

The first question any social enterprise should be asking . . .

I once spent three days working with The Shreveport-Bossier Rescue Mission, a safe haven for indigent men who needed a place to stay and nourishing food for up to seven days. The CEO asked me to meet with his entire Board and staff, help them understand social enterprise, and then facilitate a closing discussion about the shelter's strategic direction.

The first question I asked during the discussion came right from Peter Drucker's playbook. In his seminal work *The Practice of Management*, he wrote that because the question "is so rarely asked – at least in a clear and sharp form -- and (is) so rarely given adequate study and thought, (it) is perhaps the most important single cause of business failure."

The question?

"What business are you in?"

Shouldn't be that hard to answer, should it?

Well . . .

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Does anybody here remember Jack McKinney?

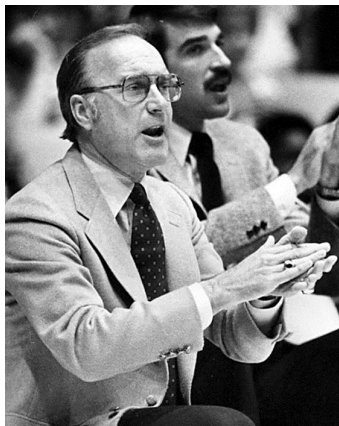
During the summer of 1979, the Los Angeles Lakers hired an obscure, 44-year-old assistant coach from Portland to coach a team that featured Kareem Abdul-Jabbar, the five-time NBA MVP, and a rookie point guard named Magic Johnson.

Now, I grew up worshipping the (then) Minneapolis Lakers, even played in an abbreviated grade school game against one of our hated enemies during halftime of a Lakers game at the Minneapolis Auditorium. Those were the George Mikan, Jim Pollard, Vern Mikkelsen Lakers -- the original Big Three -- who won five NBA titles in six seasons from 1949 through 1954.

But as I grew older (and the Lakers migrated to Los Angeles, where rumor has it there are one or two lakes), professional basketball never really caught on with the average sports fan. Playoff games, when they were televised at all, were shown on tape-delay. The game consisted primarily of a bunch of giants lumbering up and down the floor, banging into each other and swearing (my childhood sensibilities were shocked when I heard Dolph Schayes of the Syracuse Nationals cursing Jesus and others as he drove through the lane toward the basket). During the 1970s, professional basketball was less popular than baseball, professional football, college football, college basketball, dirt-track racing -- you name it.

Today? Professional basketball is the fastest growing sport in the world.

So what happened?



Jack McKinney happened.

But few remember him . . . because he took an early morning bike ride . . .

“He created Showtime,” All-Star Laker guard Norm Nixon told Jeff Pearlman for Pearlman’s book *Showtime*. “That should never be forgotten. You can talk about me and Kareem and (Magic) and Pat Riley all you want. But Jack McKinney created Showtime.”



And, when he did, when he turned Magic Johnson and the rest of them loose, the Lakers quickly discovered they were NOT in the “basketball” business. They were in the “entertainment” business.

Suddenly every game at the Los Angeles Forum was a four-hour “event” and a courtside filled with Jack Nicholson and so many other celebrities it became a badge of honor for Hollywood types to score tickets. Paula Abdul created the short-skirted Laker Girls, a ten-piece band replaced the stodgy organist, Dancing Barry cavorted in the aisles during timeouts (wearing sunglasses and a tuxedo) . . . and the team itself created a completely new brand of greyhound basketball: Fast, sleek, ever-moving, with Magic at the helm.

Other teams followed their example and over the next 30 years the game morphed into a global phenomenon. Only soccer is more popular worldwide. Kids all over the planet love the idea of running the court, dazzling with behind-the-back dribbles and no-look passes, fast-breaks that feel like a howling wind descending on defenders.

Jack McKinney?

The Lakers started the season 10-4. On a rare off-day in early November, McKinney climbed on his bicycle and headed toward a nearby tennis court for a match with assistant coach Paul Westhead.

He never made it. His brakes clutched as he traveled downhill and his bike stopped abruptly, tossing him over the handlebars and smashing him face-first into the concrete street.

He nearly died. He was bed-ridden for weeks.

Westhead took over as coach, hired Pat Riley as his assistant and led the team to the NBA championship. The Lakers gave him a multi-year contract and regretfully released McKinney. The Indiana Pacers hired him that summer and he was named NBA Coach of the Year in his first season, leading the Pacers to the playoffs, but three years later he was fired. He coached nine games for the Kansas City Kings in 1984 before resigning in frustration, and that was it. His chance to be the long-term coach for one of the greatest dynasties in the game had passed him by.

And “Showtime”? Magic Johnson and Pat Riley got the credit. Johnson won five NBA titles during his 13 years with the Lakers. Riley succeeded Westhead in the fall of 1981 and so far has won seven NBA championships, four with the Lakers and three with the Miami Heat (the last two as the team’s President).

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So what happened at the Rescue Mission?

The 25 Board and staff members spent almost two hours debating what business they were really in. They had about 40 possibilities on the whiteboard when the head cook finally came up with the answer.

“We’re not in the shelter business,” he said. “We’re in the *hotel* business.”

That changed everything. Operating a hotel means you spruce up the reception area, re-paint the rooms, lay new carpeting in the hallways, serve better food in a more dignified setting, address your “customers” with greater respect, extend the length of stay, and make strategic decisions from an entirely different perspective.

Over the past couple decades, other nonprofits and social enterprises have come to similar forks in the road:

- Dozens of well-meaning government agencies, nonprofits and corporations across the country doubled down on the low-income housing business in the 1980s and 1990s. But a few, such as Housing Works in New York City, realized they weren’t in the business of providing low income (or even “affordable”) housing -- they were in the business of giving individuals or families a *home*.
- Volunteers with Meals on Wheels do great work, but their impact expands when they realize they aren’t in the business of delivering food -- they’re in the business of *independent living*.

- Hundreds of social enterprises around the world hire large numbers of people with physical, mental, economic and educational disadvantages -- but the best of them understand they are NOT in the business of providing jobs for people from target populations. They're in *specific businesses* such as light assembly, document shredding, temporary staffing, hospitality services, or any other business driven by market demand and their ability to beat the competition.

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Drucker's fundamental question is the first one any social enterprise should be asking itself. The answer will frequently give birth to new vision and mission statements, a new set of core values, different long-term goals, revised strategies and tactics.

So how would *you* answer the question? And would your Board and staff members answer it the same way?

Jeff Pearlman's book *Showtime: Magic, Kareem, Riley, and the Los Angeles Lakers Dynasty of the 1980s* was published March 4, 2014, by Gotham Books.