Can you make money and do good?

By Dee Gill
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It's unlikely Al Whittaker called himself a "social entrepreneur" in 1971, when he cut short a career running corporate giants like Bristol-Myers International and Mennen Co. to help the poor start their own businesses. At the time, few outside academia had heard the term.

But 37 years later and almost three years after his death, Mr. Whittaker's Oak Brook company, Opportunity International, continues to apply business models to solving social problems, a practice now commonly called social entrepreneurship.

With some 6,000 loan officers worldwide, Opportunity International has made more than 8 million small, uncollateralized loans to would-be entrepreneurs in 28 countries including Nicaragua, Uganda and the Philippines. The loans average $227 at 29% interest and typically are paid back within a few months. Recipients, who also get business training, have bought sewing machines, refrigerators, livestock and other supplies to start businesses.

The combination of advice and cash has lifted thousands out of poverty. One of Mr. Whittaker's earliest loans helped a West African boy from a destitute family buy a few chickens, starting him on a path that saw him become the largest poultry farmer in Ghana.

The organization's 98.5% loan repayment rate allows it to be self-sufficient and use donations and profits strictly for expansion. (By comparison, the U.S. Small Business Administration estimates its repayment rate at 93%).

"My parents had seen poverty all over the world in their travels with Bristol-Myers," says Don Whittaker, Al's son. Figuring out a way to help by using his business skills "was like a calling for my father."

TIRED OF GRANT WRITING

Today, a movement of social entrepreneurs is tackling issues like homelessness, disease, pollution and hunger with business enterprises.

Many come to the model because they have a passion for change but little interest in a lifetime of traditional fundraising. Jake Elster, a former non-profit worker and graduate student at Northwestern University, started Chicago-based Crop to Cup Coffee in October because he "got really tired of writing grants."

The for-profit importer helps coffee farmers in Uganda by processing, importing and roasting beans to sell to restaurants, mainly in Chicago and New York, and to consumers, who are encouraged to chat with the farmers online. Unlike most importers, who offer growers only the price for their raw beans, Crop to Cup gives them a 5% cut of end sales plus 10% of profits. The company also funds projects such as building coffee-bean processing plants and creating literacy classes in the farmers' communities.

So far, Crop to Cup's revenue has totaled $70,000. Mr. Elster lived off savings until June, when the company became profitable enough to pay him a regular salary. "So it's working like a business, but the customers know they are really benefiting the farmers because they can communicate with them," he says.

Suzanne Muchin is sure her Chicago-based company, Return On Inspiration, which helps people become social entrepreneurs, would have failed five years ago. Back then, few people understood the concept.

But in 2006, Bangladeshi economist Muhammad Yunus popularized social entrepreneurship when he and his Grameen Bank, a microlender similar to Opportunity International, were awarded the Nobel Peace Prize. Today, most of Chicago's major universities teach courses on social entrepreneurship.
Ms. Muchin, who started ROI 18 months ago, now has 15 clients and about $2 million in revenue. She's working with Grand Rapids, Mich., entrepreneur Jonathan Wege to build 3E Labs, a business that aims to bring sustainable power to schools in developing countries. She also works with the W. K. Kellogg Foundation on finding ways to generate revenue to support early childhood education programs.

"We are out there to make money and to change the world, and we know we can do both," she says.

THE HOLY GRAIL

But few entrepreneurs have achieved the Holy Grail of social entrepreneurship: scalable businesses whose work generates profits and can be replicated in many places.

Most social-entrepreneurship ventures still rely heavily on foundation and grant money, blurring the line between philanthropy and traditional business. Is an inventor who develops a greener fuel a social entrepreneur? What about an organization that trains principals of schools that can't afford to pay for the training?

"The point is not how much profit you can make, or how much in donations you can take, and still be a social entrepreneur," says Patrick Murphy, assistant professor of management at DePaul University. "The real way forward is this: You can actually lead a very nice life and make a lot of money while doing good."

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