



*The Northeastern*

# **SOCIAL ENTERPRISE REVIEW**



SPRING 2016

# ARTICLES

- 4 || **IN TIMES OF NEED SOIL  
BEFORE SEED**  
by Alex Vipond
- 7 || **THE FIRST STEPS TO  
PROBLEM SOLVING**  
by Miranda Beggin
- 8 || **LOANS THAT CHANGE  
LIVES**  
by Madlen Gubernick
- 12 || **THE TOLL OF  
TRANSITION**  
by Kayla O'Neill
- 14 || **IN SEARCH OF  
SHELTER**  
Using social enterprise to solve the housing crisis of  
the world's poor  
by Gail Batutis
- 20 || **HOSPITALITY AT WORK**  
by Caroline Boschetto
- 24 || **ADDING PURPOSE TO  
PURCHASE**  
by Leah Bury
- 26 || **GETTING TO WORK**  
by Hargobind Khalsa
- 30 || **ETHICAL DRUGS**  
by Katherine Dumais
- 32 || **GRAVITY'S NEW  
SALARIES**  
by Gabriela Arreola

MANAGING DIRECTOR  
Ritu Bhargava

EDITOR IN CHIEF  
Taylor Holland

DESIGN MANAGER  
Anna-Rose Schenerman

MARKETING MANAGER  
Leah Bury

EDITORS  
Katherine Dumais  
Ruby Khan

DESIGN EDITOR  
Shelby Robin

PHOTO EDITOR  
Alina Donato

---

Contributors  
Kayla O'Neill  
Caroline Boschetto  
Hargobind Khalsa  
Alex Vipond  
Leah Bury  
Miranda Beggin  
Gail Batutis  
Katherine Dumais  
Gabriela Arreola  
Madlen Gubernick

Dear Readers,

The field of social enterprise is limited only by the creativity of the people working to apply business solutions to the world's problems. Each semester the Social Enterprise Review offers a new collection of topics with which Northeastern students are engaging: current events, ongoing issues, and case studies both abroad and here in the United States, all viewed through the lens of business as a source of positive social change.

Social enterprise often works in the gap between issues requiring immediate crisis relief and the point where people are able to sustainably support themselves and their families on their own. We've seen growing awareness of the refugee migration crisis in Europe over the past year, but what happens to those who are able to make it to safety? Two of our articles introduce social enterprise solutions to this pressing and timely challenge of reliable employment for refugees, along with an article on the need here in Massachusetts for job training and workforce development.

There is a broad range of problems that social entrepreneurship can address, and the solutions to some of the most fundamental problems are just as varied. Gail Batutis compares housing solutions in four different contexts and countries, examining how politics, business and design concerns, and social factors influence the diverse endeavors to house the poorest of the poor. Alex Vipond introduces the politically charged debate over soil maintenance practices, a critical topic for social entrepreneurs working on the issue of food security. Two case studies examine the ethics and social outcomes of dramatic shifts in the financial structure of two different American corporations.

Perhaps just as important as the issues social entrepreneurs address is the manner in which the work is carried out, for this determines the success and sustainability of the enterprise. Our own marketing director Leah Bury shares some best practices for social enterprise marketing and Madlen Gubernick writes about what inspired her to study social enterprise at age 15. Reminding us of the humanity at the core of social enterprise, Miranda Beggin discusses how the simple act of listening to people's stories is a crucial step towards effective problem-solving.

I hope you are informed and inspired after reading this edition of the Northeastern Social Enterprise Review!

Taylor Holland,  
Editor-In-Chief

Dear Readers,

I am happy to be asked to provide a short note to accompany this edition of The Social Enterprise Review.

We offer The Social Enterprise Review to provide a forum for students studying social enterprise and the social responsibility of business to write about topics and issues that matter to them. We hope that readers find their articles to be both informative and inspirational.

A wonderful team of dedicated students created this edition. It is filled with interesting and relevant writing across a broad set of topics related to social enterprise, social entrepreneurship, and social responsibility. Our writers did a great job once again, as did our editors. And the team that worked on organization, layout, and production did excellent work.

With each edition of The Social Enterprise Review, my confidence in young people like those featured here grows. The students who contributed to this edition demonstrated their creativity, insight, empathy, and commitment, and in many cases the entrepreneurial and leadership skills that will lead them to great success in their professional lives.

As always, it is an honor to work with dedicated and talented students as they learn, grow, and begin to find their path to creating a kinder and more generous world.

Dennis R. Shaughnessy  
Executive Professor, Innovation & Entrepreneurship Group  
Founder & Executive Director, NU Social Enterprise Institute  
D'Amore-McKim School of Business, Northeastern University



# *In Times of Need,* **SOIL BEFORE SEED**

*by Alex Vipond*

MANY ENVIRONMENTAL ADVOCACY groups are wholly opposed to genetically modified (GM) seeds, arguing that their effect on ecosystems and human health is not adequately understood by scientists.<sup>1</sup> However, many agronomists claim that GM seeds are an indispensable tool for food production, especially for poor rural farmers in developing countries.<sup>2</sup>

Both sides focus time and money on this politically charged debate, which spills over into public policy design and social enterprise strategy. However, both sides seem to pay relatively little attention to a more pressing agricultural development issue: soil quality.

Before discussing the pros and cons of GM seeds, it is important to note that they come in many shapes and sizes.<sup>3</sup> Some seeds grow plants that secrete their own pesticides;

others are resistant to the conventional pesticides sprayed on them. Some plants are engineered for drought resistance, others for flood resistance. Some are simply altered to produce higher yields or contain more nutrition.

cates who wholly oppose GM seeds stand on shaky ground. Agronomists who wholly support GM seeds stand on shaky ground as well.

One thing that most GM seeds do have in common is that they are relatively expensive and time-consuming solutions to isolated problems.

Like pharmaceuticals, they can take years of research and development to discover, they usually only serve one specific function, and intellectual property laws can complicate their pricing and accessibility in the market, especially for poor farmers.

Soil, on the other hand, can be improved easily and cheaply anywhere in the world using compost, planned grazing, or cover cropping, for example. In fact, whether or not we humans build soil for our own purposes, it is forming all around us, constantly

**"Whether or not we humans  
organize composting for our  
own purposes, it happens all  
around us."**

Since each new GM seed has a different purpose, is created in a different way, and interacts differently with different ecosystems, it is difficult if not impossible to construct a general argument for or against all GM seeds. Put more bluntly, advo-



decomposing old, worn-out organic matter to make nutrients available for new life. If you have ever walked on grass, you have walked on the teeming biological engine that we call soil.

Why is soil important? Because when farmers improve their soil, they tend to notice a number of things between planting and harvest. Plants are more resistant to pests. More water is retained for a longer time, even during droughts. During floods, crops are less likely to wash away. Plant yields increase and those yields typically taste better and are more nutritious.

One Acre Fund, one of the most successful social enterprises in the world, teaches soil management skills to their smallholder farmers in Kenya, Rwanda, and Burundi.<sup>4</sup> Root Capital, a pioneer in social investment for farms in Latin America, supports businesses that supply soil-enhancing organic fertilizers to their farmers.<sup>5</sup> SOIL Haiti, Sanergy, and Peepoople are just a few more of the social

enterprises around the world that have built for-profit business models around the need for better soil.

The attention these well-known organizations pay to soil is just one of many indicators that soil-building is becoming a worthwhile social investment on a global scale.

WITHOUT GM SEEDS, IT IS UNDENIABLY difficult to help poor farmers keep up with their economies. But if policymakers, social entrepreneurs, agronomists, and advocates across the world focus too heavily on the binary GM seed debate, they risk losing sight of the fact that most poor farmers face a bigger problem.

Soil is especially degraded in the developing world. Decades of burning rather than recycling agricultural waste, over-grazing pastures instead of balancing livestock needs with ecological needs,<sup>6</sup> relying too heavily on synthetic fertilizers instead of supplementing or replacing them with

organic fertilizers, and planting single rather than diverse crops have put the developing world's soil on the fast track to desertification (turning fertile land into desert).

Without fertile soil, life as we know it on Earth would not exist. Soil supplies the building blocks for our food, soil filters and purifies the groundwater most of us drink, and soil is what we all eventually become.

So, if they are acting in life's best interest, the agricultural development debates of the future will ask, "how can we build better soil?" before they focus too much time and money on genetically modified seeds.



(Above) The social enterprise Sanergy makes hygienic sanitation affordable and accessible. Their sanitation facilities are franchised out to local operators. The waste is collected daily and converted to organic fertilizer, insect-based animal feed, and renewable energy.









*Photo by Alyssa Rubin '17— 2013 Dialogue of Civilizations to Bali, Indonesia- a rice paddy in the village of Sudaji, outside the city of Singaraja.*





*Photo by Ramin Kohanteb '16*

# The First Steps to Problem Solving

## *Why Listening Is Critical to Social Enterprise*

by Miranda Beggin

WHAT DOES IT MEAN TO BE A GOOD listener? How do we become better listeners, and how can this help us develop the skills necessary for mutual understanding? Although effective listening is important in any career, it is especially important for those of us who choose to pursue careers in social problem-solving, such as advocacy, human services, and social enterprise. Human-Centered Design is one approach to social problem-solving that uses comprehensive interviews and listening with empathy to understand the issue at hand. Human-Centered Design, and ultimately, better listening, can enable us to become better social entrepreneurs, problem solvers, and policymakers.

Without effective listening, we don't accurately identify the problems we are trying to solve, often even creating new problems along the way. Failing to effectively ask questions, dig deep, and develop human-centered solutions results in schools with granite countertops but out-of-date books, or interventions like the PlayPump—a well-intentioned merry-go-round-powered well that actually ended up requiring more time and effort to deliver the same amount of water as regular wells.<sup>1</sup> Effective listening would have helped the creators of PlayPump see that the problem was not a lack of effort or desire to retrieve water from wells, but a scarcity of water. As it was, the PlayPump did not solve the problem of the lack of groundwater that existed and it relied on children continuously playing on the pump to draw what water was available. The creators could have asked about an actual need of the children, rather than gifting them with a water retrieval tool that had to be used so long that it no longer

became enjoyable, or they could have asked community members if they felt it was appropriate for children to bear the responsibility of retrieving water for an entire community.

During my travels to the Dominican Republic, I worked with a team to interview borrowers of a micro-finance institution (MFI) to better understand how their loan products could be improved. It was through asking open-ended questions and listening to the pain points, or daily problems, of these borrowers and by visiting their homes and microenterprises that we were able to see where their needs were not being met. As we spoke to the borrowers, we learned that they were in need of more flexible repayment cycles and better savings options, and that the MFI needed to find a better way to explain interest to these women. These were all conclusions that came from open communication and effective listening.

Failing to listen is an impediment not only to developing a society that possesses widespread tolerance and empathy, but also to our ability to grow intellectually and creatively. Our minds have developed repetitive listening patterns that allow us to interpret information and draw conclusions quickly, but these listening patterns impair our ability to interpret information that is new and different, closing us off from opportunities for personal growth, critical thinking, and problem solving. Using the practices of design thinking helps us to avoid these repetitive thought patterns by allowing us to view problems through a human-centered lens.

Design thinking is an approach to problem solving that is rooted in developing solutions to problems through human-centered mindsets. The problem solving approach can be broken down into five steps: empathize, define, ideate, prototype, and test. All of these steps are rooted in listening to and understanding problems that are often complex and

ambiguous. While design thinking can be used throughout the business world to develop customer-centric solutions and new products, the most impactful use of design thinking is in social innovation, or the development of new solutions to problems looking to solve the most challenging problems facing our society today. It is human-centered design thinking that allows us to focus on problems as they are, rather than marrying ourselves to ineffective solutions. When we ask open-ended questions and truly listen to the answers given by the people we are trying to innovate for, instead of trying to validate our solution by searching for a problem that matches, we are actually able to develop solutions that meet a need and have an impact.<sup>2</sup>

Human-centered design has allowed social entrepreneurs to successfully intervene and provide meaningful solutions for their target populations. Since 2011 IDEO.org, the non-profit arm of innovation consulting firm IDEO, has used this methodology to design solutions to poverty-related challenges. Through ethnographic field research, IDEO.org has delivered human-centered solutions to problems in places throughout the world. In Zambia, IDEO.org learned that health clinics weren't helping teenage girls access contraception because they were branded as family planning centers. After interviewing a number of teenagers, they worked to develop a highly-successful communications campaign called the Divine Divas that both excited and empowered girls to make the best birth control choices for themselves. Examples like Divine Divas showcase how the problem is often different than what one may think—IDEO.org found that it was not simply access to contraception that was a problem, but the way contraception was perceived in Zambian society. Only through careful listening and field research can these sorts of

conclusions be drawn. It is impossible to build an effective solution without knowing the problem, and knowing the problem is only possible through listening to those for whom you are trying to build a solution.<sup>3</sup>

As Navita Cummings James writes, “one of the most powerful ways to gain an understanding of ‘the other’...is to hear or read the story of ‘the other.’”<sup>4</sup> Mutual understanding is rooted in telling our stories and being heard, so how is it that can way encourage this sort of open dialogue in our schools, universities, social enterprises, and NGOs? It is truly incredible what we can hear when we remove ourselves from our preexisting patterns of interpretation and analysis. Maybe instead of constantly trying to draw conclusions from our conversations based on our existing preconceptions or worldviews, perhaps we should get a little better at taking them for face value: the unique story of an individual whose world you may never fully understand, but whose story is worth trying to understand, or empathize with, even if it is challenging or takes some time to draw valuable conclusions. After all, listening to a person tell their story is the first step towards seeing a problem for what it is, and developing a solution that actually *works*.



## Loans that Change Lives

*How Microfinance Impacts Loaners*

*By Madlen Gubernick*

Social enterprises utilize a business model centered around creating social good as opposed to solely generating profit. These enterprises often generate economic development and financial security that support struggling individuals and empower them towards sustainable solutions for issues including poverty, education, health, and the environment. Social entrepreneurs around the world, such as Muhammad Yunus and Bill Dray-

ton, have developed business models that are focused on a dual bottom line of monetary profit and social impact.

Both Yunus and Drayton undoubtedly inspire Premal Shah, the President of Kiva. Shah and founders Matt Flannery and Jessica Jackley drew on Yunus’ microlending model when they established Kiva, a microfinance organization. Kiva is an online platform that allows individuals to loan as little as twenty five dollars to struggling individuals around the world. Unlike a charity, Kiva works on a loan based system. With the help of a Kiva loan, recipients are able to work towards generating revenue through investing in small business ventures that generate profit with which they can pay back their original loans. Lenders on Kiva receive their original investment back, and are able to re-loan to another Kiva recipient.

At the age of twelve I received a Kiva gift card from my dad. I did not know what social enterprise was, what microfinance meant or who Muhammad Yunus was, but thanks to Kiva, I was able to become involved in a feasible and accessible way. The site introduced me to a collection of stories about people across the world who were looking for funds to grow their business, finance their education, gain access to better resources, and more. Since receiving this gift card in 2010, I have loaned to many individuals around the globe, in Rwanda, Mexico, Albania, Uganda and Georgia. Thanks to Kiva’s circulating loan platform, my original twenty-five dollar investment has generated \$150 worth of loans.

Kiva’s platform promotes community-based economic growth, a key concept of social enterprise that inspires and motivates much of what social entrepreneurs do. Their slogan is “loans that change lives,” and although they are most likely referring to the loan recipients whose lives are changed, lending on Kiva also altered my life: thanks to that gift card, I entered the social enterprise world without realizing it at the age of 15.

Kiva’s platform is not as simple as individual lenders giving loans online to individuals across the world—Kiva has actually paired up with various micro-financing organizations around the globe in order to facilitate connections between the individuals in their

lending model. When someone logs on to Kiva.org and lends twenty-five dollars, their twenty-five dollars goes to another organization that already has a relationship with the loan recipients and manages the granting and repayment of the loan. Consequently, there has been some criticism about the transparency of Kiva’s model. According to the New York Times, “Kiva’s lenders were actually backstopping microfinance institutions.”<sup>1</sup> David Roodman of the Center for Global Development found that lenders do not have the one-on-one relationship to their recipients that Kiva implies is the case. In reality, Kiva acts as more of a middleman between the recipients and these other lending organizations. However, Kiva is a pioneer in making social impact accessible to the everyday person by “making it easier for small lenders to support microfinance.”<sup>2</sup> Ultimately, Kiva is still creating lasting impact by partnering with local microfinance organizations by providing the initial investment necessary to fund these microloans.

As a lender on the Kiva site you are granted access to a database of international individuals requesting loans for various needs. You are able to select various sectors such as art, food, and education. Similarly, you are able to search based on regions. Each loan recipient has a profile explaining how the amount they need and what the loan will be used for. Kiva, along with its partners, determines a loan term that outlines how the recipient will pay back their loan. With a 98.36% repayment rate, Kiva believes it can promise its lenders that their loans are helping communities worldwide.<sup>3</sup>

Each Kiva loan has its own story and its own purpose, but collectively they taught me at a young age about the power of social enterprise. A small loan, equivalent to what many of us may spend on a meal, can work its way around the world, financing and supporting communities and individuals in countries across the globe. Kiva is not just about providing loans to individuals in developing regions: it is about impacting lenders as well by educating the public on social enterprise and providing a platform for people to get involved.









# The Toll of Transition

*Addressing Barriers to Education and Employment for Refugee Youth in Europe*

*by Kayla O'Neill*

IN THE MIDST OF THE TURMOIL OF the Syrian War, the focus has remained on providing emergency shelter and emergency food aid for those trapped in besieged cities, those toiling in camps, and those trapped at borders hoping some government will choose to take them in. But what happens for those who are lucky enough to arrive to safer places – be it Germany, Norway, Italy, or elsewhere?

Too often migrants find themselves forced into the black market for labor, whether peddling umbrellas on street corners to drenched tourists near the Duomo in Florence or collecting scrap metal on the streets in Amman.<sup>1</sup> With unfit or unfinished education in their home countries, migrants are unprepared to assimilate fully into a new culture and new career without some extra help. Hundreds of social enterprises in Europe have stepped up, seeking to combat this issue head on by training and employing migrants, refugees, and asylees using unique methods.

While some of Europe is reeling due to unemployment, there remains a real need for young, skilled workers who can contribute taxes and help sustain strained welfare programs – a need which migrants might be able to fill.<sup>2</sup> In order for refugees and migrants to become well-acclimated and productive residents of their new countries, they must have opportunities to learn local customs and language skills, and earn and prove their job credentials. Most important

in developing social entrepreneurial ideas for refugees in Europe is the focus on scale, since the magnitude of the European refugee crisis encompasses more than a million men, women, and children who arrived in 2015 alone.

Germany, the destination of a large portion of migrants, is home to one organization providing opportunities to new arrivals. Kiron University is a crowdfunded free

and 200 volunteers), it shows a great potential to scale.<sup>4</sup>

On the employment front, the British social enterprise Transitions hopes to make developing local experience easier for refugees.<sup>5</sup> British social workers have found that too often full-time employers will turn down refugees if they don't have local work experience or the soft skills expected within a culture. Locally-based work experience placements

(internships) help tackle this barrier. Transitions' solution is to place refugees in internships by finding companies willing to work with them as they grasp the local culture. Refugees get hands-on experience and often receive small stipends to help with living expenses.

One social business making strides toward improving the lives of asylum seekers is Magdas Hotel in Vienna,

Austria. Run as a financially self-sufficient venture, this 78-bed design hotel employs 20 refugees who have been granted asylum in Austria after fleeing regions such as the Middle East and North Africa.<sup>6</sup> Financed partly through the nonprofit Caritas Austria, partly through donations of in-kind goods and partly from 60,000 Euros raised through crowdfunding, the hotel leverages the unique skills and language abilities of refugees.<sup>7</sup> In this way it is creating a different kind of hospitality experience by extending a welcome not only to guests but also to those struggling to support themselves after leaving war-torn countries and other hostile situations. In addition to a workforce made up primarily

"There remains a real need for young, skilled workers who can contribute taxes and help sustain strained welfare programs – a need which migrants might be able to fill."

online university for Syrian refugees. It offers higher education courses to Syrian migrants across several countries in hopes of allowing them the opportunity to later attend German universities. Higher education is free in Germany, but refugees wishing to be accepted to college must present documentation of previous coursework, such as a high school diploma which they often lack. Kiron University is able to offer two years of online classes to a pilot program of 1,000 students, who will then matriculate to bachelor degree institutions in Germany.<sup>3</sup> Due to Kiron's virtual nature, significant funds (537,000 Euros via crowdfunding), and promising staff (so far it has 48 people on its team

of refugees, the hotel also provides housing to young refugees under the age of 18.<sup>8</sup>

Social enterprise in Europe is not yet on track to scale to the extent needed to meet all the needs of incoming refugees and migrants, but by increasing efforts related to employment and education, social enterprise might be able to achieve some success in these two important areas. The existing pioneers in the sector demonstrate potential for both scale and replicability, hopefully paving the way for a larger impact that significantly transforms Europe's current refugee crisis.



*Above photo by Ali Campbell '17—  
"I shot this photo  
in Mumias, Kenya  
at St. Elizabeth  
Lureko Girls'  
School, where I was  
helping to construct  
a library and  
teaching the girls to  
sew sanitary pads."*

*Left photo by Ali  
Campbell '17—  
"This image is of a  
man I met while on  
co-op in Rwanda.  
His name is 'Mzee',  
which loosely  
translates from  
Kinyarwanda to  
mean 'honourable  
old man.' Despite  
the language  
barrier, he and I  
ended up being  
close friends."*





# IN SEARCH *of* SHELTER

USING SOCIAL ENTERPRISE TO  
SOLVE THE HOUSING CRISIS OF  
THE WORLD'S POOR

*by Gail Batutis*



I WOKE UP SHORTLY AFTER THE FAN shut off and the heat became a deep, dense substance clogging the scope of my small room. The electricity had gone off again. It was New Delhi in the late spring, and the heat, even at night, was no joke. I was staying temporarily in illegal ("unregistered") housing in the southern part of the Indian capital, and frequent black-outs were a part of the package. I rolled out of my low bed and onto the tile floor, seeking any relief from the heat. There was a soft knock on my bedroom door - my roommates were awake as well, and were coming to check on me. Hearing that I was not sweating and felt nauseated, they concluded I had heat stroke and gave me a large frozen bottle of water to hold to my neck and chest. I was incredulous at their diagnosis, but was swiftly reminded that at 1 AM in the morning it was 95 degrees - an unforgiving continuation of the day's 110-degree high.

After I felt good enough to stand, I made my way out to the balcony where my friends were talking softly and smoking. All along the building, quiet people stood on dark balconies where they would seek relief for the next hour or so, unable to sleep until the electricity came back and they could return to unairconditioned rooms. Most of the apartments in this building were alike: their bathrooms, like ours, were tiny, packed with plastic buckets of water for showers, flushing the toilet, and emergencies. A low wall spigot and a kitchen sink provided water but were known to shut off unexpectedly, sometimes for days. The only drinking and cooking water was provided by expensive home delivery. Through a system of threats and secrecy, the slum lords kept rent high and complaints at a minimum. The two-room apartment cost almost all of my friend's PhD stipend.

This is the status quo for thousands of people in that neighborhood, and millions more in cities both in India and across the world. In fact, we were some of the lucky ones. The United Nations estimates that 55 million more people have become slum dwellers since 2000, and by 2030 the total number will reach 3 billion -

40% of the world's population. Africa alone needs to be adding 4 million new housing units a year to keep up with demand, the majority of which is in urban areas.

From the precarious apartment towers of Delhi, to the crowds of shacks in the townships of Cape Town, South Africa, to the homeless camps in the western United States, housing insecurity and homelessness is something few of us have to stretch our minds to imagine. Governments and charities strive to meet the human need, but it is not enough. I believe there is a place for social enterprise to address housing for the urban poor, a case I will make through an analysis of the situation on the ground.

DRIVING THROUGH KHAYELITSHA, Cape Town's largest township, one becomes painfully intimate with the lack of adequate housing. Shacks made of tin sheets and cardboard crowd each other, leaving little space for humans to pass in between, and tangled webs of wires dangle precariously overhead, a constant reminder of the threat of fires from illegal electrical systems. Dust clouds the air, along with the stench of crowded human habitation made rancid by a lack of running water. One of the anchors of this scene, dominating huge stretches of road, is the sale of shacks - tin sheets for walls and ceilings, doors of all shapes and materials, and young men loitering around and offering their building services. The popularity of this business suggests a reliable source of income - every day more shacks are being built, upgraded, or sold for parts.

Housing in South Africa is more than an economic issue - it's a part of social identity. The white supremacist apartheid government, which led the country until 1994, created a "separate but equal" approach to housing which was, unsurprisingly, anything but equal. People were forcibly relocated into townships based on race, and aside from some movement at the top economic levels, they essentially remain there a couple decades later. As an acknowledgement of the pain and racial tension this inequality perpetuates, the new South African constitution acknowledges housing

as a human right and says "The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right." In practice, however, there has been limited progress. The townships of Cape Town stretch to the horizon - miles of shacks and millions upon millions of people, their ranks growing due to mostly-unregulated immigration from across the continent.

An intriguing solution to the lack of housing options is shipping container homes. Because of South Africa's international trade deficit, hundreds of containers sit unused by the harbor. They're long and tall and made of steel, stackable up to nine units without reinforcement, and made to withstand years of constant wear and tear. Many countries experience trade deficits which leave see hundreds or thousands of these containers sitting in shipping yards indefinitely, each worth a global price of about \$2,000 USD. The idea of using them as building materials has already permeated the design world - they form structures for everything from train stations and student dorms in northern Europe to luxury office buildings on the west coast of the United States. Shipping containers are already used for many shops in South Africa, harboring everything from fast food restaurants to barber shops (their ability to securely lock valuables behind steel doors is important in crime-ridden townships). It seems like a simple step to make these into homes. So why has it not happened?

It turns out that the opportunity is much more complicated. Shipping containers are not made for human habitation, and there are barriers to making them useful in housing. The containers are built for continuous rough travel, stacked directly on top of each other on a large cargo vessel. They are covered in industrial paint, which is usually toxic. One architect with experience in shipping container construction noted that each container must be stripped of about one thousand pounds of hazardous materials before they are safe for habitation. The stacking process requires an expensive foundation and a large crane and staging area, which are



difficult to manage in urban slums. Furthermore, their size is awkward for living, as the walls are only seven feet apart before insulation (which is essential to keep out the damp and rust). Heating and cooling systems are also necessary, as the container will become a death trap in a hot and sunny environment. But all this must be accomplished without removing parts of the container's frame – any modification makes the structure unsound, and requires steel beam reinforcements. The narrative that this is a “green” recycling process is misleading as well: shipping containers are usually only retired when they are already structurally unsound, so new containers must be purchased for homes. According to another architect, the metal gained from melting down an old shipping container could create the necessary steel reinforcements on ten traditional houses of the same size. In conclusion, it seems that building houses out of more traditional materials is a time- and cost-saving decision.

Another development issue for the low- or no-income housing market in South Africa and beyond is the balance between incrementally improving existing housing and the large-scale building of new homes. Left to their own devices, the poor have no choice but to upgrade and repair their homes incrementally. This slow and steady approach, while more financially accessible, throws urban planning out the window, creating problems further down the road when houses aren't arranged in a way that makes sense for common services, or when an opportunity is lost in building upwards to house more people over less area. When the financial investment needed to build even one two-story house is simply out of reach for a large proportion of the

world's population, charity only goes so far, and government is frequently unhelpful, how can we meet the basic need for housing and the common wish of satisfactory homeownership in a financially sustainable way?

The unofficial settlement of Enkanini, outside of Stellenbosch, South Africa, lies between rolling hills in the heart of Southern Africa's wine country. One housing social enterprise, iShack, is working with the people of this settlement and the local Stellenbosch University to improve the dismal conditions of the people, who are mostly economic migrants. Short for “Improved Shack Living”, iShack provides the community with pay-as-you-go solar energy through installing home solar panel systems.

*“The United Nations estimates that 55 million more people have become slum dwellers since 2000, and by 2030 the total number will reach 3 billion.”*

They aim to minimize the occurrence of fires in the community, which are particularly common and lethal in urban slums where people have hooked up their own illegal wiring for home electricity and are mostly inaccessible to local fire fighting services. The solar systems provide lighting, television, and cell phone charging, among other options, and are maintained by a group of local franchisees called “iShack Agents”. When I visited iShack in July of 2015, they were running a pilot program to convert human waste into biofuel, continuing to innovate in order to provide services to the community, which has about 30 toilets for 3,000 people. iShack is a local solution to a specific community with non-universal char-

acteristics - small size, higher-than-average employment, low rate of theft, and little centralized community mobilization - but their perseverance and drive to create change are possibly replicable across urban slums sharing some of these attributes.

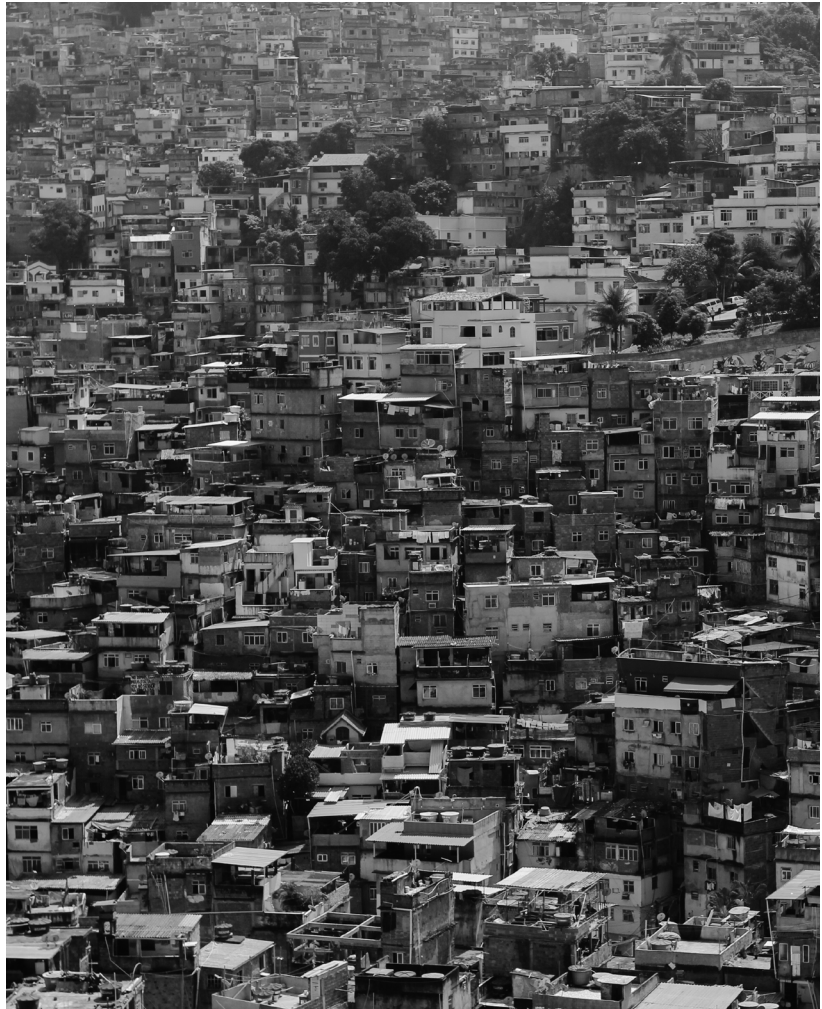
A solution which takes a community-level approach to incremental housing development has been springing up in slums in many major Asian cities. The Asian Coalition for Housing Rights (ACHR) is a decentralized network of NGOs, community organizations, and people that works as a catalyst for community mobilization and slum upgrading among the urban poor. Operating in 22 countries from Mongolia to Indonesia, they create densely interconnected networks with

stakeholders, an approach identified by academics as the most efficient way to spread new innovations. One of the ACHR's largest endeavors, and the one that most resembles social enterprise, is their Asian Coalition for Community Action (ACCA) Program. The ACCA works with communities to identify

their needs, connect them with professional services and other partners, and to mobilize action. They also provide savings programs and flexible construction loans to the community. In one illegal slum in Bangkok, this took the shape of a cycle of housing construction where the community came together to demolish one home at a time and raise better buildings which housed multiple families. At the conclusion of the revitalization, the government was so impressed that they signed a 30-year lease on the land with the community as a whole. The strength and trust of community is the greatest asset of the ACHR, but it is also a barrier to this model for communities which have more internal conflict or are newly formed.



Karibou Homes is a social enterprise taking a large-scale approach to alleviating the poor's housing crisis, this time in Kenya. Karibou creates housing complexes in areas where slums are likely to emerge soon, based on proximity to large factories and roads. While these complexes are not aimed at the poorest of the poor, they seek to serve a missing middle of homeownership - those unable to save for a home because of the high cost of slum living, but who are still gainfully employed. Karibou says their inhabitants will pay the same in mortgage as they currently do in rent - about \$100 USD per month in the slums of Nairobi - and will own their home in 15-20 years. They are financed in part by Shelter Afrique, a financial institution serving 44 African countries with the single goal of developing their housing and real estate sectors. This model shows a great potential for scale if the challenges of finances and political bureaucracy can be overcome, and possible ripple effects for the whole market as supply increases and prices decrease. However, until companies like Karibou begin to incorporate housing the poorest of the poor (perhaps by adding some cheaper units to each complex), the poor and migratory will continue to struggle to find safe and permanent housing in Africa's major cities.





But the opportunity for the poor to move to better housing is sometimes more of a burden than a relief. Back in South Asia, we can see the unfortunate effects of relocation into better housing. In a study titled “Moving to Opportunity or Isolation? Network Effects of a Randomized Housing Lottery in Urban India” by

whole network of resources that make a space livable, and that housing the poor needs more consideration than a physical structure.

On an even deeper level, the structure of a house can be irrelevant if the poor don’t have a legal title to the space they occupy. Those who migrate and take up residence on

problem.

Terra Nova is a for-profit social enterprise that helps poor families buy and own the land they inhabit. They do this by intervening with the government and rich landowners, who in Brazil have mostly given up on removing people from their land. Typically the government would buy



Barnhardt, Field, and Pande, women who were given the opportunity to move seven miles outside the slums of Ahmedabad, India, for subsidized government housing saw few positive effects. Although their rent was 50% lower and they had better housing, they were also farther away from places of employment and their social networks. They reported less involvement in informal financial systems such as borrowing and lending with peers. They had no significant difference in income, consumption, or assets. Over time, only one-third of those who originally accepted the housing remained there - and 75% of those who left cited geographic isolation as their primary reason. This study shows the importance of the

land they do not own (as is the case in city slums) face the constant threat that government or private owners will simply raze their homes to the ground when their cost-benefit analyses recommend it – something with which disadvantaged South Africans are intimately familiar. People in India whose housing is in a slum officially classified as “Objectionable” face eviction as well. Depending on the level of perceived risk, the poor may not see investing in their current home as the best use of their scarce resources. Enkanini is built on a hill owned by Stellenbosch University, the birthplace of apartheid. The time they have left to stay on that land is not guaranteed. But a social enterprise in Brazil may have found a path to solving this

the land from the owners at a high price on the taxpayer’s dime, a slow and infrequent process, and then pay more to install services. Instead, Terra Nova has been able to mediate agreements through what they call a “land regularization model”, setting up a payment plan for the poor and compelling the government to put in services, leading to four happy parties - the poor get housing security, the landowners get a payout, the government gets legitimate property taxes, and the general public can receive other tax-funded services. Applying conflict resolution processes to urban planning and legal administration, Terra Nova has created a successful model ready for replication in similarly affected locations.

In the United States, the government plays an even larger role in the housing sector, with more stringent building regulations, greater enforcement of private property laws, and a large influence on total grants to nonprofit housing organizations. This has not stopped the homeless population from growing, but it has made it difficult for a private market to develop around affordable housing, where profit margins are low. Some innovations in this context have perhaps been over-hyped, but others have risen to the challenges of this environment in a new and practical way.

Tiny houses are defined as homes under 200 square feet, and in addition to becoming a

stylish homeownership alternative for debt-saddled millennials, they have been proposed as a low-cost solution for urban homelessness. Tiny homes often have such features as a loft or fold-up bed, innovative storage solutions, and a trailer hook-up. They can be modular, luxury, or built by hand. This final way was the approach of the tiny houses of Dignity Village, Seattle. Fifteen tiny

houses of 120 square feet each give shelter to residents in this long-term homeless camp. Built by local volunteers and on donated land, each house cost \$2,200 in materials and includes electricity but not running water. Similar tiny houses for the homeless built in Nashville cost \$7,000 inclusive of land and labor. Although an upgrade from tents, tiny houses are not a cost-effective long-term solution for the homeless - the most expensive parts of a house are not the extra square feet, but the hookups and fixtures which even tiny houses need. They are also not suitable for families and are arguably not the most effective use of land. As long as they are used in temporary and crisis-driven situations, tiny houses can be a small part of the housing solution,

but larger-scale solutions may be more effective in developed countries.

Impact investing is the market's response to the high cost barrier of affordable housing in the United States. Although not unique to the housing sector, impact investing is engaged in affordable housing to great effect through debt and equity investments with slightly below market financial returns. According to JPMorgan Chase and the Global Impact Investing Network, housing accounts for 27% of assets under management in 145 of the world's largest impact investing entities, tied for largest category with financial services and microfinance. Organizations from Goldman

formed in urban Kenya will interest people in India? This conundrum has puzzled practitioners since global development began. One important framework for addressing this issue comes from Rachel Glennerster, an Executive Director of the Poverty Action Lab at the Massachusetts Institute of Technology. "Globally Informed, Locally Grounded" urges policymakers and development workers to look within successful interventions and theories of change to find the cultural and situational cruxes - those attributes without which the program could not succeed - and to see if those factors relate to their local context. It also outlines a structured

way to incorporate everything from needs assessments to literature reviews to meta-analyses in deciding whether to attempt an intervention in a new context. By applying this line of thought, and by in general being thoughtful and deliberate, we can envision a more successful rollout of scaled and replicated social enterprises in the housing sector.

Although adequate shelter is one of the essen-

tials to a dignified life, it is possibly the most difficult for private markets to address. But social entrepreneurs all over the world are finding solutions. Through a study of the failures and successes in this sector, we can identify financially and organizationally sustainable ways to undertake the goal of adequately housing the most disadvantaged people on the planet. The only step left is action.



*"How can we know that a social enterprise in Brazil will work in urban South Africa, or that an idea formed in urban Kenya will interest people in India?"*

Sachs to the MacArthur Foundation make investments in nonprofits or through public-private partnerships to create better housing solutions. The innovation in this sector continues to wind its way through the established financial and governmental systems and provide an example of the doggedness entrepreneurs can employ when seeking to create positive social change.

THROUGH OUR STUDY OF SOCIAL enterprises and trends in the housing sector, we have found some initiatives which show great promise for scale and replicability. But the issue remains - how can we know that a social enterprise in Brazil will work in urban South Africa, or that an idea



# HOSPITAL AT WORK

A Hotel Staffed by Glo

*By Caroline Boschetto*



# QUALITY K

## Global Refugees

MAGDAS HOTEL IS AUSTRIA'S FIRST social enterprise hotel.<sup>1</sup> It opened its doors to the public in January of 2015, asking its guests to open their minds and hearts to the refugees of Europe in return.<sup>2</sup>

Magdas is a self-sustaining initiative that gives hospitality training and employment to refugees from around the globe who have been granted asylum in Austria.<sup>3</sup> The project aims to address the social element of Europe's refugee crisis. Individuals and families who have fled their homelands for safety encounter an entirely different set of challenges once they arrive in Europe. They struggle to find employment and integrate into society. Magdas also aims to expose the public to refugees and immigrants in a way that defies stigmas generated by the media. The project was sponsored by the NGO Caritas and crowdfunding.<sup>4</sup>

The hotel is located in Vienna, near the Prater Public Park. Currently, 20 of Magdas's 30 employees are refugees who have been granted asylum.<sup>5</sup> According to the hotel's website, its employees come from 14 different nations and speak a total of 23 languages, which allows them to connect with guests from all over the world.<sup>6</sup>

Sarah Barci, Magdas's sales and marketing manager, described the hotel's business model to *The Social Enterprise Review* in an email. "Our idea was to meet a social challenge by economic means. Any profit has to be reinvested into the project," she said.





“Our focus is to maximize humanity and openness, rather than profit. But at the same time our aim is to prove that a social business like ours does work from an economic point of view.”<sup>7</sup>

Barci said that one of the challenges of opening the hotel has been finding the right people to hire.<sup>8</sup> According to Austria’s Employment of Foreign Nationals Act, refugees cannot legally work until three months after they have been granted asylum.<sup>9</sup> Austria’s Federal Agency for Immigration and Asylum states that it is supposed to make a decision within six months of the asylum request. Asylum Information Database, however, states that in December 2013, 915 asylum applications were pending for over a year, and 77 had been pending for over five years.<sup>10</sup> This lengthy application process, along with language and social barriers, makes finding employment extremely difficult for asylum seekers in Austria. Barci said that Magdas works with asylum, employment, and education centers, to find skilled and motivated refugees. She also said that she hopes multiple hotels like Magdas will open so that more refugees can benefit from its social model. “Maybe one day there will be a Magdas Hotel New York, a Magdas Hotel Amsterdam, and a Magdas Hotel Berlin,” she said.<sup>11</sup>

In 2014, over 92,000 refugees and asylum seekers were residing within Austria’s borders, according to the most recent UNHCR data.<sup>12</sup> Over one million refugees travelled to Europe by sea in 2015.<sup>13</sup> Magdas Hotel also provides housing to some of the many underage refugees in Austria who are in need of shelter.<sup>14</sup>

“The message we try to get across to Austrian society with Magdas Hotel is: Refugees are welcome!” Klaus Schwertner, the general secretary of Caritas Hotel told to *The Social Enterprise Review* via email. Schwertner said that Magdas Hotel provides opportunities to refugees who are struggling to find jobs because of legal barriers. “One of our employees, Nicolas... had to leave Nigeria due to political reasons. He is extremely motivated but was not allowed to work in Austria for thirteen years. What a waste of talent!” Schwertner said.<sup>15</sup>







*Photo by Peter Barci, courtesy of the Magdas Hotel.*

Magdas Hotel received recognition from the hospitality consulting company PKF hotelexperts.<sup>16</sup> The organization awarded Clemens Foschi, the former manager of Caritas Services, the “Hospitality Innovation Award” last year for his work on the hotel.<sup>17</sup>

Vienna resident Gudrun Kollegger is one of the many Austrians who have been actively involved in aiding refugees since the start of the recent influx caused by conflict in Syria, Afghanistan, and other regions. “You hear of it in the newspapers and you see it on TV and it’s so far away... then suddenly [refugees] are standing practically in front of your house,” Kollegger said. “The public opinion and the media, they are so skeptical about refugees... and the problems they bring with them.”<sup>18</sup>

Kollegger has been to the Magdas Hotel for coffee, and said that public opinion of the initiative, however, has been very positive in Vienna. “Everybody says it’s a brilliant thing,” she said. “It is very nicely done also, and it is very stylish. There is a good atmosphere there.”<sup>19</sup> Kollegger also said that she was impressed by Magdas’ strategy for social improvement, which she believes suits the needs of asylum seekers. “[Refugees] throw away their passports. They come without any papers. They don’t have anything in their hands,” Kollegger said. “So it is very important to not just give money to these people but to integrate them through work... that’s the most important thing.”<sup>20</sup>

As a social enterprise, Magdas has strong potential for social impact in some areas and limitations in others. One of Magdas’s weakest points is the low number of former refugees that the enterprise can actually hire. Without significantly expanding the hotel or creating a large chain of Magdas Hotels, the business cannot provide employment and experience for many more than the 20 former refugees who are currently hired. Furthermore, this enterprise can only benefit former refugees who already possess a level of skill and qualification that allows them to be hired. Barci mentioned in her email that identifying former refugees with certain skill sets is increasingly important in Magdas’s employment process.

Magdas’s strength, however, appears to be in the public message that it presents to its guests. In a sense, part of the hotel’s social impact is indirect. Guests may become more open minded after interacting with the staff at Magdas and become more understanding and inclusive of former refugees both socially and professionally. Furthermore, while Magdas is not yet able to have a wide-reaching impact on Europe’s refugee population, the impact that it has on its individual employees is profound. The opportunity to have respectable employment, gain job experience, and work in an accepting environment can drastically improve one’s standard of living and self-esteem. Additionally, because of the positive social response to Magdas and the fact that hotels are typically profitable endeavors, this hotel appears to be extremely sustainable, enabling long term social impact. If Magdas’s profits allow it to expand or if more hotels copy its model, the potential social benefit for refugees in the future could be limitless.





# Adding Purpose to Purchase

*by Leah Bury*

"Because the purpose of business is to create a customer, the business enterprise has two - and only two - basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business." –Peter Drucker

WHEN PEOPLE THINK ABOUT SOCIAL enterprises, they usually consider their primary function to be impact. While it is true that impact is the foremost focus of a social enterprise, other business functions are crucial to driving impact and enabling a social enterprise's success. Specifically the role of strategic marketing is becoming increasingly important. As the well-known business consultant Peter Drucker explained, marketing dictates how the entire business is presented to the customer. It goes beyond just selling a product: marketing permeates all aspects of the business, rendering it vital to any business's ability to compete.<sup>1</sup> A social enterprise already faces the challenge of competing with traditional businesses. Now, with growing awareness around ethical and sustainable products, more and more companies are entering the social enterprise sector and desiring to do good through business. Thus, it is more important than ever for a social enterprise to differentiate themselves in today's marketplace. There are

several challenges that contribute to this need to be more competitive, along with some steps a social enterprise can utilize to develop effective marketing strategies. Marketing enables a social enterprise to harness the power of purpose to result in increased sales, which in turn increase the enterprise's capacity for impact.

Purpose is pervasive. Now more than ever consumers want to feel like they are important stakeholders in making a positive impact on the world. With 55% of consumers in today's market reporting that they prioritize "conscious shopping"<sup>2</sup>, it is evident that consumers believe in and value the power purchases have in making an impact. Thus, a social enterprise must define the purpose behind their mission and communicate it effectively to their customers. Demonstrating clearly the role that consumers play in the success of the enterprise's social impact will appeal to customers' growing appreciation of ethical and sustainable consumerism.

However, purpose can be

puzzling. It is known that customers generally desire to support businesses that do good. That being said, many businesses claim to be doing good but lack adequate research and data to support those claims. Failing to provide quantitative metrics on the impact of their work can make the value of a company's purpose unclear to consumers. A company may indeed have a real impact, but if it does not inform the customers how this impact is being achieved, it will be difficult to attract and retain a customer base. On the other hand, some companies go so far as to claim they have a social mission when they really do not. These companies are exploiting a customer's desire to feel they are making a difference by using the social mission as a marketing tactic and not as a true aspect of the business plan. The more this lack of clarity and transparency surrounding impact persists, the more jaded customers will become about any claims of do-gooding that businesses utilize. Thus, social enterprises need to backup their claims with



*Photo by Rachel Rimm '15—Equal Exchange Barista Cheev makes/makes an espresso drink while explaining the importance of fair trade to a customer*



measured and quantified metrics of their impact, which is data that a successful social enterprise already has readily available from a solid system of impact measurement and evaluation.

Furthermore, purpose does not equal purchase. In addition to utilizing strategic and truthful marketing, it is important for businesses operating within the social space to recognize that a social mission is not the only or even the most important aspect to a prospective customer. A social enterprise can no longer rely solely on advertising a good cause to draw in consumers. The idea of “doing good” has become a lot more pervasive in the minds of consumers, and more businesses are incorporating social impact into their models. To stand out, social enterprises need to not only do good for the world, so to speak, but for the customer. Thus, social enterprises must be able to compete on price and quality if purpose is going to become a serious factor in a consumer’s decision to purchase. Relying too heavily on advertising the impact or inundating the consumer with poverty statistics is no longer a sufficient strategy in attracting sales. A social enterprise should not throw all the good causes it supports at consumers and hope they stick. The focus should be, instead, on the importance of offering a viable, competitive product. Consider Warby Parker, which operates first and foremost as a quality, fashionable eyewear brand, but still has social impact woven into its business model. Through its partnerships with nonprofits such as Vision Spring, Warby Parker helps to increase access to vision care to those in need. The knowledge that the company is committed to a positive social impact is certainly a plus, but Warby Parker has found success as an eyewear company because it offers high quality products at a viable price point. At the same time, it has maintained a high level of social impact, demonstrating that when a social enterprise can offer a viable, competitive products, it leads to improved business and impact results.

While the mission should always remain at the heart of a social enterprise, it is important for social enterprises to develop strategic and truthful marketing strategies. In

order to have a sizeable impact, a social enterprise needs to be able to reach increasing amounts of consumers, which can be done through improved and targeted marketing campaigns. Socially and environmentally conscious products are becoming increasingly prevalent in the market, and thus social enterprises cannot rely on purpose alone to achieve success; it is imperative that they also deliver on quality and price. Marketing for social enterprises is a unique and sensitive task, and requires careful consideration- but with the right approaches, a little bit of proper marketing can take a social enterprise a long way.



## Getting to Work

### *Job Training for Massachusetts’ Chronically Unemployed*

by Hargobind Khalsa

WHILE MASSACHUSETTS’ UNEMPLOYMENT rate of 4.7% sits below the national level of 4.9% according to the Bureau of Labor Statistics (BLS), the unemployment rate for minorities, people with disabilities, and recently returned veterans ranges from 7-12% throughout the state.<sup>1 2</sup> In order to remedy this issue, Governor Charlie Baker has recently announced the state’s intent to allocate “\$5 million in job training initiatives for people who face chronically high levels of unemployment” in the 2017 fiscal year.<sup>3</sup> While allocating funds is commendable and necessary, more research needs to be conducted on the usefulness of these job-training programs in order to ensure that these funds get used in impactful ways and that the chronically unemployed, individuals who have been out of work for a year are more, get placed into industries where they can thrive and retain employment long term.

According to the BLS Current Population Survey, at the end of 2014, 34.7% of unemployed individuals within Massachusetts have been out of work for 27 weeks or longer, the 15th highest percentage rate in the country.<sup>4</sup> Additionally, the BLS states that of the individuals nationally who experience unemployment for 1 year or more, 63% were likely to remain unemployed searching for employment for 1 month and 26% left the labor force within a month of finding employment.<sup>5</sup> Clearly, chronically unemployed individuals need help in finding and retaining employment; fortunately job-training programs are designed to do just that.

The Job Training Alliance (JTA) is a Greater Boston group of non-profit community-based workforce development organizations and social enterprises, including Community Work Services and Jamaica Plain Neighborhood Development Corporation. The JTA conducted a study which was released this year on twelve job-training programs. The results showed that in 2013, out of 642 participants who entered job-training programs, 83% completed them. Of those who completed the programs, 76% received employment and 80% of this group remained employed 6 months after completing their respective programs.<sup>6</sup> JTA’s member agencies provide training and assistance to over 3,000 low-income individuals annually, but that is just a fraction of the 71,000 unemployed people in Massachusetts.

While the efficacy of job skills programs is known, there needs to be further research in order to understand best practices. Neither the JTA study nor the press release announcing funding allocation mention whether the job-training programs provide skills tailored to industries looking for additional talent, nor if the people entering the programs want to remain long-term in the industries the programs are designed around. An assessment of why opportunities aren’t lining up with job-seekers would assist in answering these questions, and more in-depth research would allow job-training programs to share best practices within the sector. It could also increase opportunities for inter-program collaboration, such as sharing job and applicant data to

optimize successful post-program employment.

There are many more job-training programs throughout the state, including social enterprises iCater, Boston HandyWorks, and UTEC, who need to conduct impact studies so that policy makers can continue to confidently allocate funds to them. The state's increase in funding should be met with a strong effort to identify and replicate the most sustainable job-training models to ensure that the funding will have the greatest possible impact. By surveying more programs and expanding the research on programs in current surveys, the job-training sector can maximize the effectiveness of both existing and future programs as the government increases its support.



*(Above photos) Student Zoe Pilla's co-op is with Boston Handyworks (BHW)- a part of the social enterprise Pine Street Inn. It provides on-the-job training and transitional employment opportunities to those who have experienced homelessness and chronic unemployment. Trainees produce high quality wood products. Pictured above is Brian demonstrating a glue up, below he smooths down a nail for use in BHW's custom made Blox in a Box toy sets.*



*Photo by Ali Campbell '17—this photograph was taken during a spring break trip with the Social Enterprise Institute in the Haitian bateye where Project Esperanza operates in Muñoz, Puerto Plata, Dominican Republic.*









# *Ethical* DRUGS

*An Analysis of Turing Pharmaceuticals'  
Pricing and Alternative Business Model*

*by Katherine Dumais*

ALTHOUGH PHARMACEUTICAL COMPANIES have the largest margins of any industry worldwide, these profits are typically unquestioned by the public due to the belief that continuing to create new drugs and treat new diseases will generate more research and long run benefits for society. However, in the fall of 2015, CEO of Turing Pharmaceuticals Martin Shkreli provoked public outcry over the ethics of pharmaceutical pricing when he purchased the drug Daraprim and raised the price from \$13.50 a pill to \$750 a pill. Daraprim is the only proven cure for toxoplasmosis, an orphan disease that affects some cancer patients, babies born with

HIV, and adults with HIV/AIDS. Condemned by the public and politicians alike, Shkreli has stated that he was protecting shareholder interest with the price increase and that this was an "altruistic" move, since Turing would use the profits to research alternative drugs for toxoplasmosis. Even though Daraprim's patents have expired, its low usage (about 13,000 orders per year) and Turing's closed distribution model would make it incredibly difficult for generic manufacturers to determine the drug's chemical composition and bring it to market in the United States. While Shkreli's actions were legal, they were unethical and irresponsible, feeding

the growing inequality in the United States between those who can afford basic services and those who cannot. There are ways for pharmaceutical companies to be socially responsible and also create a solid bottom line for their investors.

While shocking, Shkreli's price increase was entirely legal and is a practice that many pharmaceutical companies have used over the past few years. In 2011, K-V Pharmaceutical got exclusive rights to sell a hormone used to prevent preterm births and upped the price from \$15 to \$1,500. When Valeant Pharmaceuticals acquired heart drugs Isuprel and Nitropress, they raised their respective



prices by 525% and 212%. Shkreli executed a similar price increase maneuver for a kidney drug, Thiola, at his previous company, Retrophin. In theory, the generic drug market should prevent these drug monopolies from occurring. However, with the FDA's regulatory barriers on drugs entering the market, low demand for certain drugs, and closed distribution, the barriers to entry for generic companies are too high to make entering the market worthwhile.

This essentially allows companies to price drugs legally at whatever level they desire, as there are no regulations on prescription drug prices in the United States.

Shkreli claims that the profits from Daraprim's price increase will create research and development capital for a new drug for toxoplasmosis; however, many doctors say this is not a disease for which the medical community really needs alternative drugs. Also, hospitals and doctors are having trouble stocking Daraprim due to its closed distribution model, thereby restraining access even for customers who can afford the high price. If he really wanted to create an alternative toxoplasmosis drug, he should have pitched to venture capitalists for seed funding rather than passing the cost on to customers and reducing their access to the existing cure.

A responsible and healthy company will produce a pre-tax margin of around 20%, fulfilling an obligation to stockholders and employees to keep the company thriving and enabling sufficient investment in research and development and capital. While there is no published price for Daraprim's production cost, there are manufacturers selling the medication at about 5 cents a pill in India. If we assume that the market in India is perfectly competitive (there is no profit and the cost of producing the drug is the selling price), then Turing is receiving

a profit margin of about 99.5%. As there are no perfectly competitive markets, the margin is likely even higher. Shkreli claims Daraprim's price fulfills his responsibility to maximize shareholder profits, but he is legally responsible for the health of the company--not his shareholders. Seeing as Shkreli is being investigated for misappropriating \$11 million in assets from Retrophin to his hedge fund, it is likely he is also failing his

**"This context essentially allows companies to price drugs legally at whatever level they desire, as there are no regulations on prescription drug prices in the United States."**

duties to his shareholders and employees as well as to his customers.

The reason this specific small-use drug has caught the attention of the public along with that of presidential candidates Bernie Sanders and Hilary Clinton is that this is yet another example of widening inequality in the United States. With a Gini coefficient of 41.1, the United States has the highest wealth inequality in the developed world. Drastically inflated drug prices ensure the wealthy, who can afford comprehensive insurance plans, will be able to access the drugs they need, while those without insurance only have one option: paying full price for a medication that they, and most of America, will never be able to afford.

Turing's price model is not the only way to run a successful pharmaceutical company. GlaxoSmithKline is able to maintain incredibly high profit margins (64% last quarter) while engaging in moral and respon-

sible business practices. In the Access to Medicine Foundation's social responsibility index of the world's 20 largest pharmaceutical companies, GSK scored highest for its "Access to medicines management, public policy influence and lobbying, research and development into neglected diseases, patents and licensing, drug manufacturing, distribution, and capability advancement, equitable pricing, drug donations and philanthropic activities." (Stauffer)

The company releases an annual corporate responsibility report, which in 2014 showcased preventive health benefits for its employees, a partnership with Save the Children, its emergence as the first company to open source its anonymous patient level data to help enable further advances, and a high level of environmental sustainability. GSK prides itself on stakeholder and consumer dialogue, creating sustainability goals with its employees so that they feel

invested in the goals, and its board's corporate responsibility committee. In this way, GSK demonstrates the idea that they want to create profits while remaining committed to customers, having a positive impact on the world, and including employees in their social responsibility practices.

While profitable and legal, Martin Shkreli and Turing Pharmaceuticals' actions were immoral and irresponsible for society. Although Shkreli claims the actions were altruistic, this is difficult to believe given the claims of other doctors, a look at Shkreli's predicted profit margins, and an analysis of GlaxoSmithKline's business model. Shkreli is simply fuelling a profit-filled industry where the poor are not able to access the drugs they need to survive and thrive.





# GRAVITY'S NEW SALARIES

*good or bad?*

*by Gabriela Arreola*

WHEN GRAVITY PAYMENTS' CEO DAN Price changed the company's model for paying employees, the nation was stunned, responding with considerable praise but also backlash. Price's actions raised the question of whether it is possible for companies to significantly raise wages and remain afloat, and also shines light on the discrepancy between a CEO's income and that of the company's other employees. By analyzing more closely the situation it is clear that from a business standpoint Price's decision was not ideal and there are more sustainable models that can be developed to achieve similar results. What Gravity's change does show is the importance of a living wage in a company's efforts to be more socially responsible.

Gravity Payments has done very well since it began, rebounding after the 2008 recession with sizable sales and a client retention rate of 91%. Price sought to further improve the company by implementing a minimum salary of \$70,000 for all employees, but the net effect of the raise is still a concern since both positive and negative impacts have taken place so far. On one hand it would seem to amplify the success of previous 20% salary raises at Gravity, which increased both productivity

and profit. However, the issue of equal pay for unequal work, accusations of socialism, and work overload are negative issues that are significant enough to make the decision questionable. Price has announced that profit and revenue have doubled with the change, and the publicity generated has helped Gravity acquire many new clients. The growing salaries are influencing all aspects of the company, so it seems to have been a good decision for Gravity and its employees, but other points make it clear that as a business venture it was not the best choice.

Boosting employees' income can improve their emotional well-being, but it diminishes the idea that compensation is based on a person's amount of work. Two important employees that left the company after the adjustment expressed that it was not fair to those who worked much harder and longer, because they received smaller increases than those with less responsibilities. That change in what is perceived as "fair" could also affect the environment of the workplace and lead to more complaints as the income difference begins to make an impact on employees' lives. Price could have consulted more with others to find a more sustainable way





to pay all employees a living wage without bringing down morale in the process.

Price made his decision with the employees' best interest at heart, even if it has been seen as a publicity stunt. He has demonstrated that having a positive and productive workplace is very important to him by creating a casual office atmosphere, holding meetings in a park, and taking a personal interest in his employees. When defending his choice, he focuses on stories of friends and employees who told him that they constantly worried about not being able to pay their bills in a city that continues to become more expensive. Although Price was previously paying himself too much based on the size of the company, it is still reasonable that he would care about how employees are faring with their income because he also came from humbler beginnings. If it had been merely a publicity stunt, then Price would not have gone through all the effort he did to raise the funds for the salary increase. Price lowered his own pay to the minimum salary



and sold some of his belongings to cover the bulk of the salary increases. The change could potentially ruin the company and himself, but it was a risk he was willing to take for the well-being of his employees.

There are many ways that a company can commit to paying a living wage to its employees so that they are not constantly burdened financially. A more appropriate way of carrying out Price's goal would be to meticulously plan the change to ensure increases are fair across the board. Good examples of companies with successful ways of paying employees are Trader Joe's, Ben and Jerry's, and Skyline Construction: we can learn from parts of each payment structure in order to adequately price labor. Trader Joe's workers start with a small wage but can quickly increase it and be promoted, and they receive benefits including health care plans and paid time off. Ben and Jerry's has a high starting salary based on the local cost of living. Skyline Construction has a compensation structure in which individual employees have input in how much they are paid based on their performance. Their salaries are adapted twice a year based on market rates, and if the salary of a manager goes up the salaries of other employees are also adjusted.

A good model has at its core the idea that employees are paid a living wage for the particular place they are in. Companies with this type of model are constantly analyzing the different costs of living in all their locations. Employees are not all paid the same, but the starting salary is enough to live well. Managers might get a greater raise than those that

complete administrative tasks or have less work, so that employees recognize that a heightened salary can be earned through increased effort. Having generous benefits is also a way to fairly compensate employees so that even if they are not paid a large amount, things like health insurance are not costs they are concerned about.

Price's well-intentioned decision, although seemingly positive for Gravity Payments, is not very replicable for other businesses. Price acted in a socially responsible manner by making a commitment to paying all employees a living wage in Seattle, a city with a very high cost of living, but it is not a model for all to follow because it is clear that there are better ways to implement the process. Gravity's case is more of an outlier, possible due to the actions of the founder. It is a distinctive statement against the growing inequality in America and the excessive inequality between executive's salaries and those of other employees. Price's decision made other business leaders consider ways to give substantial raises, and there are already stories of companies that also gave raises after hearing about Gravity. Price's drastic actions have brought light to a national issue in a way that will hopefully prompt more business leaders to pay living wages because it is the right thing to do. Other companies may take up the goal of spreading wealth more evenly, but most likely not in the way that Gravity did because it is not the most feasible or sustainable option.







*Photograph by Ali Campbell '17—photo taken in Muñoz, Puerto Plata, Dominican Republic*



*Photograph by Nathan Archer '17—Capstone students and Northeastern professor at Highlander Research and Education Center in New Market, Tennessee compare the sustainable food systems of rural Appalachia with those of an urban Greater Boston*



## SOURCES

## BEGGIN:

<sup>1</sup> Tom Murphy, "How PlayPumps Are an Example of Learning from Failure," *Humanosphere.org*, July 2013.

<sup>2</sup> Dave Thomsen, "Why Human-Centered Design Matters," *Wired.com*, December 2013.

<sup>3</sup> Julia Kennedy, "Can Human-Centered Design 'Fix' Humanitarian Aid?" *PolicyInnovations.org*, October 2015.

<sup>4</sup> Navita Cummings-James, "When Miss America Was Always White," in *Our Voices: Essays in Culture, Ethnicity, and Communication*, Alberto Gonzalez, Marsha Houston, and Victoria Chen, eds, New York: Oxford University Press, 2012, 60-64.

## BATUTIS:

<sup>1</sup> Lisa Findley and Liz Ogbu, "South Africa After Apartheid: From Township To Town," *Places Journal*, November 2011.

<sup>2</sup> Government of South Africa, *The Constitution of South Africa*, Chapter 2, Section 26, 1994.

<sup>3</sup> Carol Paton, "Inside South Africa's Illegal Immigration Nightmare," *Rand Daily Mail*, April 30, 2015.

<sup>4</sup> Brian Pagnotta, "The Pros and Cons of Cargo Container Architecture," *ArchDaily*, 2011.

<sup>5</sup> Lloyd Alter, "What's Wrong with Shipping Container Housing? One Architect Says 'everything,'" *TreeHugger*.

<sup>6</sup> Eric Abrahamson and Lori Rosenkopf, "Social Network Effects on the Extent of Innovation Diffusion: A Computer Simulation," *Organization Science*, 8, 3, June 1, 1997.

<sup>7</sup> Jonathan Kalan, "Bringing Mod Cons to the Slums," *BBC*, March 26, 2013.

<sup>8</sup> Alana Semuels, "Tiny Homes for the Homeless," *The Atlantic*, October 30, 2015.

<sup>9</sup> Yasemin Saltuk, JP Morgan, and GHIN, "Eyes on the Horizon: Impact Investor Survey," May 5, 2015.

<sup>10</sup> Glennerster, Rachel. "Globally Informed, Locally Grounded." Lecture, Massachusetts Institute of Technology, Cambridge, May 2015.

## BURY:

<sup>1</sup> "Why Successful Companies Keep Investing in Ongoing Marketing - Forty," *Forty.co*, 2012.

<sup>2</sup> "Press Room: Global Consumers Are Willing to Put Their Money Where Their Heart Is When It Comes to Goods and Services from Companies Committed to Social Responsibility," *Nielsen.com*, 2014.

## GUBERNICK:

<sup>1</sup> Stephanie Strom, "Confusion on Where Money Lent via Kiva Goes," *The New York Times*, November 8, 2009.

<sup>2</sup> *Ibid*.

<sup>3</sup> "Kiva- About Us," *Kiva.org*.

## VIPOND:

<sup>1</sup> Greenpeace International, "Genetic Engineering," *Greenpeace.org*.

<sup>2</sup> Henry I. Miller, "GMO Crops Do Help Poor Farmers," *The Wall Street Journal*, April 28, 2013.

<sup>3</sup> Pamela Ronald, "The Case for Engineering Our Food," *Speech, TED2015*, Vancouver.

<sup>4</sup> "Composting," *OneAcreFund.org*, May 19, 2015.

<sup>5</sup> Root Capital, "A Roadmap for Impact," report, 2012.

<sup>6</sup> Allan Savory, "How to Fight Desertifica-

tion and Reverse Climate Change," *Speech, TED2013*, Long Beach.

## O'NEILL:

<sup>1</sup> Harriet Salem, "'We're Working, Waiting, Expecting the Worst': Syrians Are Escaping Jordan's Refugee Camps for Black Market Labor," *Vice News*, April 28, 2015.

<sup>2</sup> Luk N. Van Wassenhove and Othman Boufaied, "Europe Can Find Better Ways to Get Refugees into Workforces," *Harvard Business Review*, October 5, 2015.

<sup>3</sup> Samantha Cowan, "Online University Offers Free Education to Refugees," *TakePart*, October 1, 2015.

<sup>4</sup> "Kiron University - Startnext.com," *Startnext.com*, November 15, 2015.

<sup>5</sup> "Transitions London," *TransitionsLondon.co.uk*.

<sup>6</sup> Marie-Amelie Heuls, "'Stay Open-minded': Refugees Run Vienna Hotel," *The Daily Star Newspaper*, April 18, 2015.

<sup>7</sup> "Hotel Staffed by Refugees Opens in Vienna," *The Local*, February 13, 2015.

<sup>8</sup> Adele Peters, "At This Boutique Hotel, Tourists Stay Next To Refugees," *co.exist*, April 21, 2015.

## KHALSA:

<sup>1</sup> Colleen Quinn, "Task Force on Persons Facing Chronically High Rates of Unemployment," *Mass.gov*, February 1, 2016.

<sup>2</sup> Katie Johnston, "Governor Unveils \$5m for Job Training Programs" *The Boston Globe*, January 26, 2016.

<sup>4</sup> *Ibid*.

<sup>5</sup> Mike Maciag, "How States Are Confronting High Long-Term

Unemployment", *Governing The*

*States and Localities*, July 8, 2015.

<sup>8</sup> Bureau of Labor Statistics, "Trends in Long-Term

Unemployment," *Bls.gov*, March 2015.

<sup>10</sup> Job Training Alliance, "Job Training Works, Pays and Saves:

<sup>11</sup> An Economic Impact Study on Outcomes of Job Training," January 2016.

<sup>12</sup> *Ibid*.

<sup>13</sup> "Baker-Polito Administration To Invest \$5 Million Targeting Chronically High Unemployment," *Mass.gov*, January 25, 2016

## BOSCHETTO:

<sup>1</sup> "Magdas HOTEL," *Booking.com*, 2015.

<sup>2</sup> "Magdas Hotel - A Place Where Refugees Become Hosts," *I SEE YOU*, January 28, 2016.

<sup>3</sup> Showkat Shafi and Thomas Bruckner, "Vienna Hotel a Model Project Giving Refugees Hope," *Al Jazeera*, July 21, 2015.

<sup>4</sup> "Magdas Hotel - A Place Where Refugees Become Hosts."

<sup>5</sup> Sarah Barci and Klaus Schwertner, "Interview - Social Enterprise Review," February 16, 2016.

<sup>6</sup> "Hotel," *MagdasHotel.at*.

<sup>7</sup> Barci and Schwertner, "Interview - Social Enterprise Review."

<sup>8</sup> "Act Governing the Employment of Foreign Nationals," *migration.gv.at*, 2014.

<sup>9</sup> "Regular Procedure: Austria," *Asylum Information Database*, 2016.

<sup>10</sup> *Ibid*.

<sup>11</sup> Barci and Schwertner, "Interview - Social Enterprise Review."

<sup>12</sup> "2015 UNHCR Subregional Operations

Profile - Northern, Western, Central and Southern Europe," *UNHCR.org*, 2016.

<sup>13</sup> "Refugees/Migrants Emergency Response - Mediterranean," *UNHCR.org*, 2016.

<sup>14</sup> Barci and Schwertner, "Interview - Social Enterprise Review."

<sup>15</sup> *Ibid*.

<sup>16</sup> "PKF Hotelexperts Awards Clemens Foschi, Initiator of Magdas Hotel with the 'Hospitality Innovation Award,'" *Hotel Forum*, 2015.

<sup>17</sup> *Ibid*

<sup>18</sup> Gudrun Kollegger, Austria Refugee Crisis Interview with Gudrun Kollegger, Skype, February 12, 2016.

<sup>19</sup> *Ibid*

<sup>20</sup> *Ibid*

## CASE STUDIES WORKS CITED

## ARREOLA:

Cohen, Patricia. "A Company Copes with Backlash Against the Raise That Roared." *The New York Times*. August 2, 2015.

Keegan, Paul. "What Really Happened at That Company That Set a \$70,000 Minimum Wage." *Inc. Magazine*. November 2015.

Mazzoni, Mary. "3p Weekend: 10 U.S. Companies That Pay Above Minimum Wage." *TriplePundit*. February 28, 2014.

Tobak, Steve. "The Sad Saga of the \$70,000 Minimum Salary Company." *Entrepreneur*. August 10, 2015.

Trader Joe's. "Careers." *www.traderjoes.com*.

Weise, Karen. "The CEO Paying Everyone \$70,000 Salaries Has Something to Hide." *Bloomberg Businessweek*. December 1, 2015.

## DUMAIS:

Anderson, Richard. "Pharmaceutical Industry Gets High on Fat Profits - BBC News." *BBC News*. June 6, 2014.

"GlaxoSmithKline Gross Profit Margin (Quarterly)." *YCharts*. September 30, 2015.

GlaxoSmithKline. "GSK Publishes Its 2013 Corporate Responsibility Report." *Ethical Performance*. September 3, 2014.

Grim, Ryan, and Jeffrey Young. "Drug-Price Gouging Hedge Fund Guy May Be Even

Worse Than You Thought, SEC Documents Show." *Huffington Post*. September 22, 2015.

Matthews, Christopher M., Rob Copeland, and Rebecca Davis O'Brien. "Martin Shkreli, Pharma Executive, Arrested on Fraud Charges." *Wall Street Journal*. December 17, 2015.

Pollack, Andrew. "Drug Goes From \$13.50 a Tablet to \$750, Overnight." *The New York Times*. September 20, 2015.

Rallo, Juan Ramon. "How the State Makes Medicine More Expensive." *PeriMondo*. November 25, 2015.

Raymond, Nate. "Drug Exec Shkreli, Lawmakers Clash Ahead of Congressional Hearing." *Reuters*. January 21, 2016.

Shaffer, Julie. "Access to Medicines: Ranking the Social Responsibility of Pharmaceutical Companies." *Rx Communications*. December 1, 2008.

S.M. "Gini in the Bottle." *The Economist*. November 26, 2013.

Surowiecki, James. "Taking on the Drug Profiteers." *The New Yorker*. October 12, 2015.

# About the SE Review

The Northeastern Social Enterprise Review is a student-run publication dedicated to promoting high quality content in the social enterprise space. We engage and inspire the conscious and curious reader by exploring the intersection between business and positive social change. The print edition is a collection of op-eds written by Northeastern students regarding contemporary issues in the world of social enterprise.

## Want to Write for the Next Edition?

We are looking for thoughtful, talented writers and critical thinkers from Northeastern University and universities across the world. We are also in search to feature writers, bloggers, practitioners, and academics from all backgrounds and disciplines. See our website for more details on submission guidelines.

Contact Us:

The Northeastern Social Enterprise Review  
Northeastern University  
360 Huntington Avenue, 220 Hayden Hall  
Boston, MA 02115-5000

Managing Director, Ritu Bhargava (bhargava.r@husky.neu.edu)  
[www.nusereview.com](http://www.nusereview.com)

Supported by the  
**Student Activity Fee**