



Social Enterprise Definitions

Social Enterprise / Social Venture: Social enterprises or social ventures are businesses whose primary purpose is the common good. They use the methods and disciplines of business and the power of the marketplace to advance their social, environmental and human justice agendas.¹

Social enterprise for purposes of The Exchange includes the following characteristics:

- Founder or developer of the social enterprise is a *nonprofit organization*
- Creates sustainable, unrestricted revenue or economic opportunity; *preferably both*
- May be structured in a number of ways, but the business exists to help the nonprofit serve its mission

Social Entrepreneur: Any person, in any sector, who uses entrepreneurial principles and earned-income strategies to pursue sustainable solutions to social problems.

Cause-Related Marketing: When a nonprofit licenses its name to a commercial company. The combination can enhance the reputation and boost the sales of the commercial company and simultaneously expand the reach and generate **earned income** for the nonprofit. Think of Yoplait Pink Lids for breast cancer or Box Tops for Education.

Corporate Social Responsibility (CSR): When businesses behave ethically and contribute to economic development while improving the quality of life for employees, local communities and/or society at large. This may include employee volunteerism, “green” programs, grants and sponsorships, etc.

Earned income: Revenue generated from the sale of goods, services rendered, work performed or interest earned/investment income. Earned income is different from contributed income in that it is not a donation to the organization.

Fee for Service: Payments for services or products provided by a nonprofit. Fees may be mandatory, or voluntary or requested. Fee for service is a type of earned income.

Impact Investing / Socially Responsible Investing: Investments made into companies, organizations or funds with the intention to generate measurable social and environmental impact alongside a financial return. It is estimated that \$45B is available in new and “switchable” funds from traditional investors who need some level of return, but who are willing to accept a potentially lower return in exchange for investing in social and environmental good.²

Risk Capital: Funds used for high-risk, high-reward investments. Foundations may invest risk capital in capacity building programs or new social ventures as a way to test innovative approaches or ideas.

¹ Source: Social Enterprise Alliance.

² Hope Consulting. Money for Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors. May 2010.