

# Social enterprise

Definition

<https://www.investopedia.com/terms/s/social-enterprise.asp>

## What Is a Social Enterprise?

A social enterprise or social business is defined as a business that has specific social objectives that serve its primary purpose. Social enterprises seek to maximize profits while maximizing benefits to society and the environment. Their profits are principally used to fund social programs.

## Understanding Social Enterprises

The concept of a social enterprise was developed in the UK in the late 1970s to counter the traditional commercial enterprise. Social enterprises exist at the intersection of the private and volunteer sectors. They seek to balance activities that provide financial benefits with social goals, such as providing housing to low-income families or job training.

Funding is obtained primarily by selling goods and services to consumers, although some funding is obtained through grants. Because profit-maximization is not the primary goal, a social enterprise operates differently than a standard company.

While earning profits is not the primary motivation behind a social enterprise, revenue still plays an essential role in the sustainability of the venture. [Sustainable revenue](#) differentiates a social enterprise from a traditional charity that relies on outside funding to fulfill its social mission. This goal does not mean social enterprises cannot be profitable; it's simply that their priority is to reinvest profits into their social mission, rather than fund payouts to shareholders.

The [Organization for Economic Cooperation and Development \(OECD\)](#) identifies social enterprises as being highly participatory, with stakeholders actively involved and a minimum number of paid employees.

### KEY TAKEAWAYS

- A social enterprise is a business with social objectives that serve its primary purpose.
- Maximizing profits is not the primary goal of a social enterprise as is with a traditional business.
- Unlike a charity, social enterprises pursue endeavors that generate revenues, which fund their social causes.
- Regarding employment, preference is given to job-seekers from at-risk communities.