

## Sseko Designs Engages in Social Entrepreneurship

Liz Forkin Bohannon, Founder and CEO of Sseko Designs, a socially-minded fashion and design company from Portland, Oregon, uses the company as a platform to empower women in Uganda and East Africa. In 2008, after travelling to Kampala, the capital city of Uganda, she was appalled to see the extreme poverty of the people, especially that of its women. She discovered that the top 2 percent of high school girls who were eligible to go to a university were required to return to their villages and work for 9 months while saving their money for tuition. Most of these girls did not continue their education because the families needed the money for their subsistence. She also learned these women preferred to work rather than receive a handout.

Her first attempt at a socially conscious for profit business was a short lived chicken farm. It was then that she recalled an incident from her college days when she made a sandal that used ribbons to avoid the noise made by flip-flops, so she redesigned them by purchasing rubber flip-flop bottoms tied with ribbon. Liz believed she could improve upon her original design using materials obtained locally. For two weeks she traveled through Kampala looking for suppliers while gaining skills in sandal making through tutorial videos on YouTube. She developed a business idea for a work-study model for Ugandan women who showed college potential. Liz would offer women employment during the nine-month period they had to earn enough revenues for college. The women would make sandals and other products that could be sold to consumers in the United States. In the process the Ugandan women would not only learn skills but also have the chance to earn their wages to go to college.

Of course, making the sandals was only half the battle. The Bohannons also had to find buyers. Together the couple traveled the nation for six months in their Honda Odyssey minivan—often sleeping in the van and showering at truck stops to save money— 3 to try and convince stores to purchase sandals from Sseko Designs. In 2009, this became the first product offered by Sseko Designs. The sandals became an immediate success when Martha Stewart recommended them in her gift ideas and their inventory was soon depleted.

To continue the company's growth, Liz and her husband, Rob, sought funding via the popular ABC reality show *Shark Tank*, on February 13, 2015. Entrepreneurs Mark Cuban, Barbara Corcoran, Kevin O'Leary, Lori Grainer and Robert Herjavec were offered 10% stake in Sseko for a \$300,000 investment. At that price, the company would be presumed to be worth \$3 million. On the other hand, Sseko had suffered a \$90,000 loss in 2014 and anticipated it would lose money in 2015 as well. The Bohannons explained that the reason for the loss is that they are putting more money into development and are hiring more salespeople. They expressed their belief that as more Americans learn about Sseko, its unique products, and its social mission, sales would increase, and the firm would recoup its profits. It is not unusual for an organization to incur debt or suffer losses as it expands. Debt, managed correctly, could actually help a firm because it allows it to take on opportunities it would not normally have with limited funds. However, a negative cash flow often turns off investors, and the sharks were no exception. Of greatest concern to the sharks was the belief that the Bohannons overvalued their business. However, the Bohannons explained that they could not lower their valuation due to the deals they had already struck with the four private investors.

Mark Cuban made an offer for 50% ownership which they declined. The sharks maintained that was too high a value, especially for a company that, in their judgment, was too focused on its social

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mission and philanthropy and not enough on profitability. The Bohannon's countered that many of today's retailers and their customers value companies with a social mission. This, they maintain, is especially the case with the millennial generation, their target customers. They noted that younger consumers are less concerned about brand names and more interested in the story behind the brand. They believe that many customers prefer buying from firms that share their values. They maintain that if a company supports a cause the consumer cares about, then the company's brand will be viewed more favorably. They told the sharks that this will be the key to increasing Sseko's sales and profits.

While the Sharks declined the opportunity to invest in Sseko, their exposure on the show resulted in a 500-fold increase in traffic on their website and a 1000% increase in sales for the month of February. In addition, other investors came forward. They received the entire investment that they initially wanted from the sharks without having to decrease their estimation of the value of their company. Sseko Designs has already had a major impact on Uganda. Not only is it the largest footwear manufacturer—resulting in more jobs for Uganda as well as for the Ethiopian and Kenyan artisans who create crafted products for Sseko to sell—it also serves to empower women. Currently, Sseko employs 65 women in Uganda and is the country's largest footwear manufacturer. Their product offerings have expanded to include apparel, footwear, jewelry, accessories and leather bags.

Today, the company supports the education of women by providing scholarships for their employees. Each employee is encouraged to save 50% of their salary which goes into their personal Sseko savings accounts for 9 months, after which the account receives a 200% match from the company. Additional funding for these scholarships comes from the Sseko Fellows program. This program began two years ago and has 300 Fellows. Sseko fellows are US social entrepreneurs who sell the company's products direct. Every Sseko Fellow is matched with a Sole Sister in Uganda; every dollar of Sseko product sold in the U.S. by one of these fellows provides income for the fellow and generates funding that helps contribute to sending a Sole Sister to the university.

To date, 87 female employees have been able to get a university education, thanks to Sseko Designs.

## QUESTIONS

1. Discuss Sseko's social entrepreneurship model and how it differs from traditional charitable initiatives that other companies might take.
2. How do you think Sseko's social mission might have changed if the Bohannon's had accepted the deals from the "sharks"? Do you think they made the right decision?
3. Do you believe the Bohannon's are too focused on their social mission? Should they focus more on profit? Why or why not?
4. Are there ethical risks associated with the implementation of Sseko strategy?
5. Are there conflicts between making a profit and making a social contribution?

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