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JOHANNA MAIR

## Social Enterprise Requires New Thinking in Governance



**In certain parts of Africa, the nearest doctor may be far away, across rugged terrain, accessible only by a rusty, unreliable motorcycle. Some years ago, two UK motorcycle enthusiasts saw great potential in those derelict bikes. Their charity, *Riders for Health*, now maintains transport fleets, working together with African governments and NGOs, so that isolated people can get the treatment they need.**

Such social enterprise organisations often combine traditionally non-profit goals with typically for-profit models. Social innovation expert, Johanna Mair, who teaches Management, Organisation and Leadership at the Hertie School, says the recent proliferation of such “hybrids” calls for new kinds of thinking in governance.

Mair has seen both sides of the coin. She got her start in banking before she turned to development work and academic research in social innovation, institutional change and corporate strategy. As Chairperson of the World Economic Forum’s Global Agenda Council on Social Innovation, she regularly meets with influential social entrepreneurs and impact investors to discuss issues in that expanding area of work.

“For-profit institutions in business and those that are publicly listed have a legal mandate to maximise shareholder value, but non-profit institutions are

accountable to investors and beneficiaries as well,” Mair says.

For example, *Riders for Health* does some commercial work for profit, but all of that income is used to bring healthcare to rural areas. Their Board of Trustees ensures that the organisation stays on track, balancing their mission with financial sustainability—which also means achieving growth so they can expand their services. They have to run their organisation like a healthy business, but devote as many resources as possible to their mission.

Governing boards of such institutions need to think differently than traditional enterprises and be adaptable, Mair says. This means not just asking what is the return on investment, but also what is the return on social investment. It means making sure that boards hire people who share their mission as well as putting checks in place to make sure they stay on track.

Mair says there are—and should be—many ways to define good governance. “Governance is meant to monitor and support social systems, so if you define it too narrowly, you risk losing sight of your goals.”

*Hertie School Professor Johanna Mair is also a Visiting Scholar at the Stanford Center on Philanthropy and Civil Society.*

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