

Social Enterprise: What It Is, How It Works, and Examples

What Is a Social Enterprise?

A social enterprise or social business is defined as a business with specific social objectives that serve its primary purpose. Social enterprises seek to maximize profits while maximizing benefits to society and the environment, and the profits are principally used to fund social programs.

KEY TAKEAWAYS

- A social enterprise is a business with social objectives.
- Maximizing profits is not the primary goal of a social enterprise as is with a traditional business.
- Unlike a charity, social enterprises pursue endeavors that generate revenues, which fund their social causes.
- Regarding employment, preference is given to job-seekers from at-risk communities.
- Funding for a social enterprise is often obtained by selling services and goods.

Understanding Social Enterprises

The concept of a social enterprise was developed in the U.K. in the late 1970s to counter the traditional commercial enterprise.¹ Social enterprises exist at the intersection of the private and volunteer sectors. They seek to balance activities that provide financial benefits with social goals, such as housing for low-income families or job training.

Funding is obtained primarily by selling goods and services to consumers, although some funding is obtained through grants. Because profit-maximization is not the primary goal, a social enterprise operates differently than a standard company.

While earning profits is not the primary motivation behind a social enterprise, revenue still plays an essential role in the venture's sustainability. [Sustainable revenue](#) differentiates a social enterprise from a traditional charity that relies on outside funding to fulfill its social mission. This goal does not mean social enterprises cannot be profitable. Instead, it's simply that their priority is to reinvest profits into their social mission rather than fund payouts to shareholders.

The [Organisation for Economic Co-operation and Development \(OECD\)](#) identifies social enterprises as being highly participatory, with stakeholders actively involved and a minimum number of paid employees.²

Social Enterprise vs. Social Entrepreneurship

A social enterprise is not to be confused with [social entrepreneurship](#), which focuses on individuals who develop solutions to social and environmental problems using existing business techniques and strategies. [Social entrepreneurs](#) seek innovative ways to drive change, whereas social enterprises form to fulfill a business purpose and solve societal needs through their commercial activities.

Examples of a Social Enterprise

Many social enterprises successfully maximize improvements in [social well-being](#). For example, Warby Parker is an American eyeglass retailer that donates a pair of glasses to someone in need for every pair sold.³ TOMS, a California-based retailer, similarly has pledged to donate a pair of shoes or

sunglasses for every pair sold.⁴⁵ Also, Radicle trains businesses and gives them software tools to track and cut their greenhouse gas emissions.⁶

Special Considerations

Employees of social enterprises come from many backgrounds, but priority is given to those from at-risk sections of the communities. These may include long-term underemployed workers, who have historically worked in jobs where they were informally paid.

[Social enterprise opportunities](#) may seek to provide a living wage, which is above the minimum wage in most cities. Some social enterprises may pointedly seek out employees from at-risk groups as a requirement for hire.

What Are Examples of Social Enterprise?

Social enterprises are usually a blend of private and volunteer sectors. A credit union, a coffee shop that sells fair-trade beans and hires candidates from at-risk communities, or a neighborhood food co-op are all examples of social enterprises.

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How Can I Start a Social Enterprise?

If you own a business, you could partner with a nonprofit, food pantry (if applicable), or other charity and donate your time, money, or products. If you are starting from the ground up, the first step may be to identify a problem and your solution to it, explain to potential funders your action plan, and make sure you have experts to back up and support your endeavor.

How Can I Get Hired to Work for a Social Enterprise?

If you want to get hired by a social enterprise, you should understand both the for-profit and the social benefits that it provides. Many employees of social enterprises are from diverse backgrounds and some may come from at-risk communities. Like any job, the qualifications will likely be based on experience and education, as well.