing well, thereby increasing our internal suffering, while also making it more difficult to reduce the amount of suffering in the world.

Ask your typical social entrepreneur and they won't say, "I'm doing this because I want to end suffering." They're likelier to focus on their particular cause: "I want to support the emergence of urban agriculture." "I want to get eyeglasses to people who can't afford them." Still, if you keep peeling back the layers of the onion, you'll eventually get to the same basic longing — the desire to end suffering, inside and out. Roll over, Buddha! But in this case meditation is optional. Instead, social enterprise requires us to jettison our old mental models about for-profit and non-profit boxes and to replace them with new and more integrated notions about how to do good work in the world.



There is a supposition here, and it's a very exciting one. It's that a modest tinkering with our "reality tunnels" can trigger a dramatically disproportionate change for the better in the world.

Seen from this level, there is grandness — some might say grandiosity — in the concept of social enterprise. What else can one say about a project that, at the end of the day — at the beginning of the dream — seeks to end all suffering? And to do so, moreover, on a totally non-sectarian basis, with regard to one thing only — the welfare of all beings?

It's an inspiring vision. No wonder it's caught on!

Can it be achieved? This is an inevitable question — like a runaway horse, the mind just gallops down this highway — but it's not especially useful. The more pertinent question is, can you and I can make a positive difference as individuals? If we can, that's reason enough to take action. We needn't belabor higher-level questions about how close we can come to creating a utopia.

Yet it's also true that we need big dreams.

Not because they might come true.

Because they fire us up.

Because they set us into motion. And action makes all the difference.

Why Now?

Big visions are nothing new. Christianity was a big idea, and it's over two thousand years old. Communism was a big 19th century idea. But why social enterprise? And why now?

The short answer is, it's an idea whose time has come. The world needs social enterprise.

These are unprecedented times. The global population is connected as never before, with access to unparalleled volumes of information — much of it trivial and pernicious, but never mind that. Scientific and technological breakthroughs are transforming our world at a mind-boggling pace. Our inner sense of time — of urgency — is speeding up to match it. We're all becoming speed freaks — with a side of attention deficit disorder.

Meanwhile, wherever you look, the walls are coming tumbling down. The signs of collapse are everywhere — in our imploding financial system, our stressed natural systems, our failing economies and our hopeless and helpless politicians as they embarrass themselves inside a political system that attracts charlatans and blowhards and where not even the best can succeed.

In the face of all this, the old familiar strategies are looking pretty rickety. Will free-market capitalism in its current global incarnation

help us out of this mess? Not likely. How about our democratic form of government? Er, *what* democratic form of government? Then how about the power of the people? Don't bother us; we're watching *American Idol*. Obsolescence, decadence and indifference rule the day.

Those with a desire to make a difference are hampered by organizational forms whose origins date back to the 19th century, an almost unimaginably different era. As it's evolved, the for-profit organizational form rewards short-term thinking and a profits-first, social-and-environmental-damage-be-damned attitude. While this is especially true at the global corporate level, the rules of the road for small businesses aren't much better. Most small businesses lack the resources to do anything more than pursue their narrow self-interest.

The non-profit organizational form is similarly ill-suited for our current challenges. Historically, non-profits have counted on grants and donations to sustain their existence. Their metrics for defining success are often fuzzy or non-existent. When the correlation between revenue and performance is less than strict, true innovation is rare. The unfortunate reality is that the non-profit rules of the road tend to discourage the kind of all-or-nothing risk taking that leads to real change.

Piled onto this is a new challenge — the grants and donations that used to sustain non-profits are drying up. Not only are the rules of the road problematic, but the road is now pockmarked with sinkholes! For many non-profits, it's either close the doors or come up with new ways to generate revenue — and typically the only option is to play by business's rules and pursue earned-income strategies. But when they go down that path, non-profits are accused of being just like businesses — and their tax-exempt status is then called into question, which in turn threatens their existence.

With things collapsing all around us and the old ways not up to the task of making things right again, are things hopeless? No. When things fall apart, something new must rise up to replace it. It may take a while — there may be chaos for a while — but eventually new

strategies and structures emerge. Collapse does not only mean devastation. It also means opportunity.

The phoenix arising from the ashes can take one of three possible forms. The first is technological. It's a safe bet that dramatic technological developments will keep coming down the pike. This is a fine thing — and also a mixed blessing. As the last century has taught us all too well, technological advances can produce catastrophic unintended consequences.

The second possibility involves the evolution of consciousness. Some people — carriers, we suspect, of the infamous Woodstock virus — foresee a transformation in global consciousness that will usher in an era of unprecedented caring, sharing and love. We don't think so: maybe it's the lawyer in us. But we *do* anticipate more modest shifts in our mental models. As a species, we already think much more globally than we did a half-century ago — similar adaptations are sure to come along. These shifts in our dominant reality tunnel, along with the inevitable technological developments, are sure to produce new strategies for organizing human activity.

In other words — and this is the third option — structural change.

These structural transformations in our social systems are already hard upon us. Just think social media! Meanwhile similar though less dramatic innovations are occurring in our approach to structuring how people work together. For centuries we've divided private sector organizations into two branches: for-profit and non-profit. Now a hybrid form — the social enterprise — is emerging that combines for-profit revenue-generation strategies with the non-profit's commitment to solving social problems.

This structural shift is emerging from the grassroots up. The rate of adoption, though nothing like social media, is impressive. The term "social enterprise" first came into widespread use in the 1980s. As of this writing, a little more than two decades later, 11 states have enacted laws giving formal legal status to businesses that embed social commitments in their charter. A twelfth (Pennsylvania) is about to do

the same, and Benefit Corporation statutes are on the docket in 16 more states for 2013. By any reasonable measure, this is rapid uptake.

The social enterprise meme is thus emerging in the vacuum created by the breakdown of our social structures and institutions. Still, as we noted earlier, not every good idea catches on. Why social enterprise and not some alternative approach? What makes social enterprise, like a kitten at the ASPCA, so adoption-friendly? We suggest the following:

- It is unambiguously positive. It takes the best of A and the best of B and makes them even better. It encourages high-mindedness and plays to our idealism. It is emotionally uplifting.
- It is actionable. Anyone who wants to can go out and start a social enterprise. You don't need a million dollars (though that helps). You don't need to cozy up to regulators or have access to the rich and powerful. All you need, as they say, is a dream.
- It is luminously preferable to the alternatives. It's in people's nature to comparison shop: social enterprise wins this one going away. "You never change things by fighting the existing reality," wrote Buckminster Fuller. "To change something, build a new model that makes the existing model obsolete."

The world is in a heap of trouble. The global emotional forecast looks something like this: suffering today, intense at times, with a likelihood of even more intense suffering tomorrow. Not a happy prospect. What's to be done?

For more and more people around the world, the answer is social enterprise.

About This Book

We've written this book because we want social enterprise as an institution to succeed and because we want individual social entrepreneurs to succeed, too. We wouldn't have written it if we didn't think we could help you.

The approach we've adopted is somewhat unconventional. Most business books focus on either strategy and tactics, or on leadership — the outer and inner games, as it were. To be a successful entrepreneur, you need to be skilled at both — you need to be both savvy and wise — and so we've allocated roughly equal space to each topic.

The book is divided into three sections. The first section (*This Thing Called Social Enterprise*) provides an overview of an emergent that, with only a hint of hyperbole, we can say is taking the world by storm. There are both outer and inner — or, if you prefer, objective and subjective — reasons why we launched the book this way. As a practical matter, the section provides a framework for the more granular material that follows. It is also useful for current and prospective practitioners to have a sense of the pond in which they swim. As for the subjective reason, when I say to myself, "I am a social entrepreneur," a question inevitably arises: What does this mean? When I look in the mirror, who do I see looking back at me? Thus this section addresses that most basic of human questions, Who am I? And, because we are a social species, it addresses a related inquiry as well: What tribe do I belong to?

Section one has three chapters:

- "New World, New Rules," the one you're reading now.
- "Portrait of a Tribe-in-Progress," which offers an informal taxonomy of the current field of practice along with a 30,000-foot view of this complex and multi-faceted emergent.
- "Battle of the Worldviews," in which we examine how social enterprise fits into the competition between the established and emerging mental models about the best way to show up in the world.

In section two (*Key IMP-gredients*), we turn our attention to the mechanics of running a social enterprise. At the end of the day, social entrepreneurs have three separate areas of focus: *intention* (what they're setting out to accomplish), *money* (which supplies the energy that enables them to pursue their goals) and *people* (not even the most

brilliant person can build a successful social enterprise on their own). Section two has four chapters:

- “Intention Is Where the Heart Is” (about intention).
- “Money Matters” (about money).
- “The Social Enterprise as People Person” (about people).
- “Decisions, Decisions, Decisions,” which walks the reader through Allen’s process as he problem solves with social entrepreneurs. We included this chapter because social entrepreneurs need to be adept at working with their strategic and tactical options. If you’re playing chess, you need to understand the pieces. Similarly with social enterprise — and Allen’s been playing the game for years.

Section three (*The Social Zentrepreneur*) focuses on the inner game. It provides guidance on how to stay present and balanced while riding the inevitable rapids of social enterprise. It has three chapters:

- “The Myth America Pageant” debunks conventional (and counter-conventional) memes about business, power and leadership.
- “Carl and Allen’s Ten Commandments” discusses inviolable success principles.
- “Overcoming Entrepreneur’s Disease” addresses the special challenges that are a frequent if not inevitable result of the entrepreneurial (and social entrepreneurial) temperament.

A few more observations about the book may be useful. First, we’ve included material that’s relevant for conventional as well as social entrepreneurs (and for investors, too). Every entrepreneur, social or not, needs to raise capital and risks falling prey to “visionholism.” We also discuss leadership — and that’s a life skill, not something for social entrepreneurs only.

Second, we’ve tried to keep this book short, digestible and entertaining. People these days don’t have time to read: we’ve tried to follow the writer Elmore Leonard’s admonition to writers to “leave out the part that readers tend to skip.” We’ve also tried to organize the book so you’ll get lots of value even if you just dip in and out.

Third, the main geographic focus of this book is the United States, for the simple reason that this is the country — and law — we know the most about. Activities in other countries are mentioned, as is only appropriate given the global nature of the social enterprise phenomenon.

Last but not least, this book, while surely not about spirituality, is informed by spiritual intuitions. We believe that, to be truly expert at social enterprise, you need to be present and self-aware. You need to be both subjectively attuned and objectively adept. You need to cultivate skills like being comfortable with uncertainty. You need to balance ego with egolessness, self-interest with service, confidence with humility. You can legitimately view this as a spiritual practice or as a requirement of leadership. In our view, there's much overlap between the two.

With these preliminary observations out of the way, let's move on to the important stuff.

Let's talk about us.

About the Authors

In a trial, expert witnesses are expected to establish their bona fides at the outset. It's a reasonable requirement and one that's appropriate for authors, too.

It's also the case that all books are, at the end of the day, conversations. On the twin assumptions that you'll experience these pages as more personal — and personable — if you know a bit more about us and that you'll also be likelier to credit what we say if you know our qualifications, here is some background about us.

Allen Bromberger

My work as a lawyer is motivated by a desire to do good and do well — the very same instincts that most of my clients share. This alignment between my own ambitions and the goals of my clients has allowed me to build a unique practice that focuses on ways that

“charity” and “business” can work in synergy to accomplish goals that can’t be accomplished using traditional legal forms. Just as my clients have to be creative and develop new approaches to old problems, so do I. When you want to do things differently, creativity and adaptation are essential.

I started my career in 1982 as a public interest lawyer working in areas ranging from prisoners’ rights and domestic violence to affordable housing and social services. Before that I was a housing and political organizer. Within a few years of legal practice, I began to focus specifically on the needs of non-profit organizations with respect to their own business affairs: fundraising, governance, legal compliance, tax exemption, political activity and commercial activity. It was during this time that I wrote and co-authored two publications that are widely used among New York lawyers: *Getting Organized*,¹ and *Advising Nonprofits*.² These how-to books were intended to help inexperienced lawyers handle non-profit legal problems efficiently.

At that time, the commercial component of the non-profit sector was growing quickly as non-profits sought to find new sources of revenue and test the value of their services in the marketplace. I soon discovered that the line between business and charity made it hard for non-profits to engage effectively in commercial activities, but it also made it hard for for-profit companies to partner effectively with charities. Many is the time that business executives expressed frustration with the way charities work and all the restrictions that seem to apply. Little did they realize my non-profit clients were complaining about the same things.

I soon became acquainted with socially minded business leaders and began to discuss with them how they could use their companies for good without losing their focus or profitability. I learned about how companies are started and grow, how strategic decisions are made and how the interests of executives, directors, investors, customers, suppliers and employees are juggled and reconciled. I learned how to counsel clients in a way that made their lives easier, not harder.

Since then I have sat on a number of boards and committees, advised the federal government on ways to support social enterprise and regulate social enterprise, and written numerous articles on ways that charity and business can work together. I'm a frequent lecturer. I blog. Some very smart people seek out my advice on a regular basis, so I must be doing something right.

This book is a way to take some of the lessons I've learned and share them in a way that is entertaining and accessible, but also deep and practical enough to be of use to its readers. The times they are a-changin', and I'm glad to be a part of it.

Carl Frankel

I'm trained as a lawyer, am a member of the New York State bar and have been working in the green and socially responsible business space for over two decades as a writer, consultant and entrepreneur. Way back in eco-business prehistory — this would be in the late 1980s — I wrote the first-ever market study of green consumerism. From 1990 to 1994, I published and wrote a trade newsletter, *Green MarketAlert*, which tracked developments in green consumerism, socially responsible business and corporate environmentalism. For the next half dozen years or so, my focus continued to be business and sustainability. I was the North American editor for a magazine that focused on corporate environmentalism, authored a well-received book (*In Earth's Company: Business, Environment and the Challenge of Sustainability*³), consulted with numerous profits and non-profits, spoke at conferences and generally engaged with this community in the mode of expert and thought leader.

As we made the turn into the new century, my attention began to shift. For years I'd been tracking and working with mostly established organizations, and I was starting to feel as if I was caught in the movie *Groundhog Day*. I kept seeing the same mistakes happening, I wasn't learning anything new, and progress was painfully slow. Meanwhile we were hurtling toward the social and ecological abyss. Could the

rate of change be accelerated? This struck me as the most important strategic challenge of our time.

As I pondered this question, I found my way to two answers. First, we had to go deeper in our understanding of the root causes of the sustainability crisis. This included, among other things, integrating its inner and outer dimensions. This perspective was what inspired my 2004 book, *Out of the Labyrinth: Who We Are, How We Go Wrong, and What We Can Do About It*,⁴ which analyzed what I called the “deep structures” of the sustainability crisis.

Second, since the old ways weren’t working, we needed new rules of the road. With this realization, my attention turned to social enterprise, both as a writer and practitioner. I spent many months working on a white paper on social enterprise that was commissioned by The Aspen Institute. For 18 months, I served on the management team of ManyOne Networks, an ambitious and ultimately unsuccessful social enterprise that aimed to create what founder Joseph Firmage called a “PBS for the Web.” I designed and for three years ran my own social enterprise, Our Community Networks. Think craigslist marries Groupon, ahead of its time. Since 2009 I’ve been managing director of a sex education social enterprise, The Center for the Intimate Arts.

I’m deeply steeped in green business and social enterprise and look forward to sharing this brew with you.