Hope for Homeless Society and Business Lab founder Adlai Wertman in downtown Los Angeles, outside the nonprofit Chrysalis, where he was formerly CEO. Photo by Philip Channing.
When the Society and Business Lab at the USC Marshall School of Business launched in October 2008, founder and director Adlai Wertman shot for the stars.

Actually, that may be an understatement. The lab’s stated mission is to develop new strategies for solving global and social issues such as poverty, homelessness, education and health care, and to provide support for students and faculty who want to use their business skills to change the world.

A cynic might ask if trying to save the world is a bit of an overreach. Wertman, who has worked as both an investment banker and head of a nonprofit devoted to helping the homeless, would respond, “Why not aim high?”

“We also use the term change a lot, rather than save the world,” he says in the Davidson Continuing Education Center, where the lab has its offices. “We don’t have the conceit of save the world – but change the world? Absolutely.

“Whenever I say we’re out to change the world, everyone automatically assumes that’s for the better,” he adds, laughing. “Nobody asks, ‘What are you changing it to?’ They just say, ‘You’re going to change the world? Great.’”

Wertman and his staff of three don’t organize volunteers for charities or lecture about corporate social responsibility – a common misconception. Instead, they study and teach about social entrepreneurship – the creation of a new kind of hybrid business model for organizations that balance a revenue mission with a more important social, environmental or health mission.

The Society and Business Lab, so called because it focuses on new ideas and the next generation rather than research, is one of 13 centers of excellence at USC Marshall. Very much a student-centered entity, the lab has several fellowship programs, develops and offers courses, supports student organizations, subsidizes internships at nonprofit organizations and provides career mentoring. It also organizes a speaker series that brings social entrepreneurs and industry leaders from local, national and international social enterprises to campus.

Although in its infancy, the lab has two new projects on the horizon that will take students further into the community: One will bring social organizations together with businesses and government agencies in Los Angeles to create jobs for low-income residents, and the other will offer an online learning platform for budding social entrepreneurs, matching them with volunteer experts in order to analyze the feasibility of their concepts.

TO UNDERSTAND what the lab does, it’s necessary to grasp what a social enterprise is and how it works. For that background, Wertman goes back to his years at Chrysalis, one of the larger social enterprises in the country and the
only nonprofit in Los Angeles devoted solely to helping the homeless turn their lives around by getting and keeping jobs.

That’s where Wertman, who left an 18-year career as an investment banker to become president and CEO of Chrysalis for seven years, saw a model of a social enterprise that not only worked, but also garnered a lot of attention, all the way to the White House.

Chrysalis’ model works like this: The nonprofit runs the largest street-maintenance business in Los Angeles County and hires homeless people long enough to help them get the skills they need to find and keep a job in the community. The street-cleaning business provides income so the company can keep hiring and training the homeless, which is the primary mission.

That business model came about when the staff at Chrysalis found that nearly half of the 2,500 people who came through its doors each year were deemed unemployable because they’d never had a job, had been in jail for many years or had become completely de-socialized. The rest were sufficiently served by programs that help them learn job-hunting skills and apply for a position (with a 93 percent success rate), but the “unemployable” group needed something more.

“The only way to help them get that training and a bridge to the community was to start our own business,” Wertman says.

Pointing beyond his office window, he indicates several men in blue shirts sweeping the streets outside the University Park campus who are Chrysalis clients under contract to city Business Improvement Districts, or to property owners. They work for four to six months, learning things most people take for granted, such as how to show up reliably for work, how to deal with a boss and how to manage stress. And afterward, 90 percent successfully find a job in the private sector.

Like all social enterprises, the model works, but it has its challenges.

“If you were going to start a street-cleaning business, any service business, your goal in recruiting would always be to go to the best labor pool that you can get, interview and hire the best of the best, and train them and retain them as long as possible,” Wertman says.

“The business model at Chrysalis was to go to the worst labor pool in the country, hire the worst of the worst, train them and then fire them” when they are ready to find work in the community.

“At Chrysalis, if a guy does not show up for work for three days, you don’t fire him, you work on getting him to show up on the fourth day,” he adds. “But we still have customers, pri-vate businesses, paying us to clean the streets. We’re competing financially against private-sector companies. I’m bidding on the contracts, so running that business, which balances multiple missions, becomes enormously complex.”

Finding people to help run the Skid Row enterprise, which pays somewhat less money than a similar position in the private sector, was one of Wertman’s biggest challenges.

What he found was: “Young people tend to do really well in these industries. They are very idealistic. But they haven’t been trained to run a business.

“We have a new generation,” the father of three adds. “This millennial generation is focused on deriving meaning from their careers, taking very seriously their responsibility in the greater community, and looking for practical tools to help them use their educations, careers and resources to make a difference in the world.”

While he was at Chrysalis, UCLA asked Wertman to teach nonprofit management and develop courses for its master of social work students. “I hoped to grow my own people for the business and create these models around the world.”

But he soon realized that social work graduates are not trained to run a business, nor do they typically have an interest in that career path. So he drafted a proposal for a center for society and business and sent it to the deans of the business schools at UCLA, Pepperdine University and USC.

USC Marshall dean James G. Ellis called the next day.

“The proposal from Adlai really hit a nerve with me, because one of the issues that continues to come up, even as recently as today with Goldman Sachs testifying to the SEC and Congress, is the negative side of business and their dealings with society,” Ellis said in April. “Adlai was proposing a way to use business in a positive manner, to be the economic driver behind some opportunities to help with society’s issues, and he wanted to use our student brain power and enthusiasm to set that up.

“He had a great idea, and I said, ‘How fast can you get over here?’”

WHEN THE WORD was put out to USC Marshall alumni, the Salesforce.com Foundation, Orfalea Foundations and Lord Foundation responded with generous donations that made the Society and Business Lab a reality.

Julie Riggott is a freelance writer and creator and editor of CultureSpotLA.com, which covers arts and culture in Los Angeles.
“There is a lack of this kind of curriculum in many business schools around the country, and especially in the Southern California area,” says Marc Benioff ’86, who helped launch the lab with a $1 million commitment from the Salesforce.com Foundation. “What better place to support this important work than my alma mater?”

USC has always taken pride in its focus on fostering a culture of public service in the local community and around the world. And Ellis said that when Wertman’s proposal came across his desk, USC Marshall students were already expressing an interest in a program like that.

Margaux Helvey MBA/MSW ’08, now associate director of the Society and Business Lab, was one of those students.

“In college I was motivated by the mission of solving social problems, and I had a business mind for organizing and strategizing,” she says. “In grad school, I learned there were models out there.” But at the time, there was nothing like the lab, so “I had to piece together my own social entrepreneurship degree with an MBA and a master of social work.”

A group of students, including Helvey, who had already been pitching the idea for a program combining business and society, joined Wertman when Ellis hired him as clinical professor, and helped develop the new organization.

Part of their initial research included a seven-month analysis of every business school with a social-focused program. There are schools across the nation doing work in related areas – Stanford University, the Wharton School at the University of Pennsylvania and Harvard University study social entrepreneurship, and the Haas School of Business at UC Berkeley is involved with corporate social responsibility – but none is doing exactly what the Society and Business Lab does.

Leveraging the interdisciplinary nature of USC, and building on USC Marshall’s top-ranked Lloyd Greif Center for Entrepreneurial Studies, Wertman says, the lab offers something unique at a business school that is consistently included among the best in the nation by U.S. News & World Report and BusinessWeek.

More important, the lab finally provided a home for those idealistic students who were looking for a different type of business education. As a USC alumnus recently told him, parents want their children to have business skills, while their children want to change the world.

“The lab reconciles the two worlds.”

“Historically, there has been a wall of separation between business and business schools and social issues,” says Wertman. “If you cared about social, environmental and health issues, you didn’t go to business school. The business discipline was pure profit mode. Now, we are saying, ‘No, we need your business skill set to address these general challenges.’”

MOLLY LARSON MBA ’11, part of the first cohort of Society and Business Lab fellows, says it has been invaluable to have support from her peers and the staff. “We are breaking the mold,” Larson says of the fellows. “Despite how driven and passionate we all are, it is a scary thing that we are doing. With the lab, we are definitely not in it alone.”

The eight Society and Business Lab fellows, interested in future jobs in micro-finance, the environment, nonprofit management, education and government, not only benefit from a cohort of like-minded students, but also receive professional development assistance in the form of funding to attend the annual Net Impact conference, the opportunity to spend one-on-one time with industry leaders and a $2,500 subsidy for summer internships at nonprofits.

The Society and Business Lab also offers the fellows career mentoring and job assistance in partnership with the MBA Career Resource Center – an important perk considering the difficulty in finding jobs in social enterprises without a network, points out Abby Fifer-Mandell, director of education at the lab.

Wertman and Fifer-Mandell cite the two-year fellows program as an early success story for the lab. Ten percent of the MBA Class of 2011 applied to be fellows and have since also taken on roles as leaders, club presidents and student ambassadors. About half of the second cohort, arriving in fall 2010, say that they expressly applied to USC Marshall because of the chance to be a fellow.

“The fellows program is absolutely a reason I applied to Marshall,” confirms Patrick Hodgins, a member of the first cohort who plans to pursue a career in clean technology or sustainability consulting. “In terms of impact on my life, I think my experience with the Society and Business Lab has helped me to become more pragmatic in my idealism, which will ultimately make me a more effective leader.”

Enrollment in the classes associated
with the lab, and two that Wertman teaches, also demonstrates the popularity of the idea. Wertman teaches an undergraduate survey course, “Entrepreneurial Solutions to Global Challenges,” which examines business models and covers topics from micro-finance to social entrepreneurship. It was taught for the first time in Fall 2009 and filled up on the first day of registration.

His “MBA Social Entrepreneurship” course more closely examines business models. Forty-two students enrolled in spring 2010, and several more were on the waiting list.

Those numbers speak to the growing interest in the field and to USC Marshall’s dedication to resources in this area,” says Fifer-Mandell, who hosts with curriculum development and manages student programs.

AT THE END OF THE SPRING semester, in a classroom in Popovich Hall, students in the MBA course gave presentations on organizations ranging from the education-focused SEED Foundation to micro-finance for education in China. The students outlined opportunities, challenges and trade-offs, and offered recommendations for growth and improvement.

Fifer-Mandell says the class gives students “the resources to understand how business models can be applied to the social sector,” and teaches them to make “sound choices about how to attack the most pressing social problems.”

It is also an experience that laces the groundwork for consulting projects, which many students are involved in outside of the classroom as members of student consulting organizations that offer pro bono services to companies with social missions.

When the Society and Business Lab was founded, it became the point of contact for Net Impact and four other undergraduate community consulting groups: AZ Consulting, Students in Free Enterprise, Los Angeles Community Impact and the Trojan Consulting Group.

The lab serves as a connecting force for the groups, providing networking opportunities, creating contract templates, giving recommendations for best practices and supplying professional help for challenges that arise with clients. It also is the adviser of record for the USC chapter of Global Business Brigades, a student-run club that visits Panama each year to put marketing, operations, finance and accounting skills to work for a micro-enterprise of farmers in a small rural community.

Undergraduates who participate in and learn about the Global Business Brigades end up applying to be interns at the Society and Business Lab. When Fifer-Mandell interviewed 14 possible interns last spring, they all said that they wanted to work at the lab because the Global Brigade experience changed their lives.

Fifer-Mandell hears that a lot. She says it makes her job particularly rewarding when business students realize they don’t need to give up their idealism or disappoint their more practical-minded parents. “Business is a sensible degree, but then they get to a class where they are so moved by the speakers that they feel they can be a successful business person and make a difference in the world,” she says.

Graduate students at USC Marshall also have opportunities to get started in social enterprise careers through the MBA Enterprise Corps and the Clinton-Orfalea Fellowship Program. Fifer-Mandell acts as staff liaison to the MBA Enterprise Corps, which places MBAs from top business schools in assignments in emerging economies worldwide. She also helps with the application and selection process for the Clinton-Orfalea Fellowship Program. There, the Orfalea Foundations, established by USC Marshall alumnus and Kinko’s founder Paul Orfalea ’71, provides fellowships for USC students to work at the Clinton Foundation on issues such as climate control and childhood obesity.

IN ADDITION TO classroom and club experiences, students can round out their education in social enterprise by taking advantage of the Society and Business Lab’s “Lunch and Learn” speaker series, where industry leaders are invited to speak to the USC community. Fellows and interns help come up with speakers and topics. The seven events in the 2009-2010 series responded to the question: “Can business models save the world?”

Doris Huang, director of venture and fellowship for Ashoka in Mexico and Latin America, and one of the speakers, answered with a confident “yes.” Huang’s presentation about investing in social enterprises attracted students from USC Marshall and the School of Policy, Planning, and Development, and a USC Marshall alumnus working in social entrepreneurship.

Another speaker was Paul Polizotto, founder of Southern California-based EcoMedia, an environmental media group he recently sold to

Alpha Zeta (AZ) Consulting
AZ Consulting worked with its first client in spring 2009: Creative Migration, a nonprofit social entrepreneurship program interested in launching a Web series of documentaries focused on young people creating social change through art. The students helped the startup by developing a marketing plan and providing recommendations on how to structure the Web site and attract donors and sponsors. Their findings were implemented when the first part of the Web series launched in April 2010.

“We are constantly improving our skills and learning from the organizations through feedback on our recommendations and interactions,” says Karan Sharma, AZ Consulting’s current president. “It’s a very valuable experience to apply our skills in the real world and see the impact.”

AZ Consulting is part of the USC chapter of Alpha Kappa Psi, the nation’s oldest and largest professional business fraternity. Projects for 2010 included writing a business plan with marketing strategies and information about record keeping for an organization that tutors students in the University Park community. Students also helped a nonprofit that provides books to children in Indonesia figure out how to start a chapter at USC.

Students in Free Enterprise (SIFE)
Founded in 2005, the USC chapter is part of an international organization of the same name that is made up of business executives, university students and academic leaders. It has three ongoing projects that involve educational and environmental causes. President Stanley Lam says, “We saw a niche where we could provide consulting and other services and involve students across the campus.”

The Toy Library after-school program at the 24th Street Theatre simulates a mini-market economy that allows children to borrow toys on a weekly basis. A point system helps

the borrowers learn about supply and demand as prices fluctuate with children’s interest in individual items. SIFE also has worked with six USC student organizations through its StudentOrgMarketing Project, helping new groups figure out competitive positioning on campus by developing and implementing marketing proposals.

The ongoing Biodiesel Alternative Energy Project partnered with the Lot food court at USC, recruiting engineering students to turn used cooking oil into fuel. Since then, the project has turned to raising awareness about the benefits of recycling.

SIFE regularly involves students in fields outside of business. In 2008-2009, premed students joined USC SIFE to help St. John’s Well Child and Family Center launch an initiative to raise awareness at high schools about the clinic’s resources.
CBS, where he is now a division president. A student asked Polizzotto to speak after hearing him give a presentation at a Net Impact conference. Polizzotto quickly got on board as a senior fellow.

“I’m a serial entrepreneur in the environmental space, so this is right up my alley,” says Polizzotto, who started and sold another social enterprise before founding EcoMedia. “But they didn’t teach these things when I was in school. I think teaching the brightest young business minds to bring business models and passion and creativity to solving social issues is the future. It’s critical.”

Polizzotto also is participating in a project currently in the works: VentureBuild, the lab’s first social venture project focused on offering early-stage social entrepreneurs access to online education and partnerships to assess the feasibility of their ideas. Polizzotto shared the step-by-step process of building his own ventures in a video that will be part of a 10-hour online class.

“I think the lab is taking a very innovative approach, and that’s going to make this program successful,” he says.

Margaux Helvey, who is spearheading VentureBuild’s development, says while there are some resources for people who launch social enterprises, there are few, if any, for those who need to evaluate their ideas and move them from paper to practice.

Social entrepreneurs will use the online platform to connect with volunteer professionals who will help guide them through the curriculum and offer feedback on their ideas. The program will feature lectures by Wertman, quizzes and homework, and videos from experts such as Polizzotto.

“At the early stages, the entire focus for VentureBuild will be on USC students and alumni as social entrepreneurs, and USC faculty and alumni as volunteer professionals,” Wertman explains. “VentureBuild allows the students to gain momentum: Wertman’s passionate investment in a new kind of business education. Mintie and Polizzotto both use the word ‘contagious’ to describe his enthusiasm. As Wertman puts it, ‘I’m all about the students, and the students here at USC are truly amazing. They are not only driven in the right direction, but also brilliant, mature, hardworking and generous. I am fully focused on supporting this new generation of business-minded change makers.’

If you have questions or comments on this article, please send them to magazines@usc.edu.