

Taking responsibility

How social entrepreneurship is affecting the triple bottom line **Interviewed by Meredyth McKenzie**

Over the past decade, there has been a radical change in the face of entrepreneurship.

While typical entrepreneurs are focused on profit, many of today's entrepreneurs have become focused on the triple bottom line — profit, people and planet. That has created a new class of social entrepreneurs who are focused not only on how they are doing financially but on what they are doing socially and ecologically to help the community and the planet.

"Companies have a responsibility to effect change on the ecological and social issues in the world," says Dennis Barsema, a social entrepreneur who is a director for, and has been involved with the formation of, two Illinois-based nonprofits, an instructor in the Northern Illinois University Department of Management and a member of *Opportunidades Microfinanzas*, the board of *Opportunity International*, Mexico. "Every business, large or small, has the ability to make a difference."

Smart Business spoke with Barsema about why social entrepreneurship is important to business, how it is affecting Wall Street and how business leaders can get involved.

What are the characteristics of social entrepreneurs?

Successful social entrepreneurs are great networkers. They also have the ability to see a vision and a need, and to map out a path to address the need. In addition, successful social entrepreneurs have the ability to assess their own strengths and weaknesses, and they hire to those weaknesses.

They are also great salespeople. Often, they have to sell their idea to the people or community that they are trying to help and then sell their idea to potential donors. And finally, they are risk-takers. Social entrepreneurs are not afraid to take risks because, often, their goal is driven not by money but by the desire to serve a need or cause, and many live pretty simple lives.

Why is social entrepreneurship important to business?

Employees want to be a part of companies that are socially responsible. It's also important for retention and recruitment, as many of today's college graduates want to work for socially responsible companies. They don't want to read in the paper that



Dennis Barsema
Instructor, Department of Management
Northern Illinois University

their company got fined for dumping toxic waste in the river.

If you're going to be a socially responsible company, you need to be looking at all three parts of the bottom line — people, profit and planet — and not just two of the three. You can't be doing good things to help the community and planet and not make a profit.

Many social entrepreneurs have a hard time with the profit part because they're so focused on people and planet, but profit is important. You won't be around long if you don't make any money.

Conversely, many businesses are also starting to be judged by consumers on their social and ecological scorecards as well as on their profit. For example, Starbucks includes information on its displays regarding its social responsibility to the planet and what it is doing about it, such as using reusable plastic and recycled materials.

How is this trend impacting Wall Street?

The Global Reporting Initiative started in the 1990s but picked up steam in 2006. It's being done in cooperation with the United Nations to start judging companies on three primary criteria — economic, environment and social performance.

The GRI is a voluntary report, but there

DENNIS BARSEMA is a social entrepreneur, an instructor in the Northern Illinois University Department of Management and a member of *Opportunidades Microfinanzas*, the board of *Opportunity International*, Mexico. Reach him at (815) 753-6191 or dbarsema@niu.edu.

are more than 1,000 companies in 60 countries doing it in some form, including Coca-Cola, Pepsi, Cisco, Office Depot and Starbucks. Some are doing it annually, some less frequently, but they're still thinking about it and reporting on it.

The eventual hope is that companies on Wall Street will be measured on their GRI, as well as on their profits and losses. Eventually, we may find companies being valued by shareholders on their environmental and social performance. There are some people already doing this, but we're not there yet.

How can business leaders become more focused on social entrepreneurship?

Find a cause that breaks your heart and do something about it. It's being aware of the needs in your community and what your product is doing to the world. You need to be aware of your product life cycle and its effects on the environment. Is your product responsible to the planet and environment? Or is it polluting the environment?

You need to become more involved in your community. You're responsible to give something back if you've been fortunate enough to be successful. You may not see the change for 20 or 30 years, but you can make a huge difference, even if it's just in your own community.

What is the future of social entrepreneurship?

Hopefully, there will be a day when an entrepreneur is a social entrepreneur, and the two are the same thing. If you're going to be an entrepreneur, you should be focused on the triple bottom line, not just on profit. Some of the biggest challenges social entrepreneurs face are access to capital (funding) and access to great people. More venture funds are beginning to focus on social enterprises, but there is a need for more.

There are a lot of initiatives like the GRI happening to bring awareness to a business owner's responsibility to the world. It's not going away; it's gotten too much momentum for it just to be a fad. It's going to become a part of the fabric of the business world.

I'm not sure how fast it will get there, but it is going to happen one day. There's too much of a need in our world for that not to happen. <<

Insights **Executive Education** is brought to you by Northern Illinois University College of Business