MIT-AITI Entrepreneurship

Lecture 6: Social Entrepreneurship
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Lessons

• Case study: Magic Johnson
• What is social entrepreneurship?
• Magic Johnson in the NBA
• Transition from athlete to businessman
• Johnson Development Corporation
• Magic Johnson Foundation ad giving back to the community
What is social entrepreneurship?

• Social entrepreneurship is when people and organizations who are committed to making a difference in the communities engage in business for the purpose of making money which they can use to achieve their goals.

• This means that in stead of a charitable organization depending on donations it goes into business and makes money that it uses to accomplish its goals.
The importance of social entrepreneurship

• There are many good people in the world who would make it a better place to live in but they just don’t have the money.

• In order to make a difference in the society these people need to learn about business and get involved and make money that they can use to bring about a difference in the world
Magic Johnson

Joined the NBA in 1979 playing for the Lakers

Elected one of the 50 best NBA players in history

5 National Championships with the Lakers

3 MVP awards

Gold Medal in Barcelona 1992 Olympics
Magic out of the NBA

• In 1992 Magic retired from the NBA when he learnt that he was HIV positive
• He then tried out coming in as a Lakers coach but was unsuccessful
• He then made a comeback as a player in 1994
• In 1996 he retired from the NBA for the final time
Magic as a spokesman

• Magic was a beloved player with a great smile.

• After testing HIV positive he became a spokesman about HIV/AIDS
Magic Johnson becomes Mr. Johnson

• After his NBA career was over Magic Johnson went into business

• His strategy was to invest in the inner-city neighborhoods where he had grown up in and to bring a revival of inner city America
The Inner-City Problem

• In America, there are some parts of the city where the poorest people live called ghettos or inner-city

• Inner-cities have a characteristic of having drugs, gun violence, gangs, single parent families, inadequate education etc.

• Most of the inhabitants of inner cities are Americans of African descent and typically that’s where many NBA players grow up in.
Inner-City Economics

- Many of the inner cities lag economically behind.
- They tend to have many abandoned or uncared for buildings.
- A high rate of unemployment since companies are afraid of risking their investment in such places.
- Inner city dwellers have the lowest average income in the US but since there is a high population density their buying power is way larger.
Magic Johnson in business

• After retiring, Magic Johnson decided to concentrate his business on the inner city since he saw that there was a big opportunity there for business success as well as for improving the condition of life there

• He would use his celebrity status to promote his business in order to generate profits
Magic TGI Fridays

Magic partnered with TGI Fridays restaurants in Atlanta and LA to bring the restaurant.
Urban Coffee Opportunities

Using a 50/50 ownership plan, he has 70 Starbucks restaurants with a commitment to have 125 by 2006.
Magic Theatres

Magic currently owns 5 Magic Theatres together with Loew’s Cineplex
Magic Johnson Entertainment

- Produced Brown Sugar
- Who’s got game? On MTV
Fitness Facilities

• Magic also has 8 fitness facilities in partnership with 24 hour Fitness in both urban and suburban facilities.
Washington Mutual Banks

• Magic has also partnered with Washington Mutual to provide loans for home buyers and educate people on how to buy homes.

• Currently he has about 15 centers have been built that will guide people in urban communities to learn about wealth building.
Canyon-Johnson Fund

• Magic has also ventured in real estate development in urban America with the creation of a $300m fund to develop real estate in urban America

• Fund has already invested $140m in 8 projects to date in developing, renovating and remodeling buildings in the inner-city
Magic Johnson Foundation

- Education: The MJF has about 225 students that it supports in College
- Health: Has served to inform the community about good health and HIV/AIDS awareness
- Technology: Has created more than 15 computer centers together with Hewlett Packard for people in the inner city
Effects of Magic Johnson

- Jobs have been created in the inner-city
- Suppliers from the urban areas are used and this promotes local business
- There is a renewed interest in investing in the inner city as Magic earns higher than average returns on investment
- Other successful people from the inner city have been challenged to channel their investment to the inner city e.g. Shaq is investigating where he grew up
Magic Johnson Portfolio

• He has created a $700m net worth by focusing on improving his community
• He has raised awareness for his community and has been a great motivational force
• He has shown that even people who are HIV positive can live and be positive contributors to their societies
• A great leader of our times.
Group Assignment

• Explain how you can use a celebrity to enter successfully in business and maximize the influence that the celebrity has?
• How can you use that person to improve the community while at the same time achieving business success?
Personal Assignment

• Write a paper on how you can use a celebrity to promote your business.

• Due in the next class.