



by Laurie A. Ensley

# Making ¢ents with Social Enterprises

Profits and dividends:  
win/win in social entrepreneurship

**It took six months of wasting mustard** for Jay Friedlander, MBA '97, to create a new supply chain for the natural-foods, quick-service restaurant start-up, O'Naturals. Using mustard as a salad dressing ingredient, employees noticed a number of inefficiencies. Organic mustard came in small 11-ounce jars, inconvenient for bulk recipes. The jars took longer to scrape and produced inevitable waste, both of mustard



“Eco-discs” (above) are affixed throughout the O’Naturals restaurants, informing customers about various company initiatives, from recycling waste and food and bottle deposit donations, to reuse of building materials and energy efficient designs.

and packaging. Working with so many small jars also drove up labor costs and increased the chance of work injuries. Addressing these issues, Friedlander successfully found larger containers of organic mustard; now the natural food industry recognizes the new demand for supplying bulk sizes.

From development to production to distribution, O’Naturals demonstrates the complexity involved in maintaining a triple bottom line organization, one accountable for conscientious social, economic, and environmental results. Friedlander worries about many details that regular restaurants can ignore, but he feels that the socially responsible components attract stronger employees and loyal customers, and make the business inherently more innovative.

## Social Responsibility

Social entrepreneurship is a developing field, as Natalie Taylor, associate professor of entrepreneurship, explains, “The social entrepreneur is concerned with creating economic and societal wealth, things like better education, better healthcare, stronger communities, and more informed uses of natural resources. There is a range of activity that often is referred to in the context of social activities, certainly socially responsible business, environmentally responsible business, philanthro-

py, nonprofit work, socially responsible investing, and corporate social responsibility.” Many terms, including ethics and spirituality, are included in discussing these values-based organizations and values-driven individuals.

The ventures involved in these activities are often referred to as double and triple bottom line organizations. Double bottom line organizations are essentially dual-purpose organizations with financial and social goals. Triple bottom line organizations are comprised of economic, social, and environmental objectives. In both cases, those are translated into bottom line goals and into the mainstream of strategy of the organizations that embrace them. The reality of being a social and environmentally responsible entrepreneur is that it is harder than just running a single bottom line organization, as the triple bottom line organization faces tough standards on all business levels.

Corporate social responsibility, a complementary arm to social entrepreneurship, has existed for more than half a century, yet its success often comes on the heels of a major crisis. The bankruptcy of the 1970 Penn Central Railroad and the recent Enron scandal are both examples of egregious mismanagement, ultimately leading to refined corporate activity with social ramifications. Measuring the success of corporate social responsibility may depend on the dilemma at hand, rather than continuously adhering to corporate principles. “The hard part is that we often need crisis to wake up,” says Taylor. “Unfortunately, the record seems to show that palliatives taken at such times rarely lead to positive and enduring change.”

Many Babson alumni and professors reiterate the same sentiments about the significance of proactivity in nonprofit and for-profit endeavors with respect to social responsibility and economic health. For them, engagement in socially responsible ventures also fulfills a person as a



**Natalie Taylor**  
ASSOCIATE PROFESSOR OF  
ENTREPRENEURSHIP

## Jay Friedlander, MBA '97

VICE PRESIDENT AND COO  
O'NATURALS  
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whole, providing intellectual stimulation, career enhancement and growth, and a connection to the community.

Extra layers of work are required to ensure the success of a socially responsible business, yet, as Taylor explains, "There is a compelling argument to be made that strategic advantage can accrue to organizations that create both economic and societal wealth. Even so, economics still have to call the shots ultimately. Values-driven choices need to be vetted against the realities of the marketplace to assure the economic sustainability of an organization."

### Triple Bottom Line

The inspiration for creating O'Naturals started with the founders' desire for healthy fast food. Combining the essential objectives of great food, superior service, and a comfortable atmosphere with all natural and organic products, environmentally friendly building materials for its stores, and community involvement, allows O'Naturals to differentiate its concept from other quick-service restaurants. From using real dishes for in-house diners, to donating foodscraps to local farmers to use for compost and feed, and utilizing recycled building materials, O'Naturals gains advantages, both socially and financially.

O'Naturals scrutinized its business model and gave it the test: What would be the social ideal for the business at all levels, from a commitment to its workforce to environmental concerns, both in its products and facilities? Ultimately, the financial consequences of every decision were analyzed. "Early on," recounts Taylor, "the economics likely weren't there. It probably took several iterations and a fair number of adjustments in the operating model to arrive at an acceptable balance between the economics and the values-based choices."

Sounds ideal, but it is not an easy path to follow. Friedlander understands the difficulties inherent



LEFT AND BUTTON PHOTOGRAPHS: MARK ALCAREZ

in these business practices, as he has almost always worked in the socially responsible arena, including Rails-to-Trails Conservancy and service in the Peace Corps. While at Babson, he did a Management Consulting Field Experience project for Stonyfield Farm, which gave him the connection for his current position, as Gary Hirshberg, founder of Stonyfield, is also an O'Naturals cofounder and board member.

As vice president and COO, Friedlander helped design O'Naturals to use these principles to strengthen the company, just as any other quick service company is constantly thinking of ways to succeed. The initial hurdles faced by a triple bottom line entity make it harder for companies to follow this track, while increasing company valuation and customer loyalty.

### Philanthropy and Society

David Webster, MBA '73, is not a social entrepreneur per se; however, his nonprofit experience and charitable work illustrate a more modern approach to philanthropy, as well as add a level of accountability to the practice. After a successful career in the insurance industry, he and his wife Janie created the endowed Natalie Taylor Fund for Student Ventures in Social Entrepreneurship at Babson. The fund honors the work of Taylor and



## Claire Preisser, MBA '00

ASSOCIATE DIRECTOR  
BUSINESS AND SOCIETY PROGRAM  
THE ASPEN INSTITUTE  
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her two decades of pioneer teaching in social entrepreneurship at Babson.

Webster's modest family foundation supports many nonprofit organizations, including several colleges. He has started funds at all of them with three criteria: the funds must be named for a professor Webster may have had or who is influential in a project he has supported (such as Babson's Taylor Fund); the fund must be in a field of interest for Webster; and financial support from the funds must be given to students through internships and stipends in ventures engaged in social entrepreneurship. In addition to establishing the guidelines for his donations, Webster is an example of an engaged philanthropist, because he requires students doing projects and internships through his fund to write papers for him describing how each has benefited from the program.

Webster explains to students, "If your work environment is not completely fulfilling and you question the social utility of your work but can't leave the for-profit environment, seek nonprofit opportunities that complement your work and give you the fulfillment you seek. Engaging in social entrepreneurship might be part of your total persona, and there is both great intellectual and social value gained from it: have your life's work have some social utility value."

Says Taylor, "Webster represents the kind of professional who had a mainline career but has maintained a significant involvement in nonprofits and social enterprises throughout, not at an

arm's length, but as a practitioner." Webster's strong business background and a deep-rooted commitment to nonprofit organizations present an interesting example of how a more traditional career track can lead to making a difference in the social sector.

## Policy and Corporate Efforts

Claire Preisser, MBA '00, works for the Aspen Institute, an international nonprofit organization fostering leadership learning and communication on social and policy issues. Explaining its services and contributions to corporate social entrepreneurship, she says, "Corporate social entrepreneurs – firms like HP, DuPont, Unilever – flourish by profiting from opportunities where business can serve the common good."

Aspen's seminars prompt participants to question the roles their own companies may play in addressing social challenges. In her position as associate director of the institute's Business and Society Program, Preisser works to create dialogue and research-based projects for business leaders and business school faculty. Stressing the entrepreneurial element she explains, "We engage current and future leaders in an examination of the fundamental purpose of the firm, the context in which business operates, and the metrics by which business success is measured."

The community and societal impact of Aspen's leadership and policy initiatives is strong and its reach extensive. Preisser's program is one of the institute's 16 policy programs, she explains, "Each program works in various communities – whether it be the environmental community, the legal community, members of congress – or, in our case, the corporate community." In addition to national and global public policy and corporate work, Aspen heavily contributes to educational welfare through programs directed at business school faculty.

Preisser's early experience included social serv-

The interior trim is salvaged Douglas fir from the Brunswick, Maine, Naval Air Station hangars.

ice work, but a career change shifted her to a boutique management consulting firm. Yet, even the corporate work resonated with her social interests, as she felt it impacted local communities. “I pursued my MBA at Babson because I believe that the simultaneous pursuit of business and social goals is indeed an entrepreneurial venture.”

## Capital Investments

Michael Gurau '84 heads CEI Community Ventures (CCVI) to target venture capital investment in underprivileged communities. His business plan was the grand prize winner of the 2003-04 Nonprofit Business Plan Competition for the Yale-Goldman Sachs Partnership on Nonprofit Ventures. As a for-profit entity, CCVI incorporates the values of its nonprofit parent company, Coastal Enterprises, Inc., a community and economic development group. The field is a relatively new industry, and as one of only six national companies focused in this area of venture capital, CCVI operates a \$10 million fund focused on providing business opportunity for underserved and distressed communities in northern New England.

As part of its mission, CCVI works to uphold double and triple bottom line models through socially responsible investment. The fund's average investment ranges from \$100,000 to \$500,000 and may be higher if coordinated with other investors. Diversity, environmental awareness, job creation and retention, and socially beneficial products are among the key issues CCVI examines in investing funds. This sort of venture capital work is complex, and requires a specific skill set, one that Gurau acquired from Babson and the University of Virginia's Darden School, as well as a hybrid of venture capital investment and operating experience. For his work, he is uncovering a real market opportunity in underserved regions and sectors. “Forward-thinking

social and environmental initiatives often enhance a business's value proposition,” says Gurau, “creating a more satisfied and productive workforce and a positive brand image.”

The financial and social returns can be great, and the community impact substantial. Taylor explains, though, that, “Gurau is on the horns of the dilemma: Does he create jobs or does he create wealth? He's aiming to use his venture capital skills to achieve a better balance between the two and to earn a better return than more traditional community and economic development groups have in the past.”

Catherine Friend White, MBA '86, also works in the financial realm of social responsibility. In 1990, she started her investment management company, FinArc, because she recognized a market need for a truly client-focused practice, geared toward best returns and independent investing.

The differences in her financial approach, however, continue beyond filling a market gap. While the company's portfolios may range in size, FinArc also emphasizes socially responsible investing and approximately 70 percent of its assets are screened to find appropriate opportunities. Offering clients socially responsible invest-



MARK ALCAREZ

## Michael Gurau '84

**PRESIDENT  
CEI COMMUNITY VENTURES, INC.  
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ment options as an overlay to its investment management invites investors to consider this type of investing without solely focusing on it. FinArc has found that many traditional investors who initially do not apply screens, eventually add them as they continue working with the company.

One method to support this type of venture is technology based, as outside databases are used to supplement original research on corporate social factors. “We use the social screens as the final step in deciding whether a stock belongs in a particular portfolio,” she explains. “Each client chooses personal social criteria, and we implement the trades to match these goals.”

Upon entering this industry, White worked for a firm that screened out “sin” stocks, which is how she was first introduced to the concept of socially responsible investing. Her other work as a partner and portfolio manager for a mutual fund company gave her the experience she needed to start her own firm. FinArc is highly respected for the strength of its returns, demonstrated by its outperformance of the S&P, as well as its reputation for outstanding customer service.

Financial success also allows White’s firm to

have a societal and community impact. “We feel strongly that by encouraging responsible companies through investing in them and through engaging in dialogues about the social impact of their operations, we are helping them improve their products and their relationships with customers and employees,” she explains. Companies can benefit tremendously, as seen in lower employee turnover, reduced expenses, and increased revenues. “By helping companies identify the goals of their shareholders, they can better manage their firms to attract capital,” she says. “By letting firms know the importance of maintaining the environment, social investors help firms reduce fines and cleanup costs, making the world safer for all of us.”

## Value Creation

For Stephen Spinelli, MBA ’92, vice provost for entrepreneurship and holder of the John H. Muller Jr. Chair in Entrepreneurship, it is critical to teach students the role of value creation, supported by an ethical perspective, with respect to business. “The entrepreneurial view is value-creation,” he explains. “The better the economics, the more value is created. By providing value in the long-term for all stakeholders, like the community, the environment, etc., we create a more sustainable value proposition, which over the long run should be more rewarding.”

Jeffrey Timmons, professor of entrepreneurship and holder of the F.W. Olin Distinguished Chair in Entrepreneurship, often examines the issue of sustainability with respect to environmental and social concerns. Heavily influenced by the principles of Ewing Marion Kauffman, Timmons stresses the importance of sharing wealth with the people who helped create it, treating other people as you would like to be treated yourself, and giving back to the community.

Timmons ensures students understand that



**Catherine Friend White, MBA '86**

**PRESIDENT  
FINARC, LLC  
NEWTON, MASS.**

## Stephen Spinelli, MBA '92

**VICE PROVOST FOR ENTREPRENEURSHIP  
AND HOLDER OF THE JOHN H. MULLER JR.  
CHAIR IN ENTREPRENEURSHIP**



social responsibility, strong ethics, and integrity are fundamental to business. To integrate these key principles into coursework, Timmons explains, “We work hard to include a whole concept of sustainability: for the community, for the environment, and for the economy. These are not without their obvious and inherent conflicts, but the notion that it’s part of the thinking that any responsible entrepreneur ought to be doing is what we try to teach.”

An ethical framework and perspective is woven into Babson’s curriculum, as business creation necessarily entails a sense of social responsibility. Collaborative research efforts are plentiful, including the Babson-Historically Black Colleges and Universities Case Writing Consortium, the Price-Babson Symposium for Entrepreneurship Educators (teaching educators to teach entrepreneurship to improve economic development and socially responsible entrepreneurship), and the Global Entrepreneurship Monitor study, which has a heavy global influence on public policy. In addition, satisfaction with experiences at Babson, through MCFEs and volunteer opportunities such as Amnesty International and Habitat for Humanity, lead many graduates to seek work in nonprofit organizations.

### Community

Christina Murray, MBA '04, defines her job as the field of workforce development. She works as the director of enterprise operations for Project Place, a social service agency that helps the homeless at many levels, from finding housing to employment. Her undergraduate degree in education, coupled with a Babson MBA and work experience in training and development, make her well suited for her position running six-month job-training opportunities. Murray came to Project Place directly through a Babson MCFE program with Community Wealth Ventures, which spon-

sored a 10-month project on developing and implementing earned income ventures.

Project Place was founded in 1967 and its mission evolves with respect to community need. Project Place deviates from the standard nonprofit organizational structure, moving away from a reliance on strict fundraising, operating instead through a combination of private contributions, state and federal subsidies, foundation grants, venture philanthropists, and earned income from social enterprises. “I am intrigued by the way Project Place and other nonprofits are forming earned-income enterprises to support their charitable missions,” Murray explains, “which allows our agency greater self-sufficiency and less dependence on outside sources of funding.”

While it may be easy to explain the societal or community effects of the work of Project Place by simply saying it helps people in need, it is often harder to gauge the true nature of its impact. “The best measure of its economic influence involves helping our clients become productive members of society,” Murray says.

Other Babson alumni are working in the field of nonprofit fundraising. Jon Carson '79 is heavily involved in nonprofit foundations at the board level, while his own company, cMarket, helps



fundraisers effectively secure capital from sponsors and donors. With a passion for social responsibility and a highly successful investment career, Carson engages in social entrepreneurship at all levels.

Carson describes cMarket as essentially an eBay for nonprofits. “cMarket’s core differentiation is the team – we have returned over \$2.2 billion to investors in 10 prior startups. What differentiates us is, unlike setting up a booth in an eBay/Yahoo branded environment, we offer nonprofits the ability to put up their own branded auction Web site that does not facilitate comparison shopping.”

Investment in a straightforward technology toolset as well as prescient marketing, also gives cMarket a competitive edge. An easy-to-use platform increases bidding and people’s ability to obtain items, ultimately providing quantifiable marketing value to item donors and sponsors. “In our first year, we raised millions of dollars for worthy causes (k-12 education, cancer research, homelessness, AIDS research, etc.),” says Carson, “and the average cMarket client generates approximately 50 percent more when they put their auction online. Many will double and triple returns.”

Carson brings his experience back to Babson, through teaching, research, and volunteer work. In addition to a case study of cMarket, currently, Babson is working on a case study of Family Education Network, for which Carson was a cofounder and CEO. FEN was sold to Pearson plc for \$175 million, which helped show the market that social entrepreneurship need not sacrifice returns.

## Viability, Possibility, Growth

The work of Gloria Ro Kolb, MBA ’01, demonstrates the impact of a socially responsible process with a worthy product. She founded Fossa Medical in 2001, after designing a medical device to help remove kidney stones. The Ureteral Stone Sweeper is effective at many levels, as the procedure has a higher success rate and takes less time to perform, benefiting patients, doctors, and hospitals. Fossa has other medical devices in development, which will have similar universally effective results.

Fossa’s products permeate the issues of social responsibility at many levels and the company illustrates the life-long and continuing relationships created by Babson entrepreneurs. Kolb combined her scientific and engineering degrees from Stanford University and MIT with a Babson MBA, using her skills now to solve medical problems. “It was just so pure Babson,” remembers Spinelli of Kolb’s work. “It was a transformation to a value-creating perspective, from ‘I’m going to make money’ to ‘I’m going to solve a problem and I’m going to do good while I do well.’”

For Taylor, “What’s been especially gratifying over the years is to see the increasing numbers of Babson students and graduates who are creating and affiliating with for-profit and nonprofit ventures that are making a positive difference in the lives of others – ventures which provide social and financial benefits through their products, services, and other business practices.”

Modeling an organization to be socially responsible at all levels may seem like a utopian concept. Teaching the principles at least gets us closer. Spinelli says, “The Babson way is not that there’s more to life than making money, there’s more to value than financial return. Gaining that textured understanding of that value is what builds a better life.”



**Christina Murray, MBA '04**  
**DIRECTOR OF ENTERPRISE OPERATIONS**  
**PROJECT PLACE**  
**BOSTON**