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White Paper

Co-Profiting

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Both for-profits and nonprofits can thrive in the 21st century using the 'co-profit' business model for true sustainability

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For-profit businesses can and should co-exist and cooperate with nonprofit organizations, actively participating across boundaries to help each other more effectively fulfill their missions. We maintain that this integrated approach "cogenerates" economic and social value, calling this a "co-profit" business model.

The co-profit concept was born of the idea that success for nonprofits requires strong relationships with revenue-generating enterprises and individuals, and that in order for a for-profit enterprise to thrive in the twenty-first century, it must understand and address its social context. Globally, we face the massive threat of unsustainability.

While we tend to view social and ecological problems—such as climate disruption, terrorism, ecosystem destruction and poverty—as separate, hierarchical and competing, they are actually systemic and interrelated. Therefore, we contend that achieving sustainability must come from a better, interrelated system that combines market forces and nonprofit initiatives, and is scalable and replicable.

It is clear that the industrial revolution and the continued economic growth and acceleration of business activity over the past fifty years have been primary drivers of unsustainability. While business has inarguably brought us great progress and improvements in quality of life worldwide, it has also overshot ecological limits and undermined social systems in pursuit of its own growth and power.

The rate of ecosystem degradation caused by human activity exceeds regeneration capacity by about 25 percent.¹ Natural systems provide a wealth of tangible and intangible services to business, some \$33 trillion worth of "free" deliverables a year.² Those services include fertile soil, fresh water, breathable air, pollination, species habitat, soil formation, pest control, a livable climate and a host of other things most companies take for granted.³

In response to these threats, the nonprofit sector has grown tremendously in recent decades. There are 1.5 million nonprofits in the United States addressing social and environmental issues, with combined revenues of approximately \$700 billion from individual, corporate and foundation giving, and assets valued at \$2 trillion.⁴ While much good work has been done, it has been eclipsed by the continued deterioration of social and ecological systems.

Many of us donate a generous portion of our income and volunteer a generous amount of our time to nonprofits. However, we must remember how much more of our time and resources we commit to our business and consumer activities that often create and exacerbate (in potentially subtle or indirect ways) the problems we aim to solve.

The Co-Profit Business Model

The co-profit model aims to address this paradox by bringing sustainability-oriented businesses together with nonprofits to work in concert to solve these problems, identify synergies to help fulfill their aligned missions and drive innovative solutions.



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- FT Investing in a Sustainable Future March 24, 2010, New York

The co-profit model is based on the belief that many, but not all, societal problems can and should be solved most effectively by bringing sensible, responsible market forces to bear. In other words, the business activities of a co-profit must first do no harm.

Beyond working on eliminating unsustainability, a coprofit business must address its social context. In this domain, social entrepreneurs take the lead in stretching the boundaries of traditional business activities. Social entrepreneurship has been defined as “innovative, social value-creating activity that occurs within or across the nonprofit, business or government sector.”⁵

The co-profit model embodies this approach in a unique way by linking a company with a nonprofit in such a way that the company—explicitly working toward sustainability in its own operations—also contributes financial resources to cover the nonprofit’s overhead so 100 percent of all outside contributions directly serve the nonprofit’s mission. In addition, each employee contributes expertise and a percentage of work time to support the nonprofit.

The co-profit model aims to leverage the benefits of the various approaches laid out in Figure 1. In this sense, co-profits make contributions in time, money and expertise to heal social and ecological systems. The public’s awareness in social and environmental concerns is leading to a more informed market, creating either advantages or disadvantages for companies depending on how they have aligned their operations. As James Austin wrote in *Entrepreneurship in the Social Sector*: “Bad business can be bad for business.”⁶

By providing exceptional meaning in their work, co-profits can inspire more productive work forces. By attracting and retaining top talent, co-profits will cut costs. By engaging with new and different activities in the nonprofit sector, co-profits can spark new ideas and innovations from within to help create new business opportunities. By genuinely contributing to the creation of a sustainable society through systematically eliminating direct and indirect negative impact and proactively working to have a restorative effect—co-profits will build trust and a strong reputation. In this way, co-profits and their stakeholders do well while doing good.

These claims may be little more than conjecture at this point, but given the growing body of research around business for sustainability and social entrepreneurship activities, it is reasonable that the same driving forces will carry over and potentially be amplified within this new model.

While we believe the co-profit model is new and unique, it is similar in many ways to what Google has done through the development of Google.org and The Google Foundation. Google.org grew out of a commitment to “contribute significant resources, including 1 percent of Google’s equity and profits in some form, as well as employee time, to address some of the world’s most urgent problems.” Google.org itself is a hybrid organization; it carries out traditional nonprofit work, such as grant-making, but can also invest in for-profit ventures. However, the combination of Google and Google.org, while not explicitly so, is akin to a co-profit. Although Google is not explicitly a sustainability-oriented company (as for-profit entities are in the co-profit model), its relationship with Google.org is similar to a co-profit model. As Google.org points out on its Web site, “We can tap Google’s innovativetechnology and, most importantly, its inspired workforce.” (<http://www.google.org/about.html>)

To be successful in business, they say: Do one thing, and do it well. They say keep it simple, stupid. Many people view the rather inconvenient fact that we live in an increasingly complex global economy as all the more reason to do one thing well. But as Einstein said, “Make it as simple as possible ... but no more so.”

A part of Google philosophy is to do “one thing really well” (<http://www.google.com/corporate/tenthings.html>). Yet, as Google continues to improve its core search technology, it finds new and exciting ways to apply it. In dealing so intimately with the Internet, it’s not hard to imagine how Google has come to see how everything is interconnected, and seemingly unrelated or altruistic causes are vital to core business.

When you accept the challenge of saving the world—of creating a sustainable, socially and ecologically restorative global society—you’re forced to deal with some complexity. Still, complexity need not be overwhelming. Proven frameworks and concepts using systems thinking and integral theory allow for “simplicity without reduction.”⁷ That is, making things as simple as possible, but no more so.

By fostering a common understanding and shared vision of sustainability across collaborating for-profit and nonprofit organizations, we believe it is possible to manage the complexity of these challenges without becoming overwhelmed. We see great potential in the co-profit business model for making a meaningful contribution in creating a sustainable society and effectively addressing today’s toughest problems.

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