



Employer Engagement Profile: *Social Entrepreneurship*

Produced by DDAA in Partnership with the ARC



What is a Social Enterprise?

Social enterprises are important partners in a recovery-to-work ecosystem as they can bridge the gap between recovery and employment—empowering individuals with substance use disorder (SUD) to build necessary skills for future employment. Additionally, social enterprises generate revenue and can be used as a source of funding to sustain other charitable programs.

A social enterprise is a business with social objective as its main goal, which also maintains a profit motive.¹ Social enterprises can be organized as non-profit or for-profit organizations and often operate as a standard business—seeking to maximize profits to sustain the venture while keeping an eye to its social objective(s).

Generally, social enterprises fall into one of three categories:²

- ▶ Donations-based: the enterprise donates goods or services for each purchase made;
- ▶ Innovations: the enterprise sells innovative products to support social goals; or,
- ▶ Employment-related: the enterprise offers training and employment people who would have limited opportunities otherwise.

Regardless of the type, social enterprises can benefit partners in recovery to work by:

- ▶ Supporting people’s recovery by bypassing barriers to standard employment
- ▶ Accommodating employees with SUD in ways that standard businesses cannot
- ▶ Serving as business incubators for people in recovery seeking their own entrepreneurial objectives

Social enterprises offer many benefits, but they are complicated endeavors which require legal and business expertise to start and manage. Primarily, these ventures must cross two major hurdles before beginning their work:

- ▶ Identifying a legal form that best suits the venture’s objectives (ex. Limited Liability Company, Nonprofit Corporation, Cooperative, etc.)
- ▶ Finding start-up capital, whether through VCs, government loans or grants, or Program-Related Investments (PRIs)^{3, 4}

Once these steps are accomplished, social enterprises must maintain a certain level of legal awareness to hire and retain workers with SUD. Some enterprises opt to hire a full-time legal counsel. Others take advantage of state programs or nonprofit legal services.

¹ <https://corporatefinanceinstitute.com/resources/esg/social-enterprise>

² <https://www.aecf.org/blog/what-is-a-social-enterprise>

³ <https://www.linkedin.com/pulse/starting-social-enterprise-6-useful-tips-from-legal-experts-bender/>

⁴ An investment made by a charitable foundation or other organization to further a social goal.

Social Enterprises in the Recovery-to-Work Ecosystem

What are the Benefits of Recovery-Focused Social Enterprises?

A social enterprise can be more flexible in working with people with SUD and can offer more direct support than a standard business. Because social enterprises maintain a social objective, they provide helpful services to employees in recovery including training and on-site recovery mentorship.

In many programs, people in recent recovery begin their time working in a supportive social enterprise with a peer recovery specialist to help guide them. A few great examples of social enterprises that hire people in recovery include:

- ▶ **Fruits of Labor**: Fruits of Labor is a social enterprise offering employment and training in culinary skills to those in recovery. The enterprise also supports the Communities of Healing recovery-to-work ecosystem, a program to invest in social enterprises with a focus on people suffering with SUD.
- ▶ **Lovelady Center**: Similarly, the Lovelady Center, a nonprofit offering transitional care for women in recovery —provides on the job training through social enterprise (two thrift stores) in addition to other support services like GED training, driver’s license acquisition, and counseling. Many of the women who participate in and graduate from the program are employed by the Lovelady Center’s thrift stores, which generate more than 50 percent of the Center’s operating budget.
- ▶ **Hope and Coffee**: Another example of an employment-related social enterprise is Hope and Coffee in PA. Hope and Coffee hires many people with SUD to work in their shop and uses the business as an opportunity to advocate for people struggling with substance use. The Coffee shop also hosts forums and meetings for other recovery organizations as a safe space to share their struggles and breakthroughs.

How Can My Region Work With Social Enterprises?

Recovery-to-work ecosystems. By cultivating a group of social enterprises, practitioners increase the pool of potential placements for people newly in recovery. Networking with business owners who understand recovery or have gone through it themselves is an important component of this work.

Your partnerships will vary depending on your objective. For example, if your goal is to start a social enterprise, you may need to partner with your local small business development center. Alternatively, if you want to partner with an existing social enterprise to your recovery to work ecosystem, you might consider working with your local chamber of commerce to identify social enterprises in your region.

If you are starting a social enterprise

When starting a social enterprise, the first objective is to gather resources. While this may include funding, you should first gather information to build your business plan and to settle on a legal form (like an LLC).

You can get legal information from the Small Business Administration (SBA), local bar association, nonprofit organizations, or your local university. Universities may also host clinics on developing your business plan. You can also access business plan resources through the SBA, your local chamber of commerce, or local small business development center.^{5, 6, 7, 8}

It is worth noting that while many social enterprises are started from scratch, some are built out from existing organizations. For example, the Lovelady Center in Alabama began as a nonprofit organization supporting women in recovery. In 2010, the Center opened a thrift store with the dual goal of generating income and offering residents on the job training. In 2016, the Center was able to open a second location and the stores now generate 50% of Lovelady's operating budget.⁹ This example may be a useful blueprint for organizations seeking to add job career training to an existing nonprofit organization or business.

However, if you want to start a social enterprise from scratch, you can use the [appendix below](#) to get started.

⁵ <https://smallbiztrends.com/2023/12/free-legal-advice.html>

⁶ <https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan>

⁷ <https://www.uschamber.com/co/start/strategy/free-resources-for-small-businesses>

⁸ <https://www.nerdwallet.com/article/small-business/small-business-grants>

⁹ <https://www.loveladycenter.org/thrift-stores/>

If you want to partner with social enterprises

As mentioned above, social enterprises can be valuable partners in a recovery to work ecosystem. Before beginning outreach, it is beneficial to map out your recovery to work ecosystem—identifying which organizations are operating in your area of focus and identifying potential synergies with other groups. You can learn more about mapping your ecosystem in the DDAA Ecosystem Builder’s Guide, [here](#).

To connect with these businesses, you might consider leveraging the following resources:

- ▶ A local or national social enterprise network like the [Social Enterprise Alliance](#)
- ▶ Local chambers of commerce
- ▶ Local SBA District Office
- ▶ State or local economic development organizations (State Department of Commerce or Local Economic Development District)

Before you partner with a social enterprise, there are a few key things to know:

1. Every social enterprise has a social goal, which you can align with gaps in your ecosystem continuity of care (ex. finding employment for people with SUD or producing/disseminating an important medical technology like naloxone).
2. Social enterprises still need to turn a profit like other businesses, being aware of this will help you place these partnerships in a way that leverages their profit motive while maintaining their vital role in your ecosystem.
3. While looking for social enterprises to partner with, it is important to know which of the three types ([mentioned above](#)) will work best in your ecosystem—are you trying to get people into employment, offer donations to a charitable cause, or sell innovative products?

¹⁰ <https://www.arccenters.com/about-us/overview/>

¹¹ <https://www.arccenters.com/treatment-options/the-treatment-process/phased-treatment-approach/>

¹² <https://www.arccenters.com/about-us/overview/>

Case Study

Background

Social enterprise is a key component of Addiction Recovery Care (ARC) the largest substance abuse treatment provider in Kentucky.¹⁰ ARC manages a network of 30 recovery centers across the state and offers a four-phase program designed to get people from early recovery into employment. ARC was able to help 6,270 clients in 2022 alone.

Addiction Recovery Care’s Program

ARC’s one-year “Crisis to Career” program includes four phases for people in early recovery¹¹:

1. Stabilization
2. Recovery and life skills
3. Outpatient and housing
4. Jobs skills and education

The first three phases in this program are designed to ensure a “holistic, person-centered approach to treatment and recovery”.¹² Before clients begin job training, they are offered a variety of stabilization and recovery services, including supervised detox, medical services offered by certified addiction psychiatrists, chaplaincy care for religious clients, residential treatment for pregnant and postpartum women, group counseling, and personalized treatment plans.

Patients in phase 4 are offered an internship at ARC in one of three training courses: the peer support specialist program, the Second Chance automotive program, or the Second Chance lawn care and property services program.

- ▶ **Peer Support Program:** A vocational training program designed to teach clients how to support others in their recovery.
- ▶ **Second Chance Automotive Program:** A program training people in recovery to be mechanics.
- ▶ **Second Chance Lawn Care Program:** A vocational training program in landscaping and lawn care.

Through each of these programs, phase 4 patients will learn key skills to seek further employment. Since 2016 more than 80% of patients taking part in these internships remain employed and in active recovery.¹³

¹³ <https://www.arccenters.com/crisis-to-career/second-chance-automotive/>

Lessons Learned

- ▶ Social enterprises can generate additional revenue for other charitable causes, as with the Lovelady Center thrift stores
- ▶ The benefits of a social enterprise are enhanced by other wraparound services like housing, life skills training, and outpatient health assistance, as used by ARC
- ▶ Partnering with a social enterprise which offers several tracks toward employment can greatly increase a person with SUD's success in their career
- ▶ Social enterprises are more flexible than traditional businesses when hiring employees, given their social goal—you can utilize this flexibility to overcome barriers to employment for people in recovery
- ▶ You can increase the reach of your ecosystem by keeping in contact with employees of social enterprises who go on to create their own businesses and hire others in recovery

Appendix

What do I need to Know About Starting a Social Enterprise?

If you want to start a social enterprise, here are a few steps to consider.

1. Consider the social goal you wish to achieve—do you want to offer training to people in recovery, sell a needed or innovative product, or use profits to donate to charitable causes?
2. After identifying a goal, you must develop a business plan to guide your enterprise. Without a business plan with defined goals, your enterprise will lack a guiding vision and may not achieve the goals you have set. [Click here](#) for a template to get you started.
3. Next, you will need to choose a legal form for your enterprise. You could opt to create a standard Limited Liability Corporation (LLC) or some other entity based on your needs. To learn more about your options, [click here](#).
4. After choosing your legal form, you will need to create and maintain a budget. Keep in mind, social enterprises by their definition seek to generate profits (revenues are greater than costs). To ensure you are maintaining profits, use [a budget guide](#) like this, or ask your local chamber of commerce or SBA Office for resources.
5. Finally, to start your social enterprise you will need funding. You can find this through private venture capitalists, government grants or loans, or through donations from a charitable organization. [This article](#) provides a breakdown of different types of seed funding for social enterprises.

Keep in mind that social enterprises do not always need to be started from scratch. Sometimes, they can grow out of an existing nonprofit like the [Lovely Center's](#) thrift shops. This can help ameliorate some of the logistical and financial burdens of starting a social enterprise.

Sources

- ▶ <https://corporatefinanceinstitute.com/resources/esg/social-enterprise/>
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