



Stanford eCorner

The Wave of Social Entrepreneurship [Entire Talk]

Jeff Church, *Nika Water*

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Entrepreneur and successful executive Jeff Church founded Nika Water to create a thriving social enterprise that supports clean water projects in impoverished countries. In this inspiring lecture, Church lays out his motivations for striking out on his own, the challenges of the global water crisis and the essential lessons aspiring entrepreneurs need to learn.



Transcript

Jeff. Thank you, Tina. Thank you. Hello, everyone. How are you doing? Great. Awesome, awesome. I want to start with taking you back to my senior year in high school a long time ago. And I was playing in a football game. It was the seventh game of my senior year. We had lost every single game of my junior year.

We lost the first six games in my senior year. And I was a very mediocre football player on a really lousy team. And it was late in the game, in this particular game I actually had a pretty good game. I caught a touchdown pass and I'd caught a couple of other passes, so I was having a pretty good game and we were actually within kind of striking distance of potentially winning the game. And as we were on the opponent's 10-yard line and as the quarterback rolled out, I was in the end zone and I happened to be open, but the quarterback didn't see me. And I had to split-second decide, so I raised my hand and let the quarterback know that I was open or should I - and thereby take the chance that he throws me the ball and I drop the ball and become the goat or should I not raise my hand and let the quarterback have his chances, if he gets in the end zone. And my decision it felt like an eternity in that split-second of my calculus. And I ended up making a decision that's kind of haunted me, but then formatively changed me for years. I made the decision not to raise my hand. And the quarterback didn't see me, he ended up getting tackled and we ended up losing.

And I struggled with that so much afterwards because what really was the reality of what it was, I was more afraid of failing than I was afraid of being mediocre at that time in my life. I didn't have enough confidence in myself to really step out there and appreciate what I really could do. It was only later that I had learned that I had more fear about being mediocre than I did about failing which is ultimately what pushed me over the entrepreneurial cliff, if you will. The second one that I want to mention is failing at my - getting my lifeguard certificate when I was 16. And I thought I studied, I thought I did the practical exams; I thought I did all that, but I failed miserably on both. I failed on the practical exam and I failed on the test. And for years, again, I agonized over how can I fail a lifeguarding test? How could I do something to fail something like that? But when I realized what it did for me it was one of those formative moments that it taught me the rest of my life that I better out-prepare everything. So today, I'm not necessarily the sharpest guy intellectually in the room, but I will outwork anyone in the room. And I learned that kind of a secret to a successful 40-hour work week is to work 80 and that's just how I can - that's just how I can do it. I also learned the value of networking.

I got a pretty good job out of graduate school because I went to a pretty good graduate school. I went to a pretty good graduate school because I had a pretty good job before that. I got a pretty good job before that because I got a pretty good internship. I got a pretty good internship because I was involved in the accounting society at my school and I hosted different firms to come into town to meet with the students. And as they were coming in to meet with the students, I realized that, hey, I can network with this people and I can maybe do something good for myself. And I did that and it kind of helped. And the value

of networking is just so important, particularly at a younger age. I will give you one other example of the value of networking. How many of you've heard of the economist, Jeffrey Sachs? So most people have heard of him. You're far ahead of me, I didn't know who he was five years ago.

But as I started on my quest to learn about poverty alleviation in extreme poverty, I kept stumbling across his name when I was Googling around and doing web surfing. And one night I decided - one night I found his e-mail on one of the blogs I was reading and I thought what the heck, I'm going to e-mail this guy, who probably will never respond, but I'm going to try. So, I e-mailed him at 11 o'clock at night, got back over the next morning at 7:00 a.m., there was an e-mail from Jeffrey Sachs and it said, hey, Jeff, nice to meet you, if you can call me at 10:10, call me and I'd love to talk with you. So I decided between 7:00 and 10:00, I better research who he was, and thankfully, I hadn't done it the night before I probably never would've emailed him. And I got on the phone with him at 10:10 that morning and we had a nice 20-minute conversation. He invited me to New York to meet with him and he said, I'm sorry, Jeff, I got to go, I've got the President of Malawi in my office. And I thought, jeez, I really felt awestruck. And my point is you may call it e-mail stalking, but I do it all with time. I do it with LinkedIn, I do it with e-mail, I probably emailed 10 people a week that I don't know and probably nine of them don't respond. But the one that responds tends to sometimes open a door and sometimes we don't want to do that, but I would really encourage you to kind of push yourself out of your comfort zone and try doing that kind of thing.

I wanted to give you a little bit of my experience. I think its relevant and talking about commercial entrepreneurship and social entrepreneurship and I spent four years in public accounting at Ernst & Young, where I really learned what a CPA really means. It means cut, paste, and attach. And that was about the extent of my - I knew I didn't want to be an accountant forever, but I felt like it was a great language of business to really learn. And now I spent 12 years involved in a middle market kind of no name company. And sometimes I think we get our brains, we want to go work for the big consulting firm, or a big investment bank or the big brand or whatever and in reality sometimes the middle market-type companies, you can get really great experience just by working in a middle market business. This was about a \$300 million or \$400 million business and I was able to move around or move - I think I moved 10 times in 10 years and I was able to move around and get lots of different general management experience and it was really a great experience for me. But towards my - the end of my late 30s, I began to really think I want to go off on my own and I want to take that entrepreneurial plunge, I want to do that. My wife, who is a Mediterranean, and first generation American, has the risk tolerance of Richard Branson. So she is always pushing, pushing, pushing, to kind of do that, but I grew up kind of Midwestern-ish and I had a very risk averse, somewhat risk averse profile.

But I knew I kind of wanted to do that. I knew I want to do that and I felt like I was standing on a high board blindfolded wondering if there was water in the pool beneath me. Knowing that I want to take that plunge, but I just can't quite take that plunge because I wasn't sure if there was water in the pool. And then to make matters worse, my mom piled on and she wanted me to do it. And then when your mom wants you to do something, you know maybe it's a bad idea, right? Because I remember when I played high school football, we lost a game 42 to nothing and I had a horrible game and I came into the house, and she said, well, I thought you played good, honey. So, I just wasn't quite there, but I was - one night I was channel surfing late and I came across an interview and there was an interviewer who was going around, he was interviewing about 10 people, senior citizens. And he was asking them what did they wish they've done differently in their careers? Every single one of those people said they wish they've taken more business risk. They wish they had kind of put it out there a little bit further. And the last thing you want to do is get to that stage in your life and feel like, jeez, if only I had kind of taken that shot. I'd much rather take the shot and be able to look back and say, hey, I took the shot, it didn't work, but I took the shot, I gave it everything I got.

And I realized at that time that I had switched my paradigm from that high school football example of being more afraid of failing. Now I was more afraid of being mediocre than I was of failing. So I worked out a deal with my employer to leave and I spent three months basically working with them on a transition plan, I was running a \$200 million business and I worked out a deal with them and I felt really good about that deal I was - took a tremendous amount of integrity in doing that, I would really encourage any of you to the extent you leave somewhere, you only have your good name in life to really live as your legacy and it ended up as I left. After I left, I wanted to go find a company to buy and build. And there had been a company that we passed on in the company that I was at just before I left. And I was out looking for businesses and I remembered that company. So I went back to the CEO of the company and I said, hey, do you mind if I contact these guys? We passed on them previously. And I said, yeah, no problem, it was a - it didn't make sense for us in that particular situation. And that was the company I ended up buying. So really not burning bridges, really doing things right, it was really so important.

I want to give you a little bit of synopsis on the six - I have done six deals, commercial for profit traditional deals since I went off on my own. And I want to talk a little bit about the things that were common between the good ones and the things that were common between the bad ones. And I had of the six, four were good, two were really good. Not quite as good as Instagram, but they were pretty good. And two were horrific, kind of cratered on the rocks and bad news story. And a couple of the things that are important, the two bad ones, the economic cycle and the timing of the economic cycle were both right before a recession. So I bought one right in 1999 and I bought one in 2006. And it's really difficult and the type that I would do which

were leveraged acquisitions, the type that I would do if the economy turns on you, you don't have a lot of room to maneuver. The second thing is gross margins. If you've got a 30% gross margin, you don't have a lot of room to kind of bob and weave if all of a sudden you hit a pothole.

If you got a 60% or 70% gross margin, you got a lot more room to make a mistake and kind of weather that. You are also tying up a lot less cash and working capital in receivables and in inventory. I also learned - you want to share the upside with people, but be really careful of the dilution. It's really - I know two people that started businesses and ended up selling them each for over \$100 million and they each ended up with only 5% of the company. And you might say and you're right, 5% of \$100 million is a lot of money and it is, but there is no reason that they shouldn't had 30% or 40% of those companies. And what tends to happen is if I'm starting a company and I want to have Johnny come work with me because I know he has got some skill set, it's really easy to say, hey, Johnny, come work with me, I will give you 10% of the company. And Johnny says, okay, I will come work with you, 10% of the company. Well you kind of forget about that. Well, Johnny doesn't forget about that, right? Whereas you could say to Johnny, hey, Johnny, come work with me, I'll let you to share in the upside with me, I will give you some options, it will be great, you know, we'll work at that way. And Johnny will be thrilled generally, to come and work in that.

So be - I really strongly believe in sharing the upside with those that perform and people that are with you. But I also don't believe in just giving it away and it's really easy particularly in start-ups to be very easy about giving it away. I know people that have given it away actually and then those people didn't even stay with the company. So they left, but they still were - they still were vested in the equity that they had. Really understand your partners. The two companies that did not work, I knew in my gut, I just knew at the time I was buying them. Deep down that these guys that I was buying their businesses from weren't great characters. They didn't have the integrity that I really needed to have. And when you're buying a business or building a business, integrity is just so important, the integrity of the people that you're working with and what you're seeing, what you're doing. I also believe very strongly in breaking bread with your prospective partner and taking your spouse or your partner, your friend with you and actually meeting with their - with them and their spouse or their partner.

There is a lot in a casual setting that can kind of come out and you can interpret things and if you're a left brain person, but your spouse is a right brain person, you will see things very differently and I think it's really important to be able to do that in order to really understand the partners that you're working with. Roundabout in my early 40s, my wife and I began to think about transitioning from what was a more of a concentration in kind of business success to more of life significance and we felt like we've lived a significant life all along, but we really wanted to move much more of our concentration over to that. So we began to kind of look around and I thought; do I want to do another deal? Do I want to - and at the end of the day what are they going to put in my tombstone? Are they going to say, he worked another deal, he multiplied his money X, X, X a bit more. No hopefully, not. Hopefully, they're going to say I was a good human being, I was a good parent, I was a good spouse, I made a difference in the life of another. And we began to really think about, you know, how do we create a business where we can transition to that. And we started to study social enterprises and social entrepreneurship, which is what I really want to talk to you about today. Can these products actually help save the world? Can something as basic as a bottle of Newman's Own salad dressing actually bring joy to a child with a life-threatening disease? Can a bottle of water sold here in the United States actually help bring clean water to someone in that developing world? Can a pair of TOM shoes purchased at Nordstroms actually put shoes on someone else's feet in South America? And can something as basic as a ream of office paper, not much more basic than that, right? Can that actually provide a meal for a family of five for a week? And the answer is, yes, they can. And they're doing it through a really interesting model called social entrepreneurship. And I want to talk a little bit about what this model is.

There is tremendous overlap between commercial entrepreneurship and social entrepreneurship. They're very difficult to pull apart. I do feel like that you can pull on a little bit apart by the mission of the business. Is the mission of the business to really fulfill our societal challenge or societal solution or is the mission of the business to create value and economic return and that kind of stuff for shareholders? And just as I say that, there was a bunch of counters that I would say against it. But they're very similar in terms of the implementation of them and I feel like oftentimes social entrepreneurs screw up because they look at their business as nine parts cause, one part business. When in fact in the beginning, it's got to be nine parts business, one part cause. Because if the business doesn't stay around long enough, because it can't make it, we can't do anything about the cause, so in the early days of a social entrepreneurship or social enterprise, there - it's all about making the business successful, so that you can deliver whatever kind of give back model you've got. But on the left we've got the traditional for-profit businesses and they give back tremendous amounts. I'm a large significant free market pro-capitalism believer, and I believe these businesses give back tremendous amounts of money. But in the end, ideally, I mean, in the end legally they're really focused on creating economic return for their shareholders.

And they can't be entirely focused on this other model. On the right side, you've got the non-profits and to be honest, they focus most of their time on fundraising. And the other portion of their time, they spend on development. So they don't really have the time to create true businesses and oftentimes the NGOs aren't necessarily the best business people in the world. So

in the middle here, in the bottom you've got this hybrid model of social entrepreneurship, social enterprises. And the beauty of this is, they can be anything, they can be for-profit businesses that are donating in our case 100% of its profit, or they can be for-profit businesses that are donating 2% or they can be donating a pair of shoes for every pair of shoes they sell. They can be very different models, there is no right or wrong in that, in my mind anyway. On the other hand, you can have non-profits that actually create sister companies and those sister companies are for-profit entities that maybe were helping lower their admin rate, so they can attract more dollars. And I think it's a really exciting model because of that. So, who are these change makers? And we all know of the people, like Gandhi and Mandela and Mother Teresa and they truly are larger than life people.

But I believe that there is someone else in this room and I believe it's you who also can be a social entrepreneur and you can really focus on this type of business and I think you can find tremendous happiness, fulfillment and economic return by doing it. So, I believe that ordinary people just like you and I can do extraordinary things. And you hear about the Mandelas and all those guys, but they all started out as ordinary people. They just kind of pushed one foot in front of the other and they kind of jumped off that, out of their comfort zone and made it happen. And one of the things I think the more academic we get, the more intellectual we get, the more education we get, the more we learn all the reasons that businesses fail and a lot of them do fail. But in fact you got to take that step. What we should do is twist that paradigm and say instead of knowing all the reasons that they don't work, we should say, okay, now I know all the reasons that businesses do fail, let me use those to make sure that my business doesn't fail. I think that's a twist that - I think we have to twist that paradigm. I want to give you an example of two social entrepreneurs that have done incredible things. The first is a guy named Craig Kielburger.

Has anybody ever heard of Free The Children Organization? Not many people, it's an organization that Craig when he was 12 years old started. Craig was 12-year-old kid living in Toronto. He was reading the Sunday paper and he came across an article of another 12 year old boy who was murdered while protesting against child labor in Indonesia. And he said mom, dad, I got to go protest on Iqbal's behalf. And his parents said well, Craig kind of two problems. One, we don't have any money and two you're only 12. And he said well, I'm going to raise the money, I'm going to find somebody to go with me, I'm going to make it happen. And he did. He did bake sales. He did all kind of stuff to raise the money to be able to go to Indonesia.

He went over to Indonesia just so happened that the Prime Minister of Canada happened to be there at the same time and he heard about this 12-year-old Canadian that was there, the two of them connected and the rest is kind of history. That was 17 years ago. Today, he runs an organization that educates 50,000 people in the developing world every single day, just because he took that small step out of his comfort zone to make it happen. The second is an individual named David Perez. You won't have heard of him. Now he is a friend of mine from San Diego. And when Katrina occurred, David said, he came to me a day or two into it and said, Jeff, I'm really dissatisfied, change isn't happening fast enough. We are not getting medical supplies to the people that need it on the ground. And I said okay, I don't really know what you're going to do, he's a middle class guy living in San Diego and didn't really have any money and but he said I'm going to figure it out. And I said, all right and three days later he showed back up at my doorstep and looked like he hadn't slept in three days.

And in fact he hadn't slept in three days and he said, Jeff, I'm going in. And it sounded like a code word to me. I really wasn't sure what going in meant, but he said I'm going in, I'm going to make it happen. So he took a couple of weeks off from his work and he - by the time it was over, he had been on the phone with Richard Branson, he had been on the phone with Michael Dell, he had been on the phone with senators and congressmen, he had been on the phone with people on the ground. He ended up raising enough money to and getting in-kind donations of people's airplanes to fly 72 727s into New Orleans carrying medical supplies. And he ended up taking up a full load of people out to New Orleans to San Diego where he relocated them, all because he had enough chutzpah. He just kind of put it out there. He had a Rolodex; he started calling people, he wasn't - he didn't get "no" as a bad word to him. And I believe that if people like this and just like you guys and just like me, we can all do this. I think we are at the beginning of a really powerful and really exciting way of a social entrepreneurship.

And unlike a lot of things that are on the horizon, that are kind of looming in their - kind of they're not so good, there are dark clouds on the horizon, this is a really powerful positive thing. And it's a powerful and positive thing because you can really be part of this movement. I think it's going to be moving for long period of time and it has to do with five principal things. The first is you guys, young people. Young people today want to be part of something bigger than themselves and they also want to make a buck. And you can do both. You don't want to wait 30 years to do that and you don't have to wait 30 years, so you can kind of get right at it. The second thing is the Internet. The Internet brings these global issues to our laptops 24/7. They come at right hours, we can't turn them off.

Now you heard about - you've all heard of Kony 2012 pretty much, the Invisible Children, I mean, that went viral - over 80 million people watched that video in one week, because of 17 to 29 year olds texting it, facebooking it, tweeting it, kind of doing everything with it. And these issues they're coming to us and now there is a vehicle to communicate and to inform that didn't exist before. The third thing is also the Internet. The Internet makes all of us be academic researchers from our laptop. There is no excuse whether it's a new business you're starting, a non-profit or for-profit whatever it is, there is no excuse for any of us

not to be experts before we put a business plan together, before we talk to an investor, before we do anything like that, because we can get right, we can get incredible amounts of information right from our couch with our laptop. I'm looking at - I'm researching to bringing a coffee product in from Haiti, where we would bring it and help the local people there, donate the profits back to Haiti. And in the period of three days, I was able to talk with USAID people, I was able to get growing reports, I was able to communicate in ways that I would never been able to do, 20 years ago. The fourth thing is celebrities. Celebrities are increasingly using their platforms to pontificate for their causes and what's important to them. And, when Bono gets up and talks about ending AIDS, there are millions of people listen.

And millions of people listen not only with their hearts, but they open their wallets and they listen that way too. And finally, the fifth thing is my generation, the baby boomers. As the baby boomers are retiring, a lot of them are giving back significant portions of their net worth. You probably heard about what Warren Buffett and Bill Gates are doing with challenging the billionaire families to give back half of their net worth over the remainder of their lives. I think there are up to 70 families that have agreed to do that. And what's really amazing about that is when that money comes back in, that money just doesn't come in and say okay, do what you want with that, guys. Now these are people that created value, created businesses. They want to hold people accountable. They want - when we look at projects that we want to do, I look at P&Lsof the projects. I force them that - to go through that discipline that governments just aren't really equipped to be able to do effectively.

So, I think this whole wave is a really powerful thing. But you might ask, is it really important? And I say, heck, yes, it's important. And the reason it's important, isn't part of the graph. If you look at this is a 30 year graph of - the pink line is the percentage of foreign aid as a percent of gross national product of Africa. And you can see it's rising, rising, rising and then you can see per capita GDP dropping, dropping, dropping and they're not only not correlated, they are inversely correlated. And the point is governments; it doesn't work when governments give money to other governments. There's corruption, there is issues, there are challenges to get in the way, it's got to be bottom up. It's got to be a hand up versus a hand out. And that's really our - that's really our model. It's got to be people like you and I, getting on our social media and really making it happen that way.

Five years ago I had the privilege to - I had that individual, Craig Kielburger from Free The Children, come to our home and he talked to us about poverty alleviation. And, really our kids were - I have four kids in high school and middle school and they were really taken by it. And, after he talked at our house, my children came to me and said "mom, dad, we're going to Africa this summer." And, I said well, I don't know how you're going to Africa this summer, but if you're going - but - and my wife, who is a good Jewish mom, said "if you're going, we're all going." So, we all upped and went, and we took 20 of us to Kenya and Ethiopia for a month, and we actually built water systems - helped build water systems, helped build schools and it became really a transformative experience. And, I wanted also my kids to understand the difference in relative poverty and absolute poverty. Relative poverty being I must be poor; I can't afford the latest iPhone. And, absolute poverty being I live on less than a dollar a day; I walk 10k, sometimes twice a day; oftentimes I get polluted water. We learned about the water crisis. The water crisis is that 4,500 people die every single day because of a lack of clean water, something as basic as that. And that's the size of one large public high school evaporating every single day and 90% of those people are kids under the age of 5. We learned that half the hospital beds in the developing world are occupied with people with waterborne related diseases.

We learned about the poverty trap and the poverty trap is that girls can't go to school in most areas because they have to get the water every day for the family. That's their job and because they get the water every day for the family, they're not going to school, they tend to get married and pregnant at 13 and 14 years old. And, then their children are born in the same poverty trap and this is a trap that they can't get out of. And oftentimes poverty alleviation, it's kind of like a ladder that's just one rung out of reach and all people need is just a little boost up to grab that bottom rung to begin to climb their way out. And, while we were there my 14-year-old daughter, Nina, at the time came to my wife and I and she had a bit of an epiphany and she said, "You know, dad, we really want to do something about this. We'd like to start a business that can kind of help these people in some way." And, we thought that was a really great idea and she got together with our other kids and cousins that were with us and they actually came up with the name Nika. Nika means to give in Zulu. And, before we launched it, we began to think - I began to think about this quote that I really like a lot, which is that destiny is not a matter of chance, it's a matter of choice. It's not a thing to be waited for, it's a thing to be achieved. And, when destiny knocks on your door, you don't say "hold on a second, I gotta comb my hair." You don't - you grab it by the throat, you wrestle it to the ground, you stomp all over it, you make it happen because you don't know when it's going to come back again.

So, we - as we got back to the United States, we began to create Nika, and Nika is a bottled water brand in the United States that donates 100% of its profits to - back to the developing countries. And, as we got into it, we picked water. A lot of people go "oh, why did you pick bottled water? Does the world really need another bottled water company?" And, as - we thought there was something very symbolic about providing clean water or selling water in the United States and providing clean water to others in the developing world. But, people really struggle with the eco side of it. So, we developed Nika with an eco policy that we believe is best-in-place eco-wise for a plastic company. We use recycled plastic to make the product and we're certified carbon neutral with the product. And, as we really got into this over the years, what we realized is that it's only costing \$20 to bring clean water to someone for a lifetime, \$20 bucks. I spent \$12 at Starbucks the other day. I spent \$35 at the

movie theater the other day with my family. Now, it's not made to make us feel guilty but that's made to make us feel like we can make these tough societal solutions.

We can solve these issues without having to give up that other stuff. And, we thought if we could be a \$10 million revenue company, which would mean we generate about \$1 million after tax and profits, we could bring clean water to 50,000 people a year. And, by doing that that's kind of one thing and that's one thing that we're motivated on, but what I'm really motivated on is talking to people like yourself. And, if a couple of you guys end up doing your own venture that has some kind of giveback component to whatever it is. And, then if TOMS Shoes is doing what it's doing and Newman's Own is doing what it's doing and somebody else on the other side of the world is doing what they're doing, now all of a sudden you add all those up and you've got a sea change of businesses that are, in one way or another, giving back. And, when those businesses give back, you can move mountains with it. I have a short video that I'd like to show, going through the water crisis, but also as a startup entrepreneurial social venture, it's important to really have some sizzle when you're a small company, you don't have a gazillion dollars to invest in it. I wanted to chat briefly about another topic that's really near and dear to my heart and I think it's something that's really evolving. It's called conscious consumerism. And, I think that there's four forces that are really focused right now on making it so that we, as consumers, can really choose the products we want to enjoy, and by choosing the right products, we can help in society's most challenging issues.

And, it has to do with four things. The first is the concept of social enterprises. You're staying it in universities all across the country, course we're being taught now on social entrepreneurship. You're seeing hybrid models where in the past people would never invest money in a for-profit business that has a giveback - a large giveback model/component to it. You're seeing lots of industry framework beginning to be created. And, on the right side, you've got the Internet. One in nine people on the planet have Facebook and it's a huge social media opportunity. When there's 200 million tweets a day and 500 million YouTube views a month, you've got this ability just like in the Kony 2012 where things that go viral right away and very quickly and at the bottom you've got money. You've got the millennials that have \$40 billion in discretionary purchasing ability. And, you've got moms that have become an incredible force, not only in the mom blogging communities, but also in the household and controlling over 80% of the purchasing decisions.

And, what do millennials and moms have in common? They really have in common that they're really much more cause-oriented than 50-year-old men. So, those people all of a sudden, they really want to support causes. And, then on the left side, you've got the consumer. For the consumer now, over - last year 40% of consumers said that they actually bought a product because of a cause related aspect to it. That's double of what it was in 1993. We also had 80% of consumers saying they want businesses to be more cause-oriented. We have over 80% of people saying they would actually buy a more expensive product or actually try a new product, which is even more challenging to get people to do, if it was cause based. And, all these forces really give us I think an obligation as consumers. And, whatever we're buying, we should do a little homework on it. We should make sure that it's supporting the right cause and by God, if they say they're cause-oriented, dig a little deep on it to make sure they're actually not charlatans that are just saying it to be commercial about it.

Go on to their websites. When you go on the Nika website and you drill down on where we've donated our money, I have contact information, I have emails, I have telephone numbers. I encourage people to communicate to - call these people and talk to them. Oftentimes, I will drill down on somebody's cause-based page and it will be a dead link, and you know there's a problem when it's a dead link, right? But, even beyond that, if you're buying something we, as consumers, have the ability to control what we buy. There is lots of good products out there. Choose one that's got a good cause to it. So, these giveback brands, you've heard of some of these - I'm sure some of the littler companies on the top and you're probably wondering why you've got Kroger on there, why you have Walmart on there? And, the reality of it is Kroger - large grocery chain - donates 12% of their pre-tax profits to charities. Walmart, for all the crap that they get, they donate \$2.5 billion in product and cash each year. So, it's not just happening with these trendy entrepreneurial start-up brands; it's also happening with these larger brands that are really doing it in a meaningful way. I wanted to leave you with some lessons learned and these cut largely across all kinds of entrepreneurship, whether it's social or commercial, whatever.

And, the first is begin with the end in mind. How many of you have read the book *The Seven Habits* by Stephen Covey? That's pretty good. So, usually when I talk to the college students, no one has ever heard of who Stephen Covey is. So, I would really encourage you, over the summer, pick up a copy of that book, read it. It's a great easy read for all practical commonsense but it puts it in a really great framework. One of the concepts that he talks about is begin with the end in mind. Think about where you want to get to and then work backwards to where you're now and then develop your plan. And, any time I buy a business or build a business, I write the selling memorandum, while I'm doing the due diligence to buy it. Why do I do that? Well, I do that because I want to see what holes I have in this business that I have to fill over the next three to five years while I'm building that company. So, for example, if I write that plan and I notice that there is no intellectual property and I want to create some sizzle when I sell it, I know I've got to build in some intellectual property into that business.

The second thing is be transparent with your donations. I mentioned that earlier about just, you got to be fully authentic and

transparent with it. The third thing is act boldly with your financial backing. That's kind of like applying to Stanford. You don't want to just give it your old high school try and say ah just whatever - whatever, whatever. You want to put your best foot forward, right? Or you're not going to get in. That doesn't mean don't tell the truth, but that means just kind of put it out there. People don't want to partner with somebody that says that person is kind of a six out of ten. People don't want to partner with people like that. Find like-minded people.

This relates more to the giveback businesses. In the traditional, commercial entrepreneurship, you can create options, you can do that kind of stuff, but if you're really a true giveback business, you don't necessarily do that. So what you have to do is make people want to run through walls for you because they're inspired by the cause; because they love what you're doing. When we first started Nika, I had a woman or someone come to me and say, you know, that so and so on the Facebook has that they were co-founder of Nika and they'd come a month or two later. And this person was kind of upset about it and I said hey, we just hit the lottery. That's great. I want everyone to feel like they're a co-founder of this because the more people that feel like this, the more they're going to run through walls to help us with our brand and to help us achieve our mission which is to end the worldwide water crisis. So you really want to make people feel like it's everyone's business. The product has to be good and it has to be priced competitively. I know that Whole Foods upper management, because I talk with them, they love Nika but when you get down to the trenches, if it doesn't have the inventory turns or it doesn't have the profit margin for them, those lower level people frankly their jobs are to maximize asset efficiency and to maximize profit.

So they're going to ultimately not keep it on the shelf, even if the CEO wants it. I mean he may override it for a little bit but eventually it's not going to do that. So the product has got to have a good value proposition. I know a woman who has a maple syrup that it fits everything. It's awesome, except it tastes horrible. Well, how many times are you going to buy this maple syrup even though it's got a great cause and it's really helping her cause, you're not going to buy it that much. It's got to have a good value proposition. Outsource as much as you can. Keep your costs variable. Human nature is, if I make it all myself, I can make it for lower cost because I'm not paying that profit margin to one of my suppliers.

Well, the reality of it is if you're just starting something, first of all you can't afford all the capital equipment or whatever you need to kind of get into that business, but those people that are suppliers, they're probably pretty darn good at it, even though you're paying them a profit margin, you're probably getting it even cheaper than you could have - than doing it on your own. And the other thing is, as you start to get bigger and bigger customers, as you're scaling your business and if you're doing it all yourself, you really are not scalable if it's a product, because they're not - you've to add more equipment, you've to add more capacity, but if you're outsourcing it these people often to most of the time have the capacity. So you can grow right with them, and it's a big opportunity with your customers. The eighth thing is learn on someone else's nickel. This doesn't mean screw up on someone else's nickel but if you've got the next Instagram, I mean go for it. And I think that's awesome but in reality it's great if you can kind of learn, get your feet wet, make a lot of mistakes for a few years or for some period of time to really learn what you need to do when it's really on your own. I make - I probably make 20 mistakes a day. I probably made 50 mistakes a day when I was younger, but my mistakes are less today than they were 25 years ago. You're going to make mistakes, that doesn't mean put your passion on hold, but this - maybe it means just kind of percolate it for a while, while you're doing some - while you're working and getting and earning some money and creating some economics and that kind of thing. The ninth thing is oftentimes people quit when success is right around the corner.

And I tell people, look you know, unless it's systemically flawed, and it's very difficult to tell, but unless it's systemically flawed, keep pushing, keep persevering through it. Maybe you should ask your - a mentor or ask a parent, ask a business person, ask a CEO of another company to kind of check and balance you to make sure that it is - you're in the right track, but kind of push through that threshold to persevere. Find a partner or mentor who balances you. We are all going to be good at one or two things, but we're not going to be good at five or six things that cut across all functional areas and most people tend to be more left brained or right brained and I find it's really important to partner with somebody that complements you. And this doesn't mean they have to be an equal owner, it doesn't mean they need to be an owner at all. They could be a parent, they could be a professor, they could be a friend, they can be a CEO of another company, but partner with somebody else because the minute you go to talk to investors, they're going to start drilling you and if you're a sales and marketing person and they start drilling you on cash flow and you go uh-huh, I mean you're done. It's over with that particular investor. So, make sure you complement yourself with somebody that really can pull that stuff out. And the final thing is what I call the rule of two's and that's that everything takes twice as long and costs twice as much money. It's just human nature and that damn Excel.

Excel makes everything really easy because we can make an Excel model like just really dynamite. In reality it's a lot harder to hit those models. And I find it just takes a lot longer than we think as human nature. So, if you can, run your models out for an extra two years, run your cash flows out for double your costs so that you really know - last thing you want to do is run out of money. And the last thing you want to do is run out of money when success is right around the corner because you're going to go out and raise money when you're out of money and talk about dilution, you're going to get wiped out. And then you're going to be really unhappy. So, make sure you get enough capital upfront so that you can kind of weather that storm. So with that, I'll turn it over to some questions. Great. Yeah.

The video mentioned that Nika donates 100% of its profits to those countries so I wanted to ask that how does it work out for a social enterprise that wants to invest in its own business to grow to a certain point, is it like it grows to a certain point before we think about that number or like how does that work out? Your question is as you're figuring out how much to donate of your profits, I mean when do you figure that out; in the beginning or as you get further into it? Yeah, like do you get to a point when your size like - because some social enterprise would want to invest in ongoing before they decide that all of those profits should go. Yes, it's really up to you. I mean if you say you're donating a portion of your profits upfront you've got to be really transparent with it or people that look at you are going to say "I'm not really sure that they're doing this for the right reasons." So I think you've to do that. I mean if your end goal is to give back, but you really ultimately just really want to create economic return I mean I'd focus on the economic return, make the business successful. And then over time, add back a component into the giving back because if you muddy the water with investors it tends to - investors typically either want to come in because it's a social venture, they really want to support you with that, or they want to come in because it's an economic return model they were looking at. And if you mix those in and you go to a traditional VC, they're going to say, well, I don't really - that's not what our investors - our limited partners are all about. So they're probably not going to be as interested. So I guess my answer to that question would be if you were really doing it ultimately that you want to give something back, then I would start with probably not giving something back, make it successful and then when it's successful you'll have a lot more flexibility to be able to do what you want to do with it. Yeah. I'm a - originally a student from South Korea and I'm very interested in going to North Korea and doing social entrepreneurship there.

And with the new leader coming in, I heard, when or if ever North Korea ever opens its doors to the world. How do you suppose that when foreign social entrepreneurs do go to North Korea, how do they find like communist countries like North Korea where military power is absolute and there is high government corruption and how do you talk to VCs - into like getting seed funding? So, the question is going from South Korea and doing some kind of social venture in North Korea with a difficult government situation, and I can only tell you, this isn't really the answer you probably want to hear, but I stay away from that kind of stuff. We've done six projects and the one project that failed was a project I did in Uganda and it was an orphanage for child soldiers and we built a well for a Christian organization and the government came in and took, not only the well, but they took the orphanage and they took the kids. It was horrific. We - I try to work in agnostic countries where I don't run that risk. I try to work in countries where governments aren't - they actually like what we're doing because they don't have the money or the funds to be able to do that. So I don't really have a great answer for you other than I kind of try to stay away from some of that stuff. So - and I think VCs are going to be very, very apprehensive about political risk. Yeah. Good afternoon.

I am a student from India and I spent a couple of summers ago interning in Gambia, doing field work. And one of the really interesting debates that was going on at the time was about the whole issue of aid. When you're - as a social enterprise is it - I think important to distinguish between philanthropy and actually say empowering the people there to be able to generate their own revenue and start their own business. So what's your take on that? So, the question is aid and philanthropy and how engaged are you in, with those ... And actually making it a self-sustaining thing rather than just pumping... Rather than just giving money, I mean, actually getting in from the ground up. I think it's critical that you do grass roots ground up stuff. Any water project that we do, we actually go turn on. And I do that not so much because I am worried that they're fooling around but - because I really know these executive directors of these NGOs but I do it because I want to take people from the United States to actually help turn them on because one, they become transformed. But I would strongly vote against just writing a check, I mean, they need checks, they need that kind of stuff.

But oftentimes we write a check - particularly we write a check and they're just from the United States NGO, a lot of that might get covered in admin expenses of that NGO, so I would really try to get engaged and not just give money to causes but to kind of get involved at the ground - at a ground works levels. I mean you have heard of Three Cups of Tea probably and you know there are some issues with what happened in all that but though one of the points I think is really great about Three Cups of Tea is that as westerners we just want to go in and build the bridge, we just want to go in and do that, but in reality if we don't actually develop relationships with the locals, engage them in what we're doing, have them feel a part of it, have them feel ownership, they may feel like we're just giving them handouts and it's not so much a hand-up. So, I really would encourage you to get engaged; go there, touch and feel it and you'll be so much more invigorated and they'll buy it. Other question on the right back there. Yeah. I first - I would like to commend you about Nika and what you did for philanthropy. My question to you is, when you first acquired your first company, how did you acquire the funding for it? Was it from investors or personal savings or family members? That's a really good question. So that first job that I mentioned that I went to after my cut, paste and attach experience was a middle market company. Part of the reason I chose that company was because they had just gone through a private equity transaction so there was a lot of debt, not a lot of equity going into it and part of me going there was - they allowed me to invest whatever amounts I could put in, which wasn't a lot, I didn't really have any money. But I went to a bank - it was at a time when banks would be willing to lend - and I borrowed \$100,000.

I was able to take that \$100,000, dumped it all into the business and over that 12 year period that company did pretty well, and it generated enough seed capital for me to go off on my own and put that money to work alongside other partners. And then I worked with banks and private equity firms to come in and take a portion of that business and I put my own capital in to

help do that. So I kind of have a small worry models like Nika's is that it almost seems too good to be true, like your distributors like Wal-Mart and retailers who will be profiting off these higher margins, like you said. You're benefiting these organizations that you're supporting and then also as an organization you're also profiting. Do you think there's any unforeseen, I don't know, problems of some sort that may arise because of this? So the question is the type of model that we're doing, is it authentic, are people perceiving it, are we going to have an issue down the road. Even though Nika donates all of its profits, we're selling to retailers that certainly aren't doing that as well. I mean I think it all comes back to authenticity and transparency and if we're really authentic and transparent about it, yeah I mean some people are going to not believe it, but I don't really care. I mean you know because at the end of the day if I am doing good in my heart and I am creating value and I am doing what I am saying I am doing so that I am not being a charlatan and saying it. There are going to be some people that actually don't believe me and there's lots of people that don't believe that - "that's too good to be true, you can't be donating 100% of your profits." I'd say okay, well if you don't want to, that's fine, that's your model. There are - there's a new development, what's called a certified B-corporation, that's kind of evolving, it's kind of the equivalent of the fair trade for the coffee, the coffee importation and it's - there's only about 500 companies that are a part of it yet.

We're not. I probably will become part of it because I think it will enhance our credibility but basically what it is, is you're very transparent about what you're doing and they come in and they audit that transparency. So there's another kind of check and balance if you will with it. So, I think you're going to see a shakeout over time and you do hear about people that start businesses - I mean the breast cancer pink ribbon. I mean there are hundreds and hundreds and hundreds I don't know how many companies that are not doing the right thing by it. I mean they say they're donating \$20 of every purchase but if you read the really fine print they have a cap at \$20,000 or something and yet they are marketing it that way, so I think in the end this will shakeout because you are seeing a movement to it but it's going to have to have more, not regulation, but more kind of boundaries to help it shakeout. Hi, sir, you mentioned to be persistent and never give up, but when do you know to give up? So the question is when do you know to give up and not continue to be persistent, not continue to throw good money after bad or your time. It's so hard. I mean that's why I think it's important to have a mentor, okay, it doesn't have to be a partner but have a mentor that can check and balance you and that somebody that can really test your strategic plan, test where you're at, test - do a SWAT analysis with you and you can present your SWAT analysis to them in terms of what you're looking at and they can say I think you got a hole here, I don't agree with you here, I think you're unrealistically optimistic here, I think it's going to cost you more money to do your marketing campaign here than you think. And at the end of the day I mean I look at things like data points.

So I'll ask 25 people, you know, their opinion on what I am doing. And I kind of put those, some people think, well what are you doing, I mean it's not like a democracy; it's your business, Jeff. And it's not a democracy but I want to put all those data points up on the wall and then how I see that, I draw my line. And I draw my line at that data points based on what I am hearing and based on what I am interpreting. So I would encourage you to do that. I do think most people quit as a generalization too early, just as a generalization but that's purely a generalization, I think sometimes success is kind of right around the corner and you just got to persevere with it. Just a follow-up on her question, I was wondering how you can make a social impact sustainable and to make it grow. Because I understand you just can't go into an area and - you build something there right and you're hoping that it would - you could leave it and it could grow and grow exponentially and that impact could also travel to other areas. But you would, it would be better if it would not be you anymore who's doing that, it would be the community itself that you empowered. And I was wondering if you're also a part of not just building the infrastructure for the water but also empowering the people themselves to look after themselves and to start thinking about ideas on how to improve their own lives? Right, so the question is I mean how do you ensure that you got sustainability, you know, in a particular project once you start it.

First of all, we work with NGOs we don't - Nika doesn't actually build the wells themselves, we donate to specific wells and specific projects that we do and we work with a handful of NGOs that we've vetted. And the NGOs that we work with have a holistic approach to poverty alleviation, so they are focused on water, they're focused on healthcare, they're focused on education and they're focused on microfinance because if you fix the body but you don't fix the water supply the body is not going to stay fixed and you really have to - what I do, you have to holistically solve it. And they also are very focused on community, engagement community involvement and really engaging those communities. I would not encourage anyone just to write a check for a single project out there and expect it to stay. Most in time you find what I find in the developing world is that projects are left half finished. And the countryside is littered by wells that were started but because they didn't have that community engagement, they didn't have that community involvement or they ran out of funds or they didn't have that holistic bottom up approach, it wasn't sustainable. So I really think it's important to make it as sustainable as you can, as holistic as you can. Please join me in thanking Jeff Church for this incredibly inspiring talk. Thank you.