

For-profit or not for-profit? Social enterprises seek a better way

---- by Robert Goldsmith ----

Social enterprises must currently choose whether to be charitable non-profit organisations or money-making, for-profit companies. The choice is often hard to make since the legal status of each has positive points as well as drawbacks. Because of this, a leading social entrepreneur thinks it is time to create a hybrid legal status for social enterprises.

“It would be very interesting to come up with a new type of company that would be for-profit with a strong social mission that would also have the fiscal advantages of a non-profit organisation,” says **Andreas Heinecke**, founder and director of [Dialogue in the Dark](#), a for-profit social enterprise based in Germany. “What I’m looking for is a hybrid that would combine the best parts of both groups.”



Dialogue in the Dark, which was set up in 1988, offers exhibitions and business training worldwide where blind guides lead sighted visitors through different settings in absolute darkness. In this way, disabled employees acquire leadership, communication, and management skills. So far more than six million visitors in 26

countries have experienced a Dialogue in the Dark exhibition and more than 6,000 blind people have found employment as a result.

“The current situation has to change,” says Heinecke, the first social entrepreneur in Europe to be named a Senior Fellow by [Ashoka](#), an international organisation that supports social entrepreneurs. Heinecke, who is also a recipient of the [Schwab Global Social Entrepreneur Award](#), spoke to INSEAD Knowledge following the fourth annual INSEAD Social Entrepreneurship Conference held in Paris last June where he was the keynote speaker.

Like many social enterprises, Dialogue in the Dark must take the good with the bad when choosing its legal status. The good for Dialogue in the Dark is that, as a for-profit company, it is less burdened by regulations than non-profit

organisations. On the other hand, non-profits enjoy significant tax advantages that Dialogue in the Dark misses out on because of its for-profit status. This status also prevents it from receiving grants or donations from foundations even though it is driven by a strong social mission.

“Even if foundations want to contribute to our mission, because of our legal status there's no way we can receive their financial injections which are designated for social change,” Heinecke says. “So what I'm looking for is some way to combine the best parts of both for-profit and non-profit groups.”



Andreas
Heinecke

Something similar to what Heinecke proposes was created recently in the UK and is called a [community interest company](#). This status was designed especially for social enterprises and allows them to dedicate more of their profits to their social mission than for-profits currently can. In addition, they don't have to comply with as many regulations as non-profits do.

Heinecke says the combination of regulatory innovations like this, as well as the financial crisis, could encourage more for-profit companies to implement or strongly reinforce social entrepreneurship activities.

“And I'm not talking about corporate social responsibility (CSR). This is not a part of the marketing department with a small budget to do something nice for the community; this is something that should be a big part of the business,” he says. “This is the big hope coming out of the financial crisis now, that more for-profit companies will shift to a more mission-driven business.”

Until the hybrid dream becomes a reality, Dialogue in the Dark has set up partnerships with two large international corporations, [Manpower](#) and [Allianz Global Investors](#), to demonstrate the power of using market forces to make a significant contribution to society.

In the Manpower partnership, the corporation provides temporary jobs for blind and deaf people as guides at local Dialogue in the Dark exhibitions. Manpower then invites clients to participate in the exhibitions. The end result is that its clients are more willing to hire disabled employees. Manpower also provides training and skill development programmes for the disabled guides.

“Manpower has always taken great pride in our efforts to help the disadvantaged overcome hurdles to gaining meaningful employment, and this is proof positive of that message. Our clients will attend the shows and hopefully take that message

back to their organisations," said David Arkless, Manpower's President of Corporate and Government Affairs, in a recent press release.

The Manpower partnership was launched in Mexico City in 2008 and was extended to Atlanta, Kansas City and Guadalajara. There are plans to expand it to Singapore and Tokyo next and eventually to Italy and Israel.

The second partnership is with Allianz which opened the first [Dialogue training centre](#) in its Munich headquarters in July. Allianz organises daily leadership and teambuilding training sessions in the centre. Dialogue in the Dark set up the infrastructure, recruited and trained the blind guides, and tailored programmes especially for Allianz's needs.

"With the Allianz partnership we can pursue our two main missions: employment of disabled people and the shift of mindsets," Heinecke says. "The workshops will help us change the employment culture of Allianz and can hopefully create more jobs for people with disabilities. Both parties profit in their core businesses."

Perhaps one day there will be a legal status for hybrid social enterprises so they can enjoy the same advantages as for-profit and non-profit organizations, with none of the drawbacks. Until then, through partnerships such as these, Dialogue in the Dark is helping companies with a strong social conscience solve some crucial social problems.

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