

## When Tech Innovation Has a Social Mission

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Noah Berger for The New York Times

TechSoup distributes products like software to 50,000 groups a year. "We were just trying to meet the needs of nonprofits," said Rebecca Masisak, co-C.E.O.

STEVE WOZNIAK built the original Apple I to share with his friends at the Homebrew Computer Club, but it was his business partner Steve Jobs who had the insight that there might be a market for such a contraption. Indeed, for decades, Silicon Valley has been defined by the tension between the technologist's urge to share information and the industrialist's incentive to profit.

Now a new style of "hybrid" technology organization is emerging that is trying to define a path between the nonprofit world and traditional for-profit ventures.

They're often referred to as "social enterprises" because they pursue social missions instead of profits. But unlike most nonprofit groups, these organizations generate a sustainable source of revenue and do not rely on philanthropy. Earnings are retained and reinvested rather than being distributed to shareholders.

The new companies, like thousands of Silicon Valley start-ups before them, typically begin as small groups of intensely motivated people dedicated to the goal of building a product or service.

The best-known examples are efforts like the Mozilla Corporation, which maintains and develops the Firefox Web browser, and TechSoup, an organization that was started two decades ago to connect technology experts with nonprofit groups. It now distributes commercial software to nonprofit groups in 14 countries. (Mozilla's mission is to preserve choice and innovation on the Internet, which it considers a social good.)

By most measures both companies, with hundreds of employees, qualify as vibrant businesses. Each has revenue in excess of \$50 million annually.

Moreover, there is also a range of smaller organizations, like the Internet Archive in San Francisco, with smaller but sustainable revenue streams. Significantly, an ecosystem is emerging that involves support groups like the Electronic Frontier Foundation, which provides

legal services, and the Internet Systems Consortium, which plays the role of an independent Internet service provider for the community.

"There is a lot of discussion taking place right now about a whole new organization form around social enterprise," said James Fruchterman, president of Benetech, a social enterprise incubator based in Palo Alto. "Many of these efforts can make money; they will just never make enough to provide venture capital rates of return."

Brewster Kahle, who has founded a number of successful Internet companies, as well as the nonprofit Internet Archive, said: "If we do this right, I think there is momentum here. The next major operating systems company might be a nonprofit."

The Internet Archive, which runs Web crawlers — programs that index information stored on the Internet — and offers the popular Wayback Machine, which allows surfers to find previous versions of Web sites, now has two self-sustaining projects. The first is digitizing books and the second is creating and maintaining Web repositories for national libraries.

Mr. Kahle says he is developing a set of principles that he hopes will help formalize his idea that there is a middle ground between the technologists and the capitalists. He ticks off operating guidelines like transparency, staying out of debt, giving away information and refusing to hoard.

TechSoup stumbled upon its business eight years ago after it began sending a truck around San Francisco to pick up donated commercial software to distribute to nonprofit groups. Today, the organization distributes products from 32 commercial companies, including Cisco Systems, Microsoft and Symantec, to roughly 50,000 organizations annually, for a small administrative fee.

"We were just trying to meet the needs of nonprofits," said Rebecca Masisak, co-chief executive of TechSoup.

Nonprofits with revenue are not new or restricted to Silicon Valley, and there is a great deal of debate over whether they offer a sustainable approach.

The new stream of technology-centric and successful nonprofits, however, appears to be driven in part by a set of microelectronics technology trends that have sent shock waves through many industries, from publishing to music and movies.

"Computer technology and the Internet are lowering the cost of doing business," said John Lilly, the chief executive of Mozilla, the Web browser developer that is being subsidized by advertising revenue from the search engine business.

That blends with the strong sense of social purpose held by a number of the best and brightest in Silicon Valley.

"We went through all these decades where we had nonprofits that thought business was evil and sustainability was irrelevant," said Debra Dunn, an associate professor at the Hasso Plattner Institute of Design at Stanford who advises social entrepreneurs. "Now there has been an influx of business thought. People are saying, 'I have enough money and I care.'"

STILL, most technology-oriented social entrepreneurs acknowledge that the hybrid model is by no means a one-size-fits-all approach, and there is significant debate about how far it can reach. Moreover, the approach hasn't always worked.

For example, beginning in 2002, the Lotus Development founder Mitchell Kapor invested more than \$5 million in the Open Source Applications Foundation, with the intent of finding a sustainable business. The group had a number of strategies for obtaining revenue from the distribution of free software, but it was unable to get far enough along to begin the

experiment. The project never got to the point where the calendar program Chandler could be widely distributed, and Mr. Kapor has since scaled back the project.

The experience, however, has not dulled his optimism.

"You can use a lot of the methods of business, specifically entrepreneurial start-ups, in ways that are directed at having a positive social impact," Mr. Kapor said. "Mozilla and the Archive are cases where we are harnessing powerful techniques of value creation that were originally forged in the Valley and putting them to use."

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