VIRTUAL UNIVERSITY OF PAKISTAN

Social Entrepreneurship

SOC617

Course Handouts

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Lesson 01

BACKGROUND, NEED, IMPORTANCE AND PIONEER SOCIAL ENTREPRENEURSHIP
TOPIC 001-005

Topic 001: Background

In Lecture 2 of this course we will explore in some detail what is meant by the term **"social entrepreneurship**." However, for the time being, it is useful to have a working definition of this term as we examine its origins and importance. Put simply, **social entreneurship is the application of the mindset, processes, tools, and techniques of business entrepreneurship to the pursuit of a social goals and/or environmental mission.**

While social entrepreneurship as a field of study is relatively new, much has already been written on the subject (see Dees, Emerson, & Economy, 2001; Mair & Noboa, 2006; Wei-Skillern, Austin, Leonard, & Stevenson, 2007; Brooks, 2008; Elkington, Hartigan, & Schwab, 2008; Light, 2008; Nicholls, 2008; Welch, 2008; Bornstein & Davis, 2010, to name but a few). This is a direct reflection of the excitement it generates and the promise it is perceived to hold. Social entrepreneurs have captured our collective imagination with remarkable stories of their social innovations. These stories are uplifting and inspiring. However, it is tempting to focus on the outcomes of social entrepreneurship and avoid thinking about why these innovations were needed in the first place and why social entrepreneurs are the logical providers of this service to society. These questions need to be answered and we will do this essential work.

We are a society that is frustrated by an overall lack of progress toward solving our most pressing social and environmental problems. Our governments and our private sector have disappointed us with their seeming inability or unwillingness to effectively address poverty, hunger, illiteracy, child abuse, domestic violence, global climate change, energy conservation, and many other challenges (Bornstein, 2007).We are eager for someone to step into the breach and meet these challenges head-on. Might that someone be the social entrepreneur? Social entrepreneurs have been touted as the real-life superheroes of our society. Why? Why can't governments solve these problems? Why won't the private sector address them? Why entrepreneurship? The answers to these initial questions can help us to understand why the study of social entrepreneurship is important and worthwhile .

Topic 002: Need for and Importance of Social Entrepreneurship

Many of the societal problems that we face have been with us for decades, if not centuries. While there has been an ebb and flow in our success in addressing these problems, the effect is that we have made surprisingly little net progress considering the time over which we have been working on them. Over the course of history, we have wavered between relying on private actors and relying on the government to help us to solve these problems. Neither sector has been consistently successful.

Private Actors: A defective system

Despite the claims of neoclassical economists, markets are far from perfect. Adam Smith's **"invisible hand"**—the idea that if free markets are allowed to operate without interference, they will self-correct and benefit all member of society—has proven arthritic when it comes to addressing all segments of the economy. Market

failures abound. They can be seen in situations where profits are insufficient to cause private developers to generate housing for low-income households; where banks refuse to invest in certain neighborhoods because of perceived risk, called redlining; where people go hungry in some parts of the world, while in other regions surplus food is destroyed or land is kept out of agricultural production; and where one community's pursuit of economic well-being pollutes the environment, thereby diminishing the ability of another community to provide for its residents. These are but a few examples. They are not isolated incidents. In fact, they are widespread and they are repeated on a regular basis around the world. Private markets help to create these problems and, if left to their own devices, have no incentive to reverse them.

Government: Self-contradictory

Government, which is created to represent the interests of society as a whole and is in a position to address these issues, has not consistently been able to do so. This is due, in part, to inadequate resources; however, there are other factors at play as well. Politics is one of these. There is too often a general lack of political will to sustain efforts to address societal problems. In **democracies**, short election cycles, term limits, and the propensity of newly elected officials to eschew the programs of their predecessors in favor of leaving their own mark tend to foster disjointed policy.

Warring ideologies cause pendulum swings in attitudes and approaches as one regime replaces another, causing governments to "do and undo" their efforts rather than make steady forward progress. The well-documented breakdown in civil society (Milich, 2001; Putnam, 2001; Weiss & Gilani, 2001) has exacerbated this problem by radicalizing ideology and polarizing society. Because no ideology has a monopoly on truth, opportunities for the cross-pollination of ideas are being lost.

Authoritarian governments are no more successful at solving their society's problems, but for different reasons. One ideology dominates and eventually, and inevitably, reaches its point of diminishing returns for producing positive change. There are no checks on power, so corruption is common and counterproductive relative to focusing attention and resources on meeting the needs of the populace. Changes in government are often violent and the resulting instability creates still more social problems.

If our institutions are incapable of solving our social and environmental problems, then we must ask who, or what, is. How can we perfect imperfect markets without unintentionally destroying them? How can we circumvent the unproductive aspects of politics? How can we blend the best of the private and public sectors to address societal challenges? One seemingly viable answer to these questions is social entrepreneurship.

Why the time is ripe for social entrepreneurship?

While dissatisfaction with the relative inability of the public and private sectors to deal with society's problems helps to explain why social entrepreneurship represents an attractive option, it does not shed light on why this phenomenon is enjoying such a high level of popularity at this particular time in history. **Bornstein** (2007) makes a compelling case that major transformational changes worldwide over the past several decades have made it both possible and increasingly likely that citizens will take the

lead in addressing social and environmental challenges. Bornstein identifies several key changes that have made the social entrepreneurship phenomenon possible.

- One of these is the **global increase in prosperity** that brought the rise of the middle class and an increase in wealth that can be used to finance social ventures.
- Another is an **increase in the number of democratic and semi-democratic societies**, which has given citizens the freedom to pursue the correction of social and environmental wrongs outside of government and the business sector.
- A third is the **proliferation of new communications technology** that has increased people's level of awareness of global societal problems and their impacts.
- Fourth is the **increased availability of formal education** in general and the growth in the number of college-educated individuals in particular, which enhances wealth and heightens awareness as well.
- The final factor is the removal of many obstacles to the **active participation of women and certain subjugated groups in societal affairs**.

As Bornstein (2007, p. 7) puts it, "To sum up, more people today have the freedom, time, wealth, health, exposure, social mobility, and confidence to address social problems in bold new ways.

Topic 003: Origin of entrepreneurship – Schumpeter

Richard Swedberg (2006, 2009) suggests that one can use Joseph Schumpeter's ideas to get a better theoretical handle on social entrepreneurship.

Joseph Schumpeter (1883–1950) was born, raised and educated in the Austro-Hungarian Empire, and he shared the conservative views of its ruling elite. As an intellectual and economist he early developed a taste for bold and original ideas. He enjoyed playing around with ideas from all perspectives, including those of Marx and the Austro-Marxists. Schumpeter is generally seen as the first major economist who developed a major theory of entrepreneurship through his work '**The Theory of Economic Development' from 1911**. Schumpeter was naturally not the first economist to write about entrepreneurship, however, **he was the first person to write the history of the study of entrepreneurship**. He especially emphasized the contribution of various French economists to entrepreneurship, such as Richard Cantillon and Jean-Baptiste Say.

According to Schumpeter, entrepreneurship, can be defined as a new combination of already existing elements in the economy. 'Development [or entrepreneurship] is then defined by the carrying out of new combinations of productive means or materials and forces' (Cross ref; Schumpeter, 1934, 65–6).

Extension of Schumpeter's work on Non-economic Entrepreneurship

Swedberg (2009) emphasised that the work of the young Schumpeter is especially useful in this context. According to him, it is also only in the first and little known edition of 'The Theory of Economic Development' from 1911 that Schumpeter says that one can apply his theory of entrepreneurship to non-economic activities. Social entrepreneurship, Swedberg suggested, can be seen as belonging to the category of

non-economic entrepreneurship. Swedberg identifies **key elements of Schumpeter's theory of entrepreneurship** as; motivation, innovation, overcoming resistance to innovation, profit, and link to the business cycle and apply this to non-economic entrepreneurship, ' **non-economic entrepreneurship** can be defined as the pushing through or successful introduction of a new combination of already existing material and forces in all areas of social life, except for the economy' (Sedberg, 2009, P.94) and to social entrepreneurship specifically, ' the pushing through or the successful introduction of social change through a new combination of elements that make up some way of doing things. Certain values are implied in the notion of 'social change', such as everybody's right to economic progress and a humane health care' (Swedberg, 2009, P. 101-2).

Topic 004: Relationship Between Social Entrepreneurship and Social Sciences

The social sciences have a very important role not only to the theoretical understanding of the entrepreneurship but also to entrepreneurship as a practical enterprise. The social sciences can provide new and fresh ideas about the theory and practice of social entrepreneurship by looking at innovative business behaviour in other times, in other societies and in other cultures, and also by looking at entrepreneurship from novel angles and from perspectives of a much wider range of actors than is commonly done.

It should be emphasized that quite a few of the insights social sciences have already generated can also be more or less directly translated into do's and don'ts of the entrepreneurs-to-be. The social sciences look at the causes (why) of the social entrepreneurship and its cumulative effects (what) as well as what entrepreneurs do (how), which makes their contribution both theoretical(pure) and practical (applied).

In terms of individual social sciences, one would expect economics to be full of analyses of social entrepreneurship. We have already discussed the role of the economist Joseph Schumpeter. However, economics has great difficulty in fitting social entrepreneurship into its theory. Many economists have taken entrepreneurship as synonymous with business management and an entrepreneur as a capitalist.

Sociologists and Social Entrepreneurship

Some of the most brilliant ideas on entrepreneurship within social sciences other than economics could be traced back to the work of Max Weber (1864-1920), a German sociologist. Weber's view of entrepreneurship is often identified with his theory of charisma – an analysis of a special type of human being, who makes other people follow him by virtue of his or her extraordinary personality. Further, Weber's famous study 'The Protestant Ethics and the Spirit of Capitalism' is also considered an important contribution to theory of entrepreneurship. Ideas of other prominent sociologists including Durkheim, Merton and Lipset among others have also contributed to theory of entrepreneurship. And finally, it is important to recognize the contribution of Rosabeth Moss Kanter on gender and entrepreneurship.

Anthropologists and Social Entrepreneurship

Work produced by anthropologists on anthropology and entrepreneurship is small but one of the fines in social sciences. This include studies by Clifford Geertz (on

economy of two Indonesian villages) and Frederick Barth (Economic spheres in Darfur, Africa).

Psychologists and Social Entrepreneurship

More studies on entrepreneurship has been produced in Psychology than in any other social science, however, they have a fairly low status. One reason is that attempts to identify the personality traits of successful entrepreneurs have failed. However, some of the best studies of entrepreneurship in Psychology are those which deal with the interaction of an entrepreneur with his/her surroundings, ie, in social psychology. Two prominent studies of this type are David McClelland's 'The Achieving Society' (1961) and Everret Hagen's 'On the Theory of Social Change' (1962).

Topic 005: The Pioneers of the Modern Field of Social Entrepreneurship

Even before the language of social entrepreneurship had been invented, two groundbreaking examples of social entrepreneurship occurred in one of the poorest countries in the world: Bangladesh.

Bangladesh: Grameen and BRAC

The war and cyclone beaten Bangladesh generated sympathy and outrage on a global scale. International development agencies converged on Dhaka, ready to provide aid. The conventional practice at the time was for development assistance to flow directly from governments of wealthy countries to governments of poor countries, and from the top to the bottom through local government channels. However, large amounts of free money will almost always produce corruption, some estimated that only ten to twenty percent of the aid actually reached the poor. A great deal of aid money has gone to pay high-priced Western consultants whose advice and decisions affect countless lives in developing countries.

In Bangladesh, the influx of aid snowballed, until it came to represent 90 percent of the country's development budget. Billions of dollars were spent on projects—road construction, electricity generation, and agriculture development—that were prioritized by foreign donors and made sense on paper but often fell apart on the ground or produced benefit that bypassed the poor. However, foreign aid did support some highly positive changes in Bangladesh when it was deployed to help finance—but not to control—citizen organizations that were founded by local social entrepreneurs.

The two most famous examples are the **Grameen Bank (the "Village Bank") and the Bangladesh Rural Advancement Committee (now known as BRAC)**. After the war of independence, Bangladeshis around the world had abandoned lucrative careers in order to help rebuild their country. Among this group were Muhammad Yunus and Fazle H. Abed. Yunus, an economics professor who had completed a PhD at Vanderbilt University in the United States, established the Grameen Bank, a for-profit, antipoverty bank whose majority shareholders were the women villagers it served. Abed, a former executive at Shell Oil, founded BRAC, a nonprofit organization involved in rural education, health care, microfinance, and social and economic development.

To develop solutions, they experimented continuously. Each launched countless variations on microfinance and rural enterprise development. BRAC led the way in

Bangladesh, creating high-performing village-based schools and community health programs. Both Yunus and Abed had the advantage of knowing they were in business for the long haul. They knew that if an idea or program failed, they could shut it down, absorb the lesson, and try something else. And many failures did ensue; some even grew into crises. But they used the failures as opportunities to think deeper about how to solve the country's problems.

Grameen and BRAC reached national scale in Bangladesh, each employing tens of thousands of staff members whose work touched the lives of tens of millions of Bangladeshis in almost every one of the nation's seventy thousand villages. Like great businesses, as they grew, they improved, adding new services, using technology more effectively, and spawning imitations. They built cultures of pride and optimism. The Grameen Bank and BRAC demonstrated that it was possible to mitigate poverty on a massive scale. They achieved new levels of success by departing from the historical pattern of social problem solving.

India: Ashoka

Although Grameen and BRAC behaved more like successful businesses than social programs, people didn't explicitly refer to Yunus and Abed as "social entrepreneurs" until the term was popularized by the organization Ashoka during the **1980s and 1990s**. Ashoka, a global organization headquartered in Arlington, Virginia, was founded in 1980 by Bill Drayton, an American who had previously worked as a management consultant.

During the 1960s and 1970s, Drayton had traveled extensively in India, what Drayton saw in his travels was that Indians across the country were doing the same (as Yunas and Abed). A generation after independence, Indians were feeling more confident about their future. They were building organizations at every level to address social ills that had been ignored. Drayton spoke with many groups advocating ideas to reform Indian society— everything from improving sanitation to encouraging political participation from low-caste groups to creating new legal structures to protect the rights of women. Not all the groups were effective.

He began to spot a pattern: the organizations that were making a difference had both a good idea and an unusually committed, creative, and action-oriented person at the helm: an idea champion or entrepreneur. **He believed that these entrepreneurs had enormous potential to lead change efforts, but they were hobbled by many factors:**

- they didn't have much money;
- they were misunderstood by their families and friends;
- isolated from one another and
- largely ignored by the media, the business sector, and the government.

Drayton envisioned an organization that could support them. He named it after an **Indian emperor, Ashoka**, who lived roughly 2,200 years ago and is considered by many historians to be among the most benevolent and practical rulers in history.

Drayton's organization began searching for social entrepreneurs in **India in the early 1980s and, shortly thereafter, in Indonesia and Brazil**. The goal was to lend financial support, credibility, and the strength of a global fellowship to entrepreneurs like Yunus and Abed at the moment when their work was poised to "take off."

Since the 1980s, many other organizations have emerged which have played critical roles building the field of social entrepreneurship. These include the New York–based Echoing Green Foundation, the Geneva-based Schwab Foundation for Social Entrepreneurship, and the Skoll Foundation among others.

Lesson 02

DEFINITION AND EXPLANATION PF KEY CONCEPTS INVOLVING SOCIAL ENTREPRENEURSHIP

TOPIC 006-010

Topic 006: Defining Key Concepts – Social

"Social" derives from the Latin word **socialis**, meaning an associate, ally, or companion. The word suggests the organization of people, or confederates, into an interdependent group that lives and works together cooperatively—a community or society.Therefore, "social" has to do with anything that pertains to a community or society.

By definition, it puts society ahead of the individual. There is a tendency to think of the social aspect of life as being distinct from the economic. This conception of the world holds that the pursuit of economic advantage can, and should, be conducted in isolation from the affairs of society.

In the **advanced industrial societies** like the United States, this is reflected in such time-honored ideas as laissez-faire (the government, as the representative of society, should keep its "hands off" private economic pursuits) and the notion that it is the government's duty to provide a "safety net" for people who fall between the economy's cracks, common in many countries around the world, is another example of the perceived division between society and economy.

Fortunately, this view is shifting. As David Bornstein (2007: x) observes, "the conceptual firewalls that once divided the world into social and economic realms" are coming down. There are numerous examples of this all around us. The increasing interest in the areas of sustainable business and corporate social responsibility (CSR) offers numerous cases in point. PepsiCo measures and works to reduce its carbon footprint. Highly successful entrepreneurs, like Bill Gates and Jeff Skoll, undertake massive philanthropic efforts that provide leadership in this arena and that support the work of social entrepreneurs. Closer to home, the Grameen bank in Bangladesh and Akhuwat in Pakistan bring financing to community development, especially development and empowerment of disadvantaged and vulnerable groups such as women.

The fact is that the perceived partition between society and the economy is an artificial bifurcation. Society and the economy are inextricably linked.The economy is an invention of society and, as such, can and should be reinvented from time to time to make sure the two are in harmony. This reality is what makes addressing social issues through entrepreneurship a natural fit.

Topic 007: Defining Key Concepts – Entreprenurship

"Social" is a relatively easy term to define.There may be, and is, disagreement about which should take precedence—the individual or society; the economy or the needs of society—but there is little or no disagreement about what "social" means. A widely agreed-upon definition of "entrepreneurship," on the other hand, is not nearly as uncomplicated to find. This is due to the wide variety of perspectives brought to bear on this subject.

Ecomonic Perspective on Entrepreneurship

There are purely economic definitions, like the one espoused by Terry (1995, p. 102), who describes an **entrepreneur** as "a production innovator who perceives the opportunity to provide a new product or implement a new production method and then organizes the needed production inputs and assumes financial risk." While this definition focuses on things that resonate for economists, such as means of production and production inputs, it also uses terms like "innovator" and "financial risk" that provide a glimpse into the characteristics that make entrepreneurs unique.

Entrepreneurship educators Perspective on Entrepreneurship

Entrepreneurship educators Timmons and Spinelli (2007, p. 79) provide yet another "take" on entrepreneurship, which they define as "a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced." In so doing, they highlight the fact that entrepreneurship involves both cognitive processes and actual practice—it is a profession.

Furthermore, they establish that entrepreneurs are perpetually focused on identifying viable business opportunities, are strategic or "big picture" thinkers, and are mindful of the fact that effective leadership is catalytic in nature, spreading responsibility and recognition evenly throughout the enterprise. Timmons and Spinelli describe this latter behavior as making "heroes" out of partners and employees.

Entrepreneurship Researchers and Practitioners Perspective on Entrepreneurship

Lichtenstein and Lyons (2010), entrepreneurship researchers and practitioners, offer yet another perspective. They maintain that an entrepreneur is anyone who innovates (by creating a new product or service, developing a new production process, or finding a new market) and who has a goal of growth and development for themselves and their business.

Universal Aspects of Entrepreneurship

While there are many other definitions of "entrepreneurship" that have been developed over the years, the aforementioned definitions are representative of the diversity among them. Despite this variation in thinking, there are some general aspects of entrepreneurship that appear to have at least some degree of universality.

- Entrepreneurs actively seek out opportunities to innovate in order to add value to the lives of their customers.
- They pursue a strategy of growth in order to expand their business's market reach and profits.
- They are strategic in the way they manage their enterprises, and they ably build networks among their investors, suppliers, and customers in order to achieve their business goals.
- Entrepreneures are invariably risk managers. This skill at risk management enables them to bear greater risks than do most business people or members of the wider populace.

Points of Disagreements among Entrepreneurship Scholars

That said, there is still disagreement among entrepreneurship scholars on several of these points and related considerations.

- For example, Shane (2008) argues that successful entrepreneurs share genetic traits, while Lichtenstein and Lyons (2010) maintain that success in entrepreneurship rests with the mastery of a learned skill set.
- Shane states that business opportunities exist in the given context and must be found by the entrepreneur, while Sarasvathy (2008) asserts that entrepreneurs fabricate opportunities out of the stuff of their environments.
- Many entrepreneurship educators argue that the only true entrepreneurs are those who grow high impact companies worthy of investment by venture capitalists; however, others include small business owners in their definition of entrepreneurs.

These are ongoing debates that may never be resolved, but they need to be acknowledged because they have implications for the differences in the ways in which "social entrepreneurship" is defined and practiced.

Topic 008: Defining key concepts – Social Problem

A social problem is any condition or behavior that has negative consequences for large numbers of people and that is generally recognized as a condition or behavior that needs to be addressed.

Characteristics of Social Problems

Social problems are characterized as following;

a. A condition or situation disliked as objectionable by a significant number of people.
b. It is considered as undesirable because of its harmful effects.
c. All social problems want correction through collective action. They warrant change in conditions.
d. All abnormal behaviours or deviations from accepted norms are termed as social problems such as crime, juvenile delinquency, prostitution, rape, drug addiction, domestic violence, ethnic or communal tension.
e. Social problems are not static but change with the change in time and space. Changes in law and mores change the concept of social problem.

The global society is frustrated by an overall lack of progress toward solving our most pressing social and environmental problems including poverty, hunger, illiteracy, child abuse, domestic violence, global climate change, energy conservation, and many other challenges. Some major social problems of Pakistan include over-population, illiteracy, unemployment, poverty, child labour, gender discrimination, corruption, lack of rule of law, nepotism, violence, terrorism, and extremism.

Many of the societal problems that we face have been with us for decades, if not centuries. While there has been an ebb and flow in our success in addressing these problems, the effect is that we have made surprisingly little net progress considering the time over which we have been working on them. As discussed earlier, our governments and our private sector have disappointed us with their seeming inability or unwillingness to effectively address these social problems. In this situation, one seemingly viable option is social entrepreneurship.

Topic 009: Defining Social Entrepreneurship

Social entrepreneurship is a term in search of a good definition. The current use of the term seems vague and limitless. As an example, Brock, Steinder, and Kim (2008) have identified thirteen different definitions of social entrepreneurship. There is a need to better define what is meant by the term social entrepreneur/entrepreneurship. Before taking up this issue, we review several of the definitions of social entrepreneurship that have been put forward.

Dees Definition of Social Entrepreneurship

Arguably the oldest and most cited definition of social entrepreneurship comes from Dees (1998, p. 4) in his seminal unpublished paper "The Meaning of 'Social Entrepreneurship.'" Dees draws upon definitions of entrepreneurship from Schumpeter, Say, Drucker and Stevenson and adds a social twist. He states:

Social entrepreneurs play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand,
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

Definitions by other Scholars

Others have different definitions, for example, Alvord, Brown, and Letts (2004, p. 4) add the **concepts of sustainability and transformation** to their definition. Some scholars in this field see **social entrepreneurship as for-profit entities that pursue a social mission** (Haugh and Tracey 2004). Still others view the **field as pursuing its goals in multiple sectors, across sectors, or through hybrids combining sectors**, for example, Robinson (2006, p. 95) acknowledges that social entrepreneurship can take place via for-profit or nonprofit entities.

These attempts at definition illustrate that social entrepreneurship is a rapidly growing and changing field. It is little wonder that there is no real agreement on a single definition, and this is not necessarily "bad." The definitions put forth to date are like the growth rings in a tree trunk: they mark the history of the field's development and help us to better understand how it has grown. Attached Table 1 enlist and analyze some of these definitions.

Table 1. Contrasting definitions and core characteristics of the terms ‘social entrepreneur’ and ‘social entrepreneurship’

Source	Definition	Core Characteristics
Bornstein (1998) tinyurl.com/6ucfnc6	A social entrepreneur is a path breaker with a powerful new idea who combines visionary and real-world problem-solving creativity, has a strong ethical fiber, and is totally possessed by his or her vision for change.	• Mission leader • Persistent
Thompson et al. (2000) tinyurl.com/7mkp7ah	Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money, and premises) and use these to "make a difference".	• Emotionally charged • Social value creator
Dees (1998) tinyurl.com/66g2a6	Social entrepreneurs play the role of change agents in the social sector by: • Adopting a mission to create and sustain social value • Recognizing and relentlessly pursuing new opportunities to serve that mission; • Engaging in a process of continuous innovation, adaptation, and learning; • Acting boldly without being limited by resources currently in hand; • Exhibiting a heightened sense of accountability to the constituencies served for the outcomes created.	• Change agent • Highly accountable • Dedicated • Socially alert
Brinckerhoff (2009) tinyurl.com/7w8dfs5	A social entrepreneur is someone who takes reasonable risk on behalf of the people their organization serves.	• Opinion leader
Leadbeater (1997) tinyurl.com/7exweb6	Social entrepreneurs are entrepreneurial, innovative, and "transformatory" individuals who are also: leaders, storytellers, people managers, visionary opportunists and alliance builders. They recognize a social problem and organize, create, and manage a venture to make social change.	• Manager • Leader
Zahra et al. (2008) tinyurl.com/87upzh3	Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner.	• Innovator • Initiative taker • Opportunity alert
Ashoka (2012) tinyurl.com/5jjv6u	Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems [...] They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else.	• Visionary • Committed

Topic 010: Definition of Social Entrepreneurship

Building on the definitions presented earlier (in Tables 1,2&3, Lecture 2 Topic 4) here is a definition that captures the key factors that are vital to social entrepreneurship.

> The social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviours to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable

This definition combines **four factors** that make social entrepreneurship distinct from other forms of entrepreneurship. Social entrepreneurs:

1. are mission-driven. They are dedicated to serve their mission of delivering a social value to the underserved.

2. act entrepreneurially through a combination of characteristics that set them apart from other types of entrepreneurs.

3. act within entrepreneurially oriented organizations that have a strong culture of innovation and openness.

4. act within financially independent organizations that plan and execute earned-income strategies. The objective is to deliver the intended social value while remaining financially self-sufficient. This is achieved by blending social and profit-oriented activities to achieve self-sufficiency, reduce reliance on donations and government funding, and increase the potential of expanding the delivery of proposed social value.

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Lesson 03

DIFFERENCE BETWEEN SOCIAL AND BUSINESS ENTREPRENEURSHIP & WHAT MAKES SOCIAL ENTREPRENEURSHIP UNIQUE

TOPIC 011-014

Topic 011: Difference Between Social and Business Entrepreneurship

The main difference has to do with purpose, or what the enterprise is trying to maximize. **For social entrepreneurs**, the bottom line is to maximize some form of social impact, usually by addressing an urgent need that is being mishandled, overlooked, or ignored by other institutions. **For business entrepreneurs**, the bottom line may be to maximize profits or shareholder wealth, or to build an ongoing, respected entity that provides value to customers and meaningful work to employees.

The world needs both kinds of entrepreneurship; one should not be deemed superior to the other, although social entrepreneurship is often more challenging because it tackles problems that have defined governmental approaches and for which market solutions have not yet been demonstrated. And, of course, there are overlaps: social entrepreneurs often earn profits through social enterprises, and business people are frequently concerned with social responsibility. Both types of entrepreneurship require vision, initiative, organization building and "marketing." In terms of skill and temperament, social and business entrepreneurs are strikingly similar. But their primary objectives are different.

Seeking to maximize social impact is not the only criterion for social entrepreneurship. As Greg Dees noted, **entrepreneurship involves elements of newness and dynamism**. Today, thousands of "cleantech" and "greentech" companies are addressing environmental problems, but not all are examples of social entrepreneurship.

Within the solar energy industry, for example, many firms sell established products in established markets. Without minimizing their contributions to the solution, it's useful to distinguish conventional firms from those that are pioneering new products, attempting to change industries, or building markets in particularly difficult contexts. The small firm D.light Design is a good example. In a world in which two billion people lack access to electricity, it is trying to market low-cost solar-electric lamps to villagers and slum dwellers in the developing world so they can switch from kerosene, an unhealthy and dangerous substance that contributes to global warming.

For generations, business entrepreneurs have outnumbered and received more attention than social entrepreneurs. The top business entrepreneurs benefited from robust financial and managerial services, which allowed them to build phenomenally successful companies. They generated tremendous excitement; many became legends, eg, Bill Gates. By contrast, the social entrepreneurs contended with unpredictable and fragmented financing. Their organizations grew slowly. The founders did not appear on Forbes lists. Media companies did not create magazines devoted to their activities. They didn't even get their own newspaper beats. Next to business and government leaders, their role went unnoticed. But that is changing. Today the attention meter is angling in the direction of social entrepreneurship as more people are asking themselves the question at its heart: What kind of enterprise is worth devoting your

life to build? One common answer is something new with a social impact, by addressing an urgent need that is being mishandled, overlooked, or ignored by other institutions.

Topic 012: Social Entrepreneurship as a 'Third Sector' Separate from State and Market

Social entrepreneurship represents the best of the private and public sectors. **On the one hand**, it embodies the enterprising spirit of the private sector and uses the power of economic markets to generate and deliver solutions to problems. **On the other hand**, it strives to intervene in broken markets in an effort to repair them and places the public interest ahead of private interests.

The Meaning of Value for Social Entrepreneurs, Government Officials and Private Business

The difference between social entrepreneurs, government officials, and private business people is the source of their **passion**; that is, the values that underlie it. Social entrepreneurship is often referred to as value-based (Cho, 2006; Brooks, 2008).This could be misleading, however.There are values that drive the actions of all three actors; these values merely differ from role to role. For the public official, it may be political expediency. For the commercial business person, it may be profit. For the social entrepreneur, the values are moral in nature, involving empathy for the plight of the beneficiaries of her or his efforts and some kind of judgment regarding the "rightness" of addressing the underlying problem.

Transactional Relationships

Unlike governments or large companies, social entrepreneurship is not reactive or bound by cumbersome rules and processes.

Most of what is delivered to customers or clients or citizens by private businesses and by governments is conveyed by transaction. Goods and services are exchanged through **short-term transactional relationships**.This works as far as it goes, but it does not bring long-term change; it does not yield transformation. Social and environmental problems are not solved through transactions. Giving a starving individual food does not end hunger in the world. Not until the system that spawns hunger is permanently changed for the better will hunger be ended on a global scale. This kind of systemic change, yielding **long-term benefits**, is the focus of social entrepreneurs.

Adversarial Relationships and Competition Vs Co-Opetition

The **public and private sectors** are typically focused on **adversarial relationships and competition**. Political parties compete to control the policy agenda. Important decisions are reached using win–lose mechanisms that work for some and leave others out. Commercial businesses compete with others for market share, with the tacit, if not implicit, goal of putting the competition out of business. **Social entrepreneurs** embrace the concept of **"co-opetition"**. They understand that, in their market ecosystem, sometimes they must compete with other social entrepreneurs, particularly for scarce resources. However, much of the time it makes sense to collaborate because it makes their ventures more effective, sustainable, and competitive.

Governments are often hamstrung by the never-ending struggle between those who want to preserve the **status quo** and those who **advocate change**, resulting in incrementalism at best, social ventures are exclusively built to foster positive change relative to a given challenge.

Social Entrepreneurs Address Equity and Stability

Social entrepreneurship facilitates development by lending equity and stability. Hamlin and Lyons (1996) identify six prerequisites to successful development:

1. Surplus
2. Savings
3. Investment
4. Efficiency
5. Equity
6. Stability

The first four are readily understood by business people. What is less well understood is that none of these four can take place in an economy that lacks equity and stability. For example, a so-called two-class society—rich and poor, with no middle class—is not an equitable society.The disparity in socio-economic status among the society's members is too great to be sustainable. A society that excludes certain of its members from access to opportunity is not equitable. Inequity can lead to protest, work disruption, and even violent revolt. All of these things undermine stability, which in turn precludes the society from developing its economy. There are other sources of instability. Incompetent governance and the resulting frequent turnover of leadership is one source. Natural disasters—earthquakes, floods, violent windstorms, etc. **Social entrepreneurs address equity and stability** through their efforts.When their work in the areas of education, health, poverty alleviation, community development, and so forth helps to create opportunities for socio-economic advancement, they are creating equity and enhancing stability.

Social Entrepreneurship Flows From The Bottom Up

Unlike governmental efforts from the top, social entrepreneurship flows from the bottom up. Typically it grows out of one person's direct interaction with a problem and a simple question: "Hey, what if we tried X?" What follows is an experiment, a response, some adjustment, and more experimentation. Over time, the entrepreneur accumulates experience.

Social Entrepreneurs Can't Command Compliance

Last but not least, social entrepreneurs don't control major resources, and, unlike governments, they can't command compliance. They have to leverage resources that others control and influence people by articulating goals that are meaningful.

Topic 013: Social Entrepreneurship as a 'Third Sector' Between Voluntary And Not for Profit Sector

Earlier, we compared and differentiated social enterprise from public and private sector, ie, government and markets. The private sector comprises not just businesses as included in the earlier comparison, it also includes voluntary and not for profit sector – a third sector (public/government and markets being the first two). This third sector is synonymous with social purposes. It is a generic term for organizations or associations that are part of civil society including charitable organizations, sports clubs, community groups and trades unions.

Charity or philanthropy coupled with voluntary action has always been an important part of the social, political and religious fabric of the world society. One example is the **National Society for the Prevention of Cruelty to Children (NSPCC)**, UK. It was founded in 1884 and became the most important of a number of child welfare organizations that emerged at that time to combat what has come to be known as child abuse (Prochaska, 1988). Over the years the **NSPCC** has had a complex relationship with the growing state but it has never been replaced by the state. Its importance lies in its continuing but changing range of services and influence rather than its anticipation of state intervention. **Edhi Foundation** is a local example of social service through philanthropy or welfare voluntarism.

Not-For-Profit Organisation" (NPO) And Non-Government Organization (NGO)

Since 1980s, welfare voluntarism has been transformed and joined by more newer social enterprises, ie, not-for-profit and/or non-government organizations, to meet policy objectives that often blur distinctions previously made between welfare, community life and the economy.

Not-for-profit organisation" (NPO) and non-government organization (NGO) are broad terms for all independent organizations whose purpose is something (usually a social mission) other than to make private profit for directors, members or shareholders. Many different types of organisation can be "not-for-profit".

Depending on the concerned legal regime, **differences between a charity and NPO/NGO include:**

- generation and uses of donations,
- minimum spending requirement,
- powers of members and
- tax exemptions among others.

However, almost all of them are concerned with provision of some kind of social service to vulnerable populations and/or to meet an unmet social need, which may or may not result in social change.

Activism: A Subset of Social Entrepreneurship

Social enterprises and social entrepreneurship are the most recent addition and have developed as distinctive features in the 21st-century third sector. Activism can be thought of as a subset of social entrepreneurship, one of many tactics employed to

advance change. The simplest distinction is that activists generally seek to elicit change by influencing the decision making of large institutions or by changing public attitudes, while social entrepreneurs pursue a wider range of options, including building institutions that directly implement solutions themselves. Many social entrepreneurs incorporate activism in their work, crafting campaigns to induce change in governments, corporations, universities, or bodies like the World Trade Organization.

Consider the field of education, for example. To be sure, political mobilization is essential to reform education policies. But today we need to figure out how to build systems to identify, retain, and nurture effective teachers and ensure that ineffective teachers are rerouted to other careers as quickly as possible. For this, we need demonstrated solutions, not just political power. Accordingly, a kind of activism is emerging that is more concerned with problem solving than voicing outrage.

Topic 014: Unique Qualifications of Social Entrepreneurship

Social entrepreneurship represents the best of the private and public sectors. As was noted at the beginning of this chapter, it brings the mindset, processes, tools, and techniques of business entrepreneurship to the solution of social and/or environmental problems. Social entrepreneurship possesses unique qualifications that make it an attractive alternative to purely private or purely public approaches to social and environmental problem solving

1. **It is passionate and personal** in that the social entrepreneur has chosen the problem to be addressed because it has deep meaning to her or him. Whether that meaning derives from personal experience, second-hand knowledge, or an avocation, it sparks an intense desire to pursue a solution to the identified problem.
2. **It is not bureaucratic; it is nimble.** They move quickly and decisively to address problems. Social entrepreneurs understand that social and environmental solutions have limited periods of effectiveness, which are always changing. This makes agility in adapting to changes crucial.
3. **It enables transformation.** Social and environmental problems are not solved through transactions. Not until the system that spawns hunger is permanently changed for the better will hunger be ended on a global scale. This kind of systemic change, yielding long-term benefits, is the focus of social entrepreneurs.
4. **It builds, maintains, and utilizes social capital.** Bringing people and organizations together to focus attention on a problem, to marshal resources from a variety of places to implement solutions, and to effectively communicate outcomes is what gives social entrepreneurship its power. These networks of trust are built on a shared mission and vision for positive change.
5. **It is mission focused, not profit driven.** At the core of social entrepreneurship is the social or environmental mission. Its mission is the social venture's reason for existence.
6. **It is accountable to society.** They operate in a "fish bowl."This brings with it both greater freedom and a higher level of responsibility. The freedom comes from not having to cater to the selfish interests of shareholders, who often tend to err on the side of ensuring their own benefit at the expense of the best interests of the venture and society as a whole. The "shareholders" of social

ventures are the people who are invested in the successful solution of the problem they address. This avoids misalignment between the goals of the venture and the goals of the segment of society it serves. Because of this, however, the social venture is held to a higher standard of accountability.

7. **It fosters social and environmental innovation.** Social entrepreneurs take social inventions (the fruits of creativity), whether they are the creator or not, and implement them (innovation) as a means to problem solving and transformative change.
8. **It facilitates development by lending equity and stability.**When their work in the areas of education, health, poverty alleviation, community development, and so forth helps to create opportunities for socio-economic advancement, they are creating equity and enhancing stability.

Lesson 04

THE SOCIAL ENTREPRENEUR

TOPIC 015-018

Topic 015: Who is a Social Entrepreneur

While the term 'social entrepreneurship is being adopted and used more extensively, many social entrepreneurs do/would not describe themselves as 'entrepreneur' or feel comfortable with the terminology. **Entrepreneurs** are 'people who, often habitually, create and innovate to build something of recognized value around perceived opportunities' (Bolton and Thompson, 2000). Opportunity is at the heart of their activities. They can be found in all walks of life for the capital they create can be social or artistic rather than financial.

Social entrepreneurs can be found in;

- profit seeking businesses that have some commitment to doing good and helping society and the environment with their strategies and financial strategies
- social enterprise which are set up with a largely social purpose, but, which are still businesses
- the voluntary sector

Many social entrepreneurs, then, are people with the qualities and behaviours we associate with business enterprise but who operate in the community and are more concerned with caring and helping than with 'making money'. In many cases they help change people's lives because they embrace important social causes. The growth of business in the community has shown that some social entrepreneurs are clearly seasoned and successful business entrepreneurs and executives who wish to "put something back" into society, both before and after they retire from, or reduce their commitment to, their main occupation.

Many others, though, are either much less experienced in business or less aware of what they are taking on at the outset, or both. They are people on a voyage of self discovery and they often start with only limited self-confidence. They come from all areas of society and have a wide range of ages and backgrounds. They are driven by a cause or a need they have spotted and taken up.

Many volunteers do demonstrate the adage that "ordinary people can achieve extraordinary things" if they set their mind to the task in hand and remain committed. However, this does not mean they could not benefit from carefully targeted help and support – start-up training, for example. But, training alone will not create an entrepreneur. Bolton and Thompson (2000) emphasize the significance of talents (inherited gifts) and temperament (needs and drives). But the fact remains that there is no widely-available and visible equivalent of start-up business training for the would-be social entrepreneur.

Hence, social entrepreneurs are people who:

- identify a needs gap and a related opportunity – which they understand;
- inject imagination and vision into their answer;

- recruit and motivate others to the cause in question and build essential networks;
- secure the resources that are needed;
- overcome obstacles and challenges and handle the inherent risks;
- introduce proper systems for controlling the venture.

In particular, it appears that they listen to the 'voice of the community' and respond in meaningful ways. Many initiatives are successful because they clearly relate to needs of the people.

Topic 016: A Typology Of Social Entrepreneurs

Three main representations of social entrepreneurs are identified and discussed in the literature.

a. Charismatic hero

Entrepreneurship literature frequently identifies entrepreneurs as possessing a charismatic personality. **Charisma** is broadly defined as a combination of the talent to foresee market opportunities and the ability to motivate other people in the materialization of these opportunities. As mentioned in an earlier session, German sociologist **Max Weber first proposed theory of charismatic leadership** in his book "The Three Types of Legitimate Rule" published in 1958. Charismatic leadership is a trait-based leadership theory where the leaders act as visionary driven by their convictions and motivate their followers to work towards common vision using their charm and persuasiveness.

The **social entrepreneur as 'charismatic hero'** became the figure most immediately and commonly associated with social entrepreneurship around the world. The early picture of social entrepreneurs as lone, charismatic heroes bring to mind a kind of adventurer and risk-taker, a modern-day hero who challenges the status quo, but is inherently good and romantic, someone who overcomes all obstacles and pitfalls with charm and determination.

Bill Gates remains an example of a charismatic social entrepreneur for several reasons. His determination to be the first in his field has made him an originator of many innovative products. The decision to hire new talent transformed the way people perceive knowledge and experience. Gates is eclipsing his own enormous business success with his global philanthropy to make this world a better place.

Topic 17: A Typology Of Social Entrepreneurs

b. Managerial social entrepreneurs

Social entrepreneurs are also presented as founders of new organizations, as skilled, rational and strategic. These managerial social entrepreneurs are not necessarily especially innovative or visionary, but rather act as facilitators or enablers, working through organizations to bring about change.

There are **three ways** in which social entrepreneurs came to be represented in managerial terms:

1. As leaders of large regeneration organizations

First was the social entrepreneur as heading up community regeneration organizations, as presented by Thake (1995) in 'Staying the Course'. Community regeneration organizations are large, cross-sector partnerships, generally funded by government grants, and tasked with regenerating the economies of deprived areas. Even though Thake's (1995) report devoted only two pages to describing social entrepreneurs, he painted a compelling picture:

At the centre of every successful community regeneration organization is a new type of professional person: the social entrepreneur. In many ways they are similar to private sector entrepreneurs. They are able to see and develop the potential of under-utilised resources – human, financial and physical. They are personable, have energy and are able to motivate people. They have organizational and persuasive skills and they are excited by the prospect of getting things done. They are adept at the administration and manipulation of grant regimes. They differ from their private sector counterparts in that the purpose of their involvement is to create assets, resources and surpluses which make the comunity richer. They are part of an apolitical, ethical thread within society which has a concern for social justice. (Thake, 1995: 48)

Rural Support programs and their chief executives are an example in Pakistan.

2. As leaders of successful mainstream voluntary sector organizations

Second was the idea of mainstream voluntary sector managers as social entrepreneurs, bringing an entrepreneurial approach to the voluntary sector. The School for Social Entrepreneurs, UK encapsulated this idea with its aim of creating a business school for the voluntary sector.

3. As leaders of social enterprise organizations

Third was the idea of social entrepreneurs as heading up social enterprise organizations. The particular skill of the social entrepreneur was to balance 'social' and 'business' goals when running such hybrid organizations. The main emphasis on being 'entrepreneurial' was to be 'business-like', and there was a secondary emphasis on being 'innovative' in that social enterprise was a novel organizational form. It could also involve founding an organization, though not necessarily.
The managerial social entrepreneur is especially appealing to policymakers, as a type of professional person managing a range of welfare services at the same time as being 'community' focused. This fitted neatly with emerging policy discourses around the world – the professionalism of the 'enterprise culture' coupled with a moral purpose and sense of the public good.

Topic 018: A typology of Social Entrepreneurs

c. Community-Based Entrepreneurs

The 'ordinary' person as entrepreneur also come through strongly in the emerging social entrepreneur discourse. There is an emphasis on local community-based action and the centrality of 'community' is strongly emphasised (Thake and Zadek, 1997. In this sense, social entrepreneurship became a way of re-imagining the role of individuals within communities, where a sense of community had been 'lost' following the embrace of the market and neo-liberalism during the 1980s (Taylor, 2003).

It is also a way of **highlighting the importance of community development and updating it with a more contemporary language, attracting policy attention**. 'Community' has quickly become a central and defining feature of many forms of social entrepreneurship around the world. 'Community' is a legitimising badge for social entrepreneurship, incorporating ideas of 'localism' and 'community' into the policy agendas. But social entrepreneurship as a solution to pressing social problems is not just about the figure of the individual social entrepreneur. It is also about a change in culture, about promoting a shift in the way of doing things, in attitudes and values.

The community-based social entrepreneur represent initiative and self-reliance at the local level. There is little emphasis on the 'business-like' nature of community-based entrepreneurs, instead it reflected communitarian themes, and was about communities taking more responsibility for their own welfare. It is also an expression of government concerns with promoting active citizenship, and the role of citizens in rebuilding deprived communities both socially and economically. The community-based social entrepreneur is the moral face of society, the pro-social, responsible citizen, the opposite of those people subject to anti-social behaviour orders.

Lesson 05

COMPETENCIES OF SOCIAL ENTREPRENEUR

TOPIC 019-022

Topic 019: Competencies of Social Entrepreneurs

Earlier, we discussed the characteristics that prompt a person to become a social entrepreneur. Let's assume one has the prosocial motivation and proactive personality to be a passionate, energetic social entrepreneur. Being effective requires more than that. One need to have the right skills and know how to use them (Mair & Martí, 2006). Competencies are the key aspects of a task or role that a person needs to know to perform well. Competencies can be stated in terms of skills and knowledge. They can also be stated in terms of behaviors. Two types of competencies, ie, transformational and transactional competencies, are required for effective social entrepreneurship.

a. Transformational competencies

i. **Transformational leaders are open to new ideas, are innovative, and have the goal of growing new and existing enterprises** (Sessa & London, 2006). They develop and express a vision, inspiring others' involvement as partners in solidarity with a shared vision, not just as financial contributors and workers. Their goal is to make the vision a reality, thereby transforming a current problem or opportunity into novel, long-term solutions.

ii. **Social entrepreneurs need strong basic interpersonal skills.** After all, they need to express ideas clearly in writing and orally, listen patiently and accurately, interpret verbal and nonverbal cues accurately, express their own emotions, recognize emotions in others, respect others, and win others' confidence. Moreover, they need to understand and value how culture influences others' expectations and behaviors.

iii. **They form alliances and bonds, collaborate, cooperate, build teams, and resolve conflicts.** This requires more than effective interpersonal skills. It demands interpersonal sensitivity and emotional intelligence, cultural sensitivity, self-regulation, and emotional control.

iv. **Social entrepreneurs need to be generative learners.** Generative learners actively seek new information and skills, experiment with new ways of applying these skills and information, and then implement effective strategies, all the while educating and involving others in the learning and experimentation process.

Skills associated with transformational competencies include critical thinking, envisioning, influence, inspiring, innovating, self-regulation, sharing, engaging, empowering and generative learning.

Read the story of actor Brad Pitt who has become a transformational social entrepreneur as the founder of Make It Right (http://www.makeitrightnola.org), he

was motivated to take action after visiting the Lower Ninth Ward in New Orleans after Hurricane Katrina.

Topic 020: b. Transactional Competencies

As should be evident by now, social entrepreneurship requires attention to detail. This is the sweat and tears behind the lofty goals and expressions of passion and commitment. There are four competencies for growing effective initiatives and lasting organizations: the ability to (1) establish a high performing team, (2) form structures and processes that will sustain the effort over time, (3) supervise volunteers and paid staff, and (4) retain volunteers. These are outlined below.

i. **Establishing a high performing team:** requires identifying right talent, making clear task structure in a realistic time frame. A high-performing team requires a leader, ie, a social entrepreneur, to form and structure the group.
ii. **Sustain effort over long term by establishing structures, rules, and conserving founding values.** This may include the usual components of an organization or club, such as having a constitution, officers, a board, and rules of order to follow at meetings. Developing appropriate structures requires knowledge and experience and sometimes legal and organizational advice.
iii. **Supervise volunteers and paid staff and manage performance in a systematic way**, which demands setting performance expectations, establishing joint goals, providing training, monitoring performance, providing feedback and coaching, and assuming accountability for actions and outcomes. In short, the basic elements of supervision that apply in any work organization are also relevant to social enterprise.
iv. **Retain volunteers through reward and recognition.**

Skills associated with transactional competencies include sales and marketing, finance knowledge, time management, planning and organizing.

Social entrepreneurs **need** transactional competencies for identification of opportunities, recognition of potential weaknesses of their idea, establishing a time line, and obtaining start-up financing and implement an accounting system.

Andra poya, Gulmit, Hunza is an example of transactional competencies.

Topic 021: Case Studies of Some Successful Entrepreneurs

a. **Case Study 1: Profile of a Social Entrepreneur: Muhammad Yunus, Founder Grameen Bank**

Muhammad Yunus is a Bangladeshi social entrepreneur, banker, economist and civil society leader who was awarded the Nobel Peace Prize for founding the Grameen Bank and pioneering the concepts of microcredit and microfinance. These loans are given to entrepreneurs too poor to qualify for traditional bank loans. Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize "for their efforts through microcredit to create economic and social development from below". The Norwegian Nobel Committee said that "lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty" and that "across cultures and

civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development".

The third of nine children, Muhammad Yunus was born on 28 June 1940 to a Bengali Muslim family in the village of Bathua, Chittagong in the Bengal Presidency of the British Raj, present Bangladesh. After his graduation, Yunus joined the Bureau of Economics as a research assistant. Later, he was appointed lecturer in economics in Chittagong College in 1961. During that time, he also set up a profitable packaging factory on the side. In 1965, he received a Fulbright scholarship to study in the United States. He obtained his PhD in economics from the Vanderbilt University Graduate Program in Economic Development (GPED) in 1971. From 1969 to 1972, Yunus was assistant professor of economics at Middle Tennessee State University in the USA.

After the War, he returned to Bangladesh and was appointed to the government's Planning Commission. However, he found the job boring and resigned to join Chittagong University as head of the Economics department. After observing the famine of 1974, he became involved in poverty reduction and established a rural economic programme as a research project.

In 1976, during visits to the poorest households in the village of Jobra near Chittagong University, Yunus discovered that very small loans could make a disproportionate difference to a poor person. Village women who made bamboo furniture had to take usurious loans to buy bamboo, and repay their profits to the lenders. Traditional banks did not want to make tiny loans at reasonable interest to the poor due to high risk of default. But Yunus believed that, given the chance, the poor will repay the money and hence microcredit was a viable business model. Yunus lent US$27 of his money to 42 women in the village, who made a profit of BDT 0.50 (US$0.02) each on the loan. Thus, Yunus is credited with the idea of microcredit.

In December 1976, Yunus finally secured a loan from the government Janata Bank to lend to the poor in Jobra. The institution continued to operate, securing loans from other banks for its projects. By 1982, it had 28,000 members. On 1 October 1983, the pilot project began operation as a full-fledged bank for poor Bangladeshis and was renamed Grameen Bank ("Village Bank"). To ensure repayment, the bank uses a system of "solidarity groups". These small informal groups apply together for loans and its members act as co-guarantors of repayment and support one another's efforts at economic self-advancement.

In the late 1980s, Grameen started to diversify. Ever since, the Grameen initiative grew into a multi-faceted group of profitable and non-profit ventures, including major projects like Grameen Trust and Grameen Fund, which runs equity projects like Grameen Software Limited, Grameen CyberNet Limited, and Grameen Knitwear Limited, as well as Grameen Telecom, which has a stake in Grameenphone (GP), the biggest private phone company in Bangladesh.

Through Grameen Bank, some commentators claim that Yunus demonstrated how Grameen Social Business Model can harness the entrepreneurial spirit to empower poor women and alleviate their poverty. One conclusion these commentators suggested to draw from Yunus' concepts is that the poor are like a "bonsai tree", and they can do big things if they get access to the social business that holds potential to empower them to become self-sufficient.

Topic 022: b. Case Study 2 : Profile of a Social Entrepreneur: Peter Frampton, Manager, the Learning Enrichment Foundation

The Learning Enrichment Foundation's (LEF) mission is to provide community-responsive programs and services that enable individuals to become valued contributors to their community's social and economic development. LEF, located in the most disadvantaged part of Toronto, serves thousands of people each year in programs ranging from community enterprises to childcare centers including employment counseling, career exploration, skills training, employer outreach, selfemployment training, English for immigrants, and a business incubator. ACE, LEF's Action Centre for Employment, serves the recruitment needs of local employers and determines their training needs so that skill training at LEF remains targeted to opportunities. Thousands of people each year find employment through ACE. LEF, whose mandate is community economic development, employs 235 people full time and 60 people part time, and has an annual budget of approximately $12 million. Here is a talk with Peter Frampton

What led you, Peter Frampton, to become a social entrepreneur?

The needs of our community, and most others, are far greater than can be met by government alone. For example, over 50 percent of the individuals we serve do not qualify for any of the "government" programs we operate. LEF, therefore, needs to weave together other opportunities that leverage that funding and enable us to serve everybody who comes to us for assistance. LEF has never had "core" funding. As a result, we have had to be innovative and develop other means of meeting the demands of our community. For us, all of our programs are a response to local needs and make up what we call a "community economic development strategy." Within everything we do, there is an opportunity for skills training to take place. Each part of the organization works in an integrated fashion with the others, enabling us to propel literally many hundreds of people back to work each year.

How do you and your organization practice social entrepreneurship and social enterprise?

In a sense, you can look at all of our operation as a social enterprise. Over 60 percent of our budget is derived from fee-for-service operations. For example, our childcare centers operate on a fee-for-service basis. While most of the parents receive a subsidy, the subsidy travels with the parents and so we must earn their trust every day. In order to be able to offer a broad base of services in our childcare centers (from infant care to special support staff, parents, and children with special needs), we need to operate at a scale that enables us to sustain these essential services. While training is available for those clients who qualify for government support (through Employment Insurance sometimes, and through Ontario Works), most individuals in our community do not qualify (new immigrants, reentry women, youth), and so we loan people the training and they agree to pay us back, based on a personal budget, what they can afford over an eighteen-month period once they start work. Finally, at LEF we operate Community Enterprises: a woodworking shop for youth, a kitchen that makes about 1,500 meals a day, and a computer help desk that supports not only LEF but charities across Ontario and Manitoba as well. Each of these enterprises offers an important hands-on learning environment and a service that meets specific needs in our community. Each is an essential part of the integrated whole.

What successes have you and/or your organization enjoyed?
Our biggest success has been in being able to serve the whole community and not just those who qualify for narrowly defined government programs. This would not be possible if we did not take an entrepreneurial approach, effectively leveraging government support and constantly working toward a high degree of program integration. It is the leveraging and integration that, combined, enable us to have a local impact that far outweighs what any other program can achieve on its own.
What is the biggest challenge you have faced and how have you dealt with it?
Our biggest challenge has been, I believe, one of the keys to our success. Without ever having core funding, we have had to be entrepreneurial. While it remains a struggle to serve the whole community, especially within increasingly restrictive funding paradigms, understanding how to leverage and integrate activities has enabled us to continue to meet those needs. The second biggest challenge is marketing. For marketing initiatives to be successful, they require a significant and ongoing investment. When one is surrounded by great need in a community, it is difficult to make that investment decision. (Do you increase the food in the food bank or market a social enterprise? The immediate needs win out every time— as they should.) The solution here is to build enterprises quietly over time.
What is the most important lesson you have learned about the work, and the field of social enterprise?
The key to success is to always ensure that one's "entrepreneurial activities" are aligned with one's mission and the needs of the community you serve. There are great ideas and opportunities that can be pursued, but do they enrich the local population and move them forward toward self-sufficiency? That is the key question. When looking at opportunities, we ask three questions: 1. Does this opportunity meet local needs? 2. Does this opportunity enhance and leverage our existing organizational capacity? 3. Will we lose our shirt—or can we safely pull it off?
What does the field of social enterprise need most for its development in Canada?
Permission to fail and the ability to define success within a locally relevant context. For example, LEF's Wood Working Program loses money each year. By that definition, it is a failure. However, of 120 clients served each year (we receive our referrals from the courts and through schools), 72 percent return to school or find and keep employment. If this program were supported by the federal government, only 10 percent of the clients we serve would be allowed to participate. We see it as a huge success, and so do our private sector funders and supporters. Social enterprises exist to meet a local need that is not being met by either government or the private sector. They are, by definition, hard. Each failure makes the enterprise more bulletproof and enhances the working model. Organizations need an opportunity to fail quietly and an opportunity to share those failures with each other. They need an opportunity to test and retest market assumptions. Without flexible, multiyear support, the necessary learning cannot happen.

Peter Frampton joined LEF in 1993. As Manager of Development, Peter's role is to integrate enterprises, programs and initiatives that support the needs of

the community and leverage the expertise of the organization. Peter is currently a member of the Board of Directors of the Canadian Community Economic Development Foundation (Chair of the Membership Committee), representative to the National Social Economy Round Table, Ontario Member & Chair of the Canadian CAP Association, and a member of IMIT Canada, a network of technology service providers dedicated to the voluntary sector.

Lesson 06

SOCIAL ENTREPRENEURSHIP, SUSTAINABLE DEVELOPMENT AND SOCIAL CHANGE

TOPIC 023-025

Topic 023: Sustainable Development

Sustainable development has emerged as an influential, albeit controversial, concept for business and policy, and there is growing recognition that a fundamental transformation is needed to reduce detrimental environmental and societal impacts created by our currently unsustainable business practices.

The term "sustainable development" was first coined at the **United Nations Conference on the Human Environment in 1972** and later gained prominence by way of a report to the United Nations by the World Commission on Environment and Development (WCED, 1987), chaired by Norwegian Prime Minister Gro Harlem Brundtland (henceforth referred to as The Brundtland Report). The **definition** emerging from the report, "Sustainable development is development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs" (WCED, 1987: 43), emphasizes the dynamic aspect of sustainability.

At its core is the notion that all natural systems have limits, and that human well-being requires living within those limits. Sustainable development implies that renewable resources should be used wherever possible and that non-renewable resources should be husbanded (e.g., reduced and recycled) to extend their viability for generations to come. This intergenerational aspect of sustainable development suggests a confluence of diverse social, environment, and economic objectives and raises a number of important questions. How do we weigh the material needs of the present against those of the future? How do we balance environmental protection with poverty relief?

To many, sustainable development seeks to place social and environmental objectives on equal footing with economic objectives (the so-called **"triple bottom line"**). Heretofore, environment and economy were primarily conceptualized as separate and competing realms, with earnest scholars speaking of trade-offs between the competing objectives of growth and resource degradation.

Sustainable development, on the other hand, implies that societies could somehow have their cake and eat it, too, and that the opportunities to develop in ways consistent with all three objectives (social, environment, and economic) are bountiful — the assumption being that firms and nations could utilize resources in such a way as to promote abundance for current generations without sacrificing opportunities for the future ones.

Problems and Contradictions in Sustainable Development

This assumption grew out of a desire to promote equitable distribution of the benefits of economic growth. This desire emerged from the realization that resources were growingly insufficient to allow the so-called developing world to develop along the same lines as the first world. Given current resource use patterns, a mere modicum of

development would demand the resources of an additional planet Earth, even assuming that technological advances proceeded apace. Ultimately, this means that the pace of economic growth must be reduced dramatically, something that modern industrial economies appear to be unable or unwilling to do, and something that developing economies, who view economic growth as the main way to improve their countries' social well-being, see as even more unattractive.

Due to this contradiction, Robinson (2004) suggests that sustainable development is really an oxymoron. Balakrishnan, et al. (2003) make the case that sustainability is fundamentally at odds with the prevailing model of capitalism and its emphasis on unbridled growth. They argue that a significant dampening, if not a devolution, of development will be needed to achieve sustainability.

Possible Solutions

In response to this critique, many have latched onto the possibility of large-scale economic and societal transformation through innovation. Many are looking to established firms to provide leadership in innovating and delivering more sustainable products and services. Others are skeptical of existing businesses and believe that change will be driven by entrepreneurs.

Within this context, entrepreneurship is increasingly being recognized as a significant conduit for bringing about a transformation to sustainable products and processes, with numerous high-profile thinkers advocating entrepreneurship as a panacea for many social and environmental concerns.

However, it remains an open question as to what extent entrepreneurs have the potential for creating sustainable economies, how they motivated and incentivized, if there are structural barriers to the capture of economic rents for sustainable ventures and if sustainability-oriented entrepreneurs differ from traditional entrepreneurs. Also, it is yet to be seen what are the conditions where entrepreneurship simultaneously creates economic growth, while advancing environmental objectives and improving social conditions?

Topic 024: Social Change

Social change is a concept many of us take for granted. No society has ever remained the same. Change is always happening. We accept change as inevitable. However, it is not that simple or ‘given’ for social change is a complex process.

Sociologists define social change as changes in human interactions and relationships that transform cultural and social institutions. Social change can **evolve** from a number of different sources, including:

- Contact with other societies (diffusion)
- Changes in the ecosystem (which can cause the loss of natural resources or widespread disease)
- Technological change
- Population growth and other demographic variables
- Social change is also spurred by ideological, economic, and political movements.

These changes occur over time and often have profound and long-term consequences for society. Well known examples of such change include changes resulting from social movements in civil rights/ women's rights/LBGTQ rights, industrialization and technological advancements to name just a few. Relationships, institutions, and cultural norms have changed as a result of these social change movements.

As social change is the substantial alteration of social structure through time, therefore, since the early days of social science research, scholars have been trying to understand the conditions for social change and the kind of transformations that have shaped modern societies most notably through urbanization, industrialization and - more recently- through digitization and innovations, which inherently carries the idea of social change. Social innovation refers to those social processes of innovation that address unmet social needs by reconfiguring established social relations. This innovation is at the heart of social entrepreneurship.

Social entrepreneurship involves the formation and extension of markets, modifications of property relations (such as microfinance), changes in the organization of labour (such as digital freelancing), and ultimately changes in the socioeconomic and environmental wellbeing of individuals, communities and societies.

Topic 025: Social Entrepreneurship As a Tool of Social Development and Social Change

Social entrepreneurship has been recognized to have a role in triggering social change and attaining sustainable development. Social entrepreneurs have been understood as change agents who employ entrepreneurial means for providing systemic solutions to social and environmental problems while also ensuring their own survival and sustainability. The innovative power of entrepreneurs has an important part in ensuring a more sustainable future. To recognize opportunities for sustainable development, entrepreneurial knowledge and innovative abilities play a key role.

The extant literature does not extensively discuss the contribution of entrepreneurs towards a sustainable future. However, **common themes include**;

- Social entrepreneurs create social value by providing social benefit for all, and economic value by creating jobs and income for their venture while accomplishing their vision and missions, which is a more inclusive and sustainable approach to development.
- Resources for social enterprises are confined not only to personal savings and banks loans but their social value creation and environmental concerns open up the door to novel, unconventional and increasingly important source of public funding such as crowdfunding, thus, a wider ownership leading to sustainability.
- The relationship between the individual dynamic capabilities of managers with their social and environmental commitment to promote sustainability is greater in cases of businesses being led by women. Social enterprises have more women leaders than business enterprises.
- Social responsibility of businesses is considered to be beneficial both the society and the firm. scholars have observed that the corporations with goals limited to

the mandatory legislations achieve lower performance as compared to the ones integrating fundamental environmental practices and corporate social responsibility (CSR) concepts. To incorporate these practices into the corporate policies and structures, United Nations general assembly proposes to integrate entrepreneurship in the education curriculum and universities around the world shall be encouraged to inform students about the demands of diverse communities and the world.

Lesson 07

SOCIAL ENTREPRENEURSHIP & SUSTAINABLE DEVELOPMENT GOALS - I

TOPIC 026-029

Topic 026: Introduction to Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides "a shared blueprint for peace and prosperity for people and the planet, now and into the future". At its heart are the **17 Sustainable Development Goals (SDGs)**, which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

- In June 1992, at the Earth Summit in Rio de Janeiro, Brazil, more than 178 countries adopted Agenda 21, a comprehensive plan of action to build a global partnership for sustainable development to improve human lives and protect the environment.
- Member States unanimously adopted the Millennium Declaration at the Millennium Summit in September 2000 at UN Headquarters in New York. The Summit led to the elaboration of eight Millennium Development Goals (MDGs) to reduce extreme poverty by 2015.
- At the United Nations Conference on Sustainable Development (Rio+20) in Rio de Janeiro, Brazil, in June 2012, Member States adopted the outcome document "The Future We Want" in which they decided, inter alia, to launch a process to develop a set of SDGs to build upon the MDGs and to establish the UN High-level Political Forum on Sustainable Development.
- In 2013, the General Assembly set up a 30-member Open Working Group to develop a proposal on the SDGs.
- In January 2015, the General Assembly began the negotiation process on the post-2015 development agenda. The process culminated in the subsequent adoption of the 2030 Agenda for Sustainable Development, with 17 SDGs at its core, at the UN Sustainable Development Summit in September 2015.

The goals are: No poverty, Zero hunger, Good health and well-being, Quality education, Gender equality, Clean water and sanitation, Affordable and clean energy, Decent work and economic growth, Industry, innovation and infrastructure, Reduced Inequality, Sustainable Cities and Communities, Responsible Consumption and Production, Climate Action, Life Below Water, Life On Land, Peace, Justice, and Strong Institutions, Partnerships for the Goals.

Most targets are to be achieved by 2030, although some have no end date.

There are four types of actors for implementation of the SDGs: national governments, sub-national authorities, corporations and civil society.

The United Nations estimates that for Africa, considering the continent's population growth, yearly funding of $1.3 trillion would be needed to achieve the Sustainable Development Goals in Africa. Another estimate from 2018 (by the Basel Institute of Commons and Economics) found that to reach all of the SDGs this would require between US$2.5 and $5.0 trillion per year.

Every year, the UN Secretary General presents an annual SDG Progress report, which is developed in cooperation with the UN System, and based on the global indicator framework and data produced by national statistical systems and information collected at the regional level.

Additionally, the **Global Sustainable Development Report** is produced once every four years to inform the SDG review deliberations at the General Assembly. It is written by an Independent Group of Scientists appointed by the Secretary-General. 1st such report was produced in 2019 and the next is due in September 2023.

SDGs have been criticized for being too many and competing, weak on environmental sustainability, having ethical orientation concerns, underpinned by strong Western modernist notions, and difficult to track among others.

Topic 027: Specific SDGs with Higher Contribution by Social Entrepreneurs: Goal 3 - Good Health and Well Being

The SDGs are not only a roadmap for how to bring about a more sustainable development, but they are also a source of inspiration for opportunities to create new businesses, products, and services as an entrepreneur. Social innovators are tackling some of the world's greatest social problems, and by working more collaboratively, are shifting the entire landscape of the world social change. The UN General Assembly acknowledged in its resolution 73/225 the outstanding role of entrepreneurship and more specifically, social entrepreneurship as a driver of sustainable development and the 2030 Agenda by fostering inclusive growth, increasing employment, combating social inequalities and facing major social and environmental issues (UN, United Nations, 2020b).

While there is no official hierarchy between the SDGs, health & wellbeing is placed only next to 'no poverty' and 'end hunger', which shows its importance as the physical and mental health of the people is a key element of a functional society.

The UN has defined **13 Targets** such as reducing maternal and child mortality, fighting communicable diseases, preventing and treating substance abuse, and universal access to health care among others. It has **28 Indicators** to track progress for SDG 3.

The UN explains: "Significant strides have been made in increasing life expectancy and reducing some of the common killers responsible for child and maternal mortality.

Major progress has also been made on increasing access to clean water and sanitation, reducing malaria, tuberculosis, polio and the spread of HIV/AIDS.

However, many more efforts are needed to control a wide range of diseases and address many different persistent and emerging health issues."

Scholars have argued that social entrepreneurship can help address the social determinants of health towards the achievement of health equity which in turn will contribute to attainment of the SDGs and, specifically, SDG 3. In fact, SDG 3 is the goal in which highest social entrepreneurial contribution has been seen. Many entrepreneurs, around the world, have taken it as a mission by founding startups whose aim is to promote healthy life and promote wellbeing, especially those of less fortunate people.

There are success stories both from the developed and developing worlds of innovative enterprises making health care better both for patients and providers. Here are some **examples**.

PATH is an international, nonprofit global health organization based in Seattle, with 1,600 employees in more than 70 countries around the world. PATH is best known for developing and adapting technologies, such as high nutrient rice, improved vaccination devices and new tools to prevent cervical cancer, to address the health needs in low- and middle-income countries. It specializes in developing, introducing, and scaling up solutions to the world's most pressing health challenges, in collaboration with funders, partner nonprofits, and the private sector.

In Europe, **Paige** is an oncology digital startup that has developed an 'artificial intelligence ecosystem for the treatment of cancer'. The company's AI system provide doctors and researchers with insights drawn from decades of data diagnosed by cancer experts worldwide.

The international nonprofit **Riders for Health** addresses the problem of the absence of effective transport infrastructure in rural Africa preventing citizens from receiving health services, which is especially deadly for newborns, women post-childbirth, and those suffering from infectious diseases. In 1989, a team that became the Riders began organizing and enabling cars, trucks, and motorcycles to bring health services to rural cities in Gambia, Lesotho, Liberia, Zimbabwe, Malawi, Kenya, and Nigeria. Riders for Health supports the ministries of health and local healthcare organizations in managing fleets of vehicles by providing innovative logistics systems solutions. They can provide greater reliability of service delivery, safe driver/rider training, and preventive maintenance for vehicles. They are also equipped to transport patient samples to health facilities and laboratories as well as to refer patients to hospitals when a higher level of care is necessary.

Social entrepreneurs have shown the potential to contribute to SDG 3 by acting on and modifying the economic, social and environmental challenges communities' face, which in turn help promote health and wellbeing and improve quality of life among children, adolescents, working adults and the elderly across countries, societies and generations.

Topic 028: Specific SDGs with Higher Contribution by Social Entrepreneurs: Goal 4 - Quality Education

Sustainable Development Goal 4 (SDG 4) is "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all". **SDG 4 has ten targets**

which are measured by 11 indicators. Outcome oriented targets include free primary and secondary education; equal access to quality pre-primary education; affordable technical, vocational and higher education; increased number of people with relevant skills for financial success; elimination of all discrimination in education; universal literacy and numeracy; and education for sustainable development and global citizenship.

The prevalence of extreme poverty, insurgency, communal conflicts, pandemics, natural disasters and other factors has significantly reduced the progress in many countries. Education for All "has been considered critical at the inception of the Sustainable Development Goals (SDGs) and tagged SDG 4. Education is seen as a force for sustainable development, nation-building and peace."

The **UN explains:** "Obtaining a quality education underpins a range of fundamental development drivers. Major progress has been made towards increasing access to education at all levels, particularly for women and girls.

Basic literacy skills across the world have improved tremendously, yet bolder efforts are needed to achieve universal education goals for all. For example, the world has achieved equality in primary education between girls and boys, but few countries have achieved that target at all levels of education.

Major progress has been made in promoting access to education, however, increased access does not always translate to improved quality of education or completion of primary school. At the end of 2019, there were still millions of children out of school. The closure of schools in 2020 as part of the measures taken to slow the spread of COVID-19 is having an adverse impact on the learning outcome. It has affected more than 90 percent of the world's student population, with an estimated 1.5 billion children and young people having disrupted access to education.

Social entrepreneurs are increasingly involved in education sector. The social enterprises created in this way offer innovative and creative programs that in some cases are also sustainable and can reach scale. Educational inequality is one of the major problems many social entrepreneurs are dealing with. In fact, the range of areas where social entrepreneurs are active in education is very vast indeed, including afterschool services, summer enrichment programs, programs to support the professional development of teachers or school leaders, or to bring different candidates to the teaching profession or school administration, programs to build schools or school libraries in the developing world, and programs to support peace and conflict resolution in regions affected by conflict through the development of competencies among children and youth.

The role of social entrepreneurs in education is increasing for a number of reasons, including the availability of technology and capital which can support entrepreneurs; the emergence of social networks to identify, support, and fund entrepreneurs, such as Ashoka; and the emergence of academic programs to support the professional development of social entrepreneurs.

Some Examples

LeapForWord is working for that sector who cannot afford quality education in India. To help students in rural India learn English and unlock their potential, Pranil

Naik has designed a unique, plug-and-play model which democratizes teaching and learning of English. From curriculum and delivery mechanism to after school classes, Naik has created an easy atmosphere for learning. Their English literacy program is changing the way students are learning. All their content is digitized and delivered through Micro SD data cards which play even on low-end mobile phones.

Excite-Ed was launched by Julia Bateson in 2011, in the UK. Excited-Ed works within schools helping children (and teachers) create computer games that teach both digital and social skills.

Playground Heroes is a British Council program with the Ministry of Education in the State of Mexico provided training to 300 students from higher education institutions as part of their 'social service commitment'. (It is compulsory for many university students in Mexico to complete a certain number of hours of volunteer work. Through the program, these students, who were all training to become English teachers, received face-to-face and online training to learn about children rights, social enterprise and the ways in which schools and students can improve their community. After they had completed their training, these future teachers deliver lessons in local primary schools. During these lessons, they helped the pupils to identify a social issue in their community and develop an enterprising solution to it. They taught the children how to write a business plan, undertake market analysis and deliver a project presentation, and ultimately how to create business solutions to social problems.

Topic 029: Specific SDGs With Higher Contribution by Social Entrepreneurs: Goal 8 - Decent Work and Economic Growth

SDG 8 is to: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". **SDG 8 has twelve targets in total to be achieved by 2030.** Outcome targets are; sustainable economic growth; diversify, innovate and upgrade for economic productivity, promote policies to support job creation and growing enterprises, improve resource efficiency in consumption and production, full employment and decent work with equal pay, promote youth employment, education and training, end modern slavery, trafficking, and child labour, protect labour rights and promote safe working environments, promote beneficial and sustainable tourism, universal access to banking, insurance and financial services.

The **UN explains:** "Roughly half the world's population still lives on the equivalent of about US$2 a day. And in too many places, having a job doesn't guarantee the ability to escape from poverty. This slow and uneven progress requires us to rethink and retool our economic and social policies aimed at eradicating poverty".

Inclusive growth generates economic opportunities and ensures equitable access for all members of society to the economic opportunities created. This goal not only proposes achieving a more fair economy, but also prioritizes the welfare of workers by seeking to provide better job opportunities and working conditions while promoting economic growth.

Social entrepreneurs have an important contribution towards this goal. Because, on a large scale, social problems cannot be dealt with unless they are addressed in a

profitable way, otherwise, one is to depend on the government providing financial aid continuously, which is unsustainable in the long-run.

Increasingly, there are different types of businesses applying the SDGs to their business models, and they are able to create successful and profitable businesses while at the same time maintaining their sustainable values. Slavery and child labour free chocolate businesses such as **Tony's chocolonely**, medical and pharmaceuticals catering to the 'special needs' such as **Orange Neuroscience**, industries flourishing indigenous practices such as **Choyal industries**, and B corporations, ie, corporates certified for standards of social and environmental responsibility such as **100km Foods**.

PeriFerry has derived its roots and name from the very phenomenon - to be at the edge. Founded in 2017 by young social entrepreneurs, it is the first-of-its-kind impact enterprise in India that is solely dedicated to creating employment and upskilling opportunities for the transgender community.

Lesson 08

SOCIAL ENTREPRENEURSHIP & SUSTAINABLE DEVELOPMENT GOALS - II

TOPIC 030-032

Topic 030: Specific SDGs with Higher Contribution by Social Entrepreneurs: Goal 15 – Life on Land

Sustainable Development Goal 15 is about "Life on land", the official wording is: "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss"

The **UN explains**: Forests cover 30 per cent of the Earth's surface and in addition to providing food security and shelter, forests are key to combating climate change, protecting biodiversity and the homes of the indigenous population. Thirteen million hectares of forests are being lost every year while the persistent degradation of drylands has led to the desertification of 3.6 billion hectares.

The UN has defined 12 Targets and 14 Indicators for SDG 15. **Outcome targets** include:

- Conserve and restore terrestrial and freshwater ecosystems;
- end deforestation and restore degraded forests; end desertification and restore degraded land;
- ensure conservation of mountain ecosystems, protect biodiversity and natural habitats;
- protect access to genetic resources and fair sharing of the benefits;
- eliminate poaching and trafficking of protected species;
- prevent invasive alien species on land and in water ecosystems; and
- integrate ecosystem and biodiversity in governmental planning.

Humans depend on earth and the oceans to live. This goal aims at securing sustainable livelihoods that will be enjoyed for generations to come. The human diet is composed 80% of plant life, which makes agriculture a prime economic resource. Forests cover 30 percent of the Earth's surface, provide vital habitats for millions of species, and important sources for clean air and water, as well as being crucial for combating climate change. The reason SDG 15 is so impactful to our environment is because it promotes conservation, as well as biodiversity sustainably, especially for countries like Pakistan which is so vulnerable to climate change as clear from recurring natural disasters in the form of floods.

Link between Business, Entrepreneurship and Ecosystems

Business, entrepreneurship and ecosystems are linked. Enterprises affect ecosystems because they rely on the provisioning services (e.g. freshwater, fiber, food) and

regulatory services (e.g. climate regulation, flood control, water purification) ecosystems provide. To retain the integrity and vitality of natural resources today and for future generations and to ensure long-term socio-economic growth and prosperity, sustainable management of land is key.

Entrepreneurs can directly contribute to this SDG by measuring, managing and mitigating enterprise's impact and dependence on land and ecosystems. In fact, entrepreneurs are essential to this. They are key to creating the innovations and partnerships that will enable us to go beyond and reach the SDGs with the resources we have. In order to do this, entrepreneurs need ecosystems that allow knowledge, resources and information to be shared among the different groups that are addressing the goals.

Founded in 2013, **Bio-bean** is the UK's largest recycler of coffee grounds and a Certified B Corporation™. Bio bean is an award-winning team of 30 working with some of the biggest companies in the country to transform coffee waste into valuable products at an industrial scale.

Growing underground is the world's first underground farm, 33 metres below London, UK, is growing salad and vegetables for the city. The farm claims to use 70% less water than a conventional, above-ground farm. It's one of the solutions being proposed to feed our growing population and combat the threat of climate change.

The Uganda-based enterprise **Peec Energy** has so far helped install about 10,000 kilowatt hours of solar energy systems, enabling others to start their own businesses in areas that were formerly off the grid.

Himalayan Oregano Oil against MRSA is a partnership, comprising local Indian businesses, an NGO and a UK university, have identified an essential oil from high altitude Himalayan oregano as an antimicrobial agent. Backed up by strong research, the partners intend to develop a fair-trade product that will use the oregano oil as an antimicrobial agent that could be used in hand soaps and surface disinfectants to prevent the spread of hospital-acquired infection.

The biggest constraints to achieving SDG 15 are the lack of political profile, and a lack of cohesive action.

Topic 031: Specific SDGs With Higher Contribution by Social Entrepreneurs: Goal 16 - Peace and Justice Strong Institutions

Goal 16 is about 'promoting peaceful and inclusive societies, providing access to justice for all and building effective, accountable and inclusive institutions' at all levels. People everywhere should be free of fear from all forms of violence and feel safe as they go about their lives whatever their ethnicity, faith or sexual orientation is.

High levels of armed conflict, violence, insecurity and crimes have a destructive impact on a country's development. Governments, businesses, civil society and communities need to work together to find lasting solutions to conflict, violence and insecurity. Strengthening the rule of law, building stronger institutions and promoting human rights is key to this process. When Agenda 2030 was adopted, goal 16 was seen as truly transformative, formally linking, for the first time at the United Nations, development, peace, justice, and good governance.

The **UN explains**: Goal 16 of the Sustainable Development Goals is dedicated to the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable institutions at all levels.

The **UN has defined 12 Targets and 23 Indicators for SDG 16**. Some of its more ambitious targets include significantly reducing all forms of violence, ending abuse and violence against children, promoting the rule of law, reducing illicit financial flows and corruption, and developing accountable and transparent institutions.

However, progress on Goal 16 is uneven, and there is considerable doubt that it can be achieved at its current implementation rate. As of May 2022, the number of people forced to flee conflict, violence, human rights violations and persecution had surpassed 100 million. Women and girls comprise about 60 per cent of all homicide victims killed by intimate partners or family members. Globally, almost 1 in 6 businesses face demands for bribe payments by public officials (The Sustainable Development Goals Report 2022).

Achieving implementation of Goal 16 is a daunting task globally, for poorer countries in particular, which is why the role of other stakeholders, especially social entrepreneurs is vital as a key factor that has the potential to drive governance reform is economic growth and the rise of a demanding middle class growth. evidence suggests that a larger middle leads to a greater likelihood of good politics and good government as they have the resources to be more informed and engaged. Since social entrepreneurs innovate habitually, they can make greater contribution to growth of a middle class both in financial terms and in terms of social values this class holds. access to and use of technology plays a key role in this regard.

In their work to contribute to SDG 16, social entrepreneurs need to consider;

- In the last 50 years or so, 40% of world conflicts were related to natural resources
- Developing countries suffer more from problems of bribery, theft and tax evasion loosing about 1.1 trillion euros which could have been invested in wellbeing of societies
- Developing countries have poorly functioning labour markets leading to issues such as child labour and exploitation

Some Examples

Here are some examples how enterprises are making a difference with their work to achieve SDG 16.

Cobweb Technologies is an American start up which has developed a web based solution called Trapdoor that monitor potential criminal or terrorist groups in social media.

Choco4Peace helps Colombian farmers connect with markets, investors and social services using block chain technology. This allows investors to know the origin of Cocoa and they can trace any involvement of slavery or child labour in its processing.

Topic 032: Specific SDGs with Higher Contribution by Social Entrepreneurs: Goal 17 – Partnerships to Achieve The Goals & Catalyst 2030

Goal 17 is about 'revitalizing the global partnership for sustainable development'. The 2030 Agenda calls for action by all countries – developed and developing – to ensure that no one is left behind.

The **UN explains**: A successful sustainable development agenda requires partnerships between governments, the private sector and civil society. These inclusive partnerships built upon principles and values, a shared vision, and shared goals that place people and the planet at the centre, are needed at the global, regional, national and local level.

The UN has defined 19 Targets for SDG 17, which are broken down into five categories:

1. finance,
2. technology,
3. capacity building,
4. trade and
5. systemic issues.

Significant challenges to achieve this goal remain. For example: official development assistance (ODA) has not reached the targeted level; private investment flows are not well aligned with sustainable development; a significant digital divide continue; and there are on-going trade tensions.

Sustainable Goal 17 **targets long-term investments** to empower sectors and companies in need, more adaptable in developing countries. Its main is improving the energy, infrastructure, transportation systems, IT infrastructure to different communications technologies channels in developing countries. However, with US$2.5 trillion to $ 5 trillion in annual investment required to achieve the SDGs, total official development assistance reached $177.6 billion in 2021 (an increase of 3.3 per cent in real terms from 2020, representing 0.33 per cent of donors' combined gross national income (GNI), hitting a new peak) fell short of the 0.7 per cent target. This is at a time when humanitarian crises brought on by conflict or natural disasters have continued to demand more financial resources and aid. Many regions of strong economic status perform very poorly, like the United States and much of Europe. On the up side, though, 17 of the world's largest corporations are part of those dedicated to achieving the SDG 17, called "business avenger".

Catalyst 2030 is a social entrepreneur and innovator-led movement responding to this global call to action for people and planet. The movement was co-founded by a diverse group of social entrepreneurs including Ashoka, Echoing Green, the Schwab Foundation, who are also partners of the World Economic Forum and the Skoll Foundation. Their vision is a world where we achieve the SDGs by 2030 through an unprecedented mobilization of social entrepreneurs, partners and resources.

According to the catalyst website, 'collaborative systems change approaches that mobilize social entrepreneurs and innovators to tackle the root causes of social problems, while imagining large-scale future systemic change is what drives the Catalyst 2030 movement forward'.



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Lesson 09

EMERGING TRENDS: THE INTERNET AND E-ENTREPRENEURSHIP

TOPIC 033-037

Topic 033: Background and Need

As discussed earlier the UN's 2030 Sustainable Development Goals were set to reach a sustainable future across the world. Yet, people in many deprived communities, particularly in emerging markets, remain living without essential resources to engage in societal rights. Due to this exclusion, these people are left to depend on themselves when it comes to poverty, violence, discrimination and inequality. They are neglected by society and governments and try to make both ends meet in harsh living conditions.

In the meantime, a fusion of emerging new technologies is changing the way we live and work. Through new technology and digitalization, there is an emergence of new business models and platforms together with the new demands and markets, creating novel ways of developing and delivering products and services.

This technological shift has the power to create a more inclusive, global society and a positive social change can be created if the technology and innovation advancements are facilitated with social purposes in mind. At the same time, the negative consequences of the COVID-19 pandemic shown importance of the domestic resource mobilization and leveraging technology and innovation. The applicability of technology in deprived communities of the world is shown as an urgent interest (World Bank, 2020).

Entrepreneurs are at the forefront of achieving successful businesses through innovative solutions, especially, social enterprises do this but with the dual goal of also achieving positive social impact. Acknowledging social entrepreneurs' usage of this technological advancement will entail how new technology can be utilized in concern of both economic and social sustainability. However, there is limited knowledge on what factors influence high-tech social entrepreneurs when creating, managing and striving for a sustainable and profitable business model based in new technologies, and how high-tech social entrepreneurs are handling the opportunities and barriers present when implementing innovative solutions based in new technologies.

Topic 034: Technology Innovation in Social Entrepreneurship

Technology has continuously had an impact on entrepreneurship, creating new opportunities for development of new innovations and scaling existing ventures. When, by whom and where entrepreneurial activities are carried out is neither obvious nor important anymore. For instance, information and communication technologies (ICTs), creates possibilities for knowledge and idea sharing between countries, industries and people who otherwise might never have interacted. Similarly, technological platforms, and digital resources are built accessible and with modifiable structures with possibilities for external actors to further build upon (e.g. their own service or attach a service application to an existing service).

The burst of new technologies; such as 3D printing, AI, Internet of Things (IoTs), cloud computing, digital platform, social media, data analytics and digital artifacts are all changing the traditional ways of creating and doing business. This technological advancement is causing uncertainty.

Sceptics argue that technology will widen social inequalities and wage gaps, human labour will be replaced by technology, leaving people without a job and making those skills and knowledge redundant. Furthermore, IoTs, smart devices, and cloud computing and other emerging technologies depend on data in large amounts in order to deliver at the effective speed that is nowadays expected. Also, ethical issues related to data transparency, security and reliability are being highlighted in terms of the possibilities of data manipulation, regulation and sharing, that have not earlier been as present.

Optimists argue that the opportunities of facilitating innovative system solutions in line with the technical development is needed to strategically adapt and make use of the technology shift, so that it falls in line with existing goals of increasing social needs and wants. This technological advancement can create opportunities for emerging markets to compete in the economy of the future along with new jobs, productivity, sectors and tasks created, and therefore, the importance of social entrepreneurs' role in technology innovation becomes evident. In fact, making use of new technology in addressing social issues has the ability to create sustainably prosperous societies as technology has been acknowledged as a supportive tool when tackling common challenges for social entrepreneurs such as:

- ICTs such as social media, can support idea and knowledge sharing and also strengthen weak relationships, both internal and external
- Social entrepreneurship skills are diffused through digitally accessible and affordable learning tools for education purposes
- New technologies can deliver services more effectively

Topic 035: Technology Innovation in Social Entrepreneurship in Deprived Communities

Technology has not always had an obvious role in social entrepreneurship. However, as technology is advancing and vastly being used, it has been adopted by social entrepreneurs too. It is already being made evident that making use of new technology in addressing social issues has the ability to create sustainably prosperous societies. African women and youth entrepreneurs are, for example, using technological innovations and social innovations, driving social and economic development in the continent. However, for social enterprises the core goal is still to solve social problems, and not about introducing the newest advanced technology (Van der Have and Rubalcaba, 2016). To create the maximum desired outcome the technology must be adapted to the local situation, ecosystem and market beneficiaries to create positive social change.

High tech social innovation can largely change and enhance societies, effectively and efficiently - even in remote locations, and in a variety of sectors. Deprived communities are no exception. However, deprived communities are complex settings to implement a business in. Further, every deprived community is different to the other as some well-known examples depict including; the favelas in Rio de Janeiro, Brazil, the slums in Bangladesh and India, and the townships in South Africa. All

these places are characterized as institutional voids (the absence of formal and strong regulations and market spaces), they are left to create their own logics, such as ways of living, norms, rules and regulations, which can be more or less informal concerning almost all areas of life including scarcity of resources and assets, gender issues, and education , training and employment opportunities etc. However intricate, these logics must be understood for the entrepreneurial business without creating further social distress or livelihood harm.

Today's advanced technologies are revamping social innovation ideas, strategies, processes and actions. ICTs and other digital technology are for example enabling greater access to resources, networks and relationships, improving the innovative and social outcomes and strengthening social capital. Yet, these technologies need to be sustained by social and innovative business models that have a complete focus on deprived communities. Following factors need to be considered by social entrepreneurs when implementing high tech, social innovations:

- how accustomed the community is to technology, including certain physical attributes such as internet connectivity
- community engagement level
- the amount of available external marketing support
- quality of country infrastructure
- the consumer willingness to accept the innovation.

If done right, introducing high tech, innovative solutions to deprived communities has the potential to play an important role in the economic growth and empowering people.

Topic 036: Technology Innovation in Social Entrepreneurship in Deprived Communities: Research Findings from Africa & India

A research was conducted on social startups targeting users in Southern and Eastern Africa, with the majority of the studied startups being situated in Cape Town, South Africa. These include both local and foreign social entrepreneurs using digitalization and ICTs. Deprived communities in India and Sri Lanka were also included in the research. this covered the local and cultural diversity within deprived communities around the world as discussed earlier (previous module # 35). This research investigated thirteen startups that were using high-tech solutions such as AI, platforms and immersive technologies, to create both social and commercial impact in Africa and India to provide services in health, water and sanitation, entertainment sector etc . This ensured the fact that they work in different locations or countries, have different types of tech solutions and other different prerequisites, , enabling the researcher to find themes which are similar, different or are indifferent of their specific situations.

The first group of findings, managing the technology process, describes how the startups handle the different stages of applying the technology into the business model, business per say and specific markets of deprived communities.

Firstly, some of the startups do not only utilize technology to succeed with creating a fruitful business model in deprived communities but see it as part of the social impact, empowering people, they wish to achieve in their targeted deprived community. Secondly, social entrepreneurs faced shortage of engineers and developers in their targeted markets. Thirdly, the enterprise must both focus on building a customer base

but also on developing the technology. Finally, technology enables scaling of the business.

The second group of findings, adapting the technology and technology usage, describes the startups' management of the technologies, i.e. looking at how the startups apply and make the technology attractive to people in deprived communities.

- **First,** a multitude of the entrepreneurs used free educational sites and tend to self learn, instead of hiring employees, to manage the different competencies lacking in the startup. A good example of this is a Health entrepreneur/doctor who learned how to create a digital platform.
- **Second,** people in deprived communities are sparse with where they entrust their resources. Social entrepreneurs realized that their technology solutions make it possible to personalize the product/service to the customer therefore increasing its value to the customer. This personalization was done through consultation hours, interactive apps etc.
- **Third,** through digital technology user data can be collected which leads to data integrity issues. Fourth, adapting the solutions so that minimum data usage is needed, for example, by using offline version of a service or product.

Topic 037: Examples of Technology Innovation in Social Enterprise. Benetech, Sillicon Valley, USA

Despite the recognition that technology is not a panacea for social ills (UNDP, 2001), some of the largest and most active philanthropic organizations in the US (for example, The Bill and Melinda Gates Foundation, The Open Society Institute, and The MacArthur Foundation) are committed to technology-based solutions to social problems.

In general, one of the main thrusts of the **technology and innovation literature deals with how established companies:**

(a) use technology to gain a competitive advantage

(b) have difficulty adapting to technological change

(c) seek ways to stay technologically innovative.

Similarly, the literature on entrepreneurship deals almost exclusively with commercial ventures and, only occasionally, addresses how technology-based startups satisfy social welfare needs. Finally, the literature on social entrepreneurship (SE) addresses issues pertaining to how social ventures differ from 'traditional' entrepreneurship and is yet to address issues specific to technology-based ventures.

Some research is being done to better understand technology social ventures as

(a) social enterprises increasingly develop and use technology to solve critical social problems;

(b) technological-innovation frameworks developed for 'for-profit' ventures may not be readily applicable to the SE context.

One such research was done by Geoffrey Desa and Suresh Kotha and reported in a book edited by Mair, Robinson & Hockerts (20…). Desa and Kotha investigated Benetech, a Silicon Valley based technology social venture incorporated in 2000. **Benetech** has multiple projects in various stages of venture formation from idea/opportunity generation to venture growth. The firm's founder, Jim Fruchterman, is a strong advocate for technology in social ventures and has addressed leaders and policy makers at venues such as the World Economic Forum, which meets annually in Davos, Switzerland. The firm is widely regarded as an exemplar, and thus is a 'revelatory' case (Yin, 1994) that warrants academic study. Following are some of the technology social venture projects within Benetech;

1. **Bookshare.org:** An Internet library where members of the blind, visually-impaired and reading-disabled community can legally store and share scanned publications.

2. **Martus:** Provides for the creation, encryption and secure storage of reports of human rights abuses. The system improves the accessibility of human rights information to help assure that violations will be recorded and those responsible held accountable.

3. **Human Rights Data Analysis Group:** Applies information technology solutions and statistical techniques to help human rights advocates build evidence-based arguments.

4. **All-Link:** Internet service providing best-practice reading and writing instruction to students with significant disabilities.

5. **Bookaccess:** An initiative delivering digital books to improve access to information for poor and illiterate populations in the developing world.

6. **Landmine Detector Project:** Adapts cutting-edge technologies to the needs of humanitarian landmine removal.

7. **Project Libre:** Seeks to bring truly affordable and usable open source software to users in the developing world and schools, nonprofits and government agencies in the industrialized world.

8. **ReadingCam Project:** Developing a prototype device for people with visual disabilities that can locate, recognize, and speak text found in the general environment.

Lesson 10

Social Entrepreneurship Opportunities: Case studies from around the world

Topic 038-041

Topic 038: Social Entrepreneurship from Ideas to Opportunities

Every social venture begins with an idea for improving society in some way. Good ideas are not necessarily true opportunities to add social value. Each idea must be intentionally examined to ascertain the likelihood that it can produce positive social change, that there is a market for it, and that a social venture built to pursue the idea is sustainable over time. Even if this is not done formally, successful social entrepreneurs informally evaluate their opportunities—they think them through—as was the case with Muhammad Yunas of Grameen Bank.

It is important to understand that ideas represent a starting place, but they lack the finish to build an enterprise around. Ideas represent unrealized potential value in their original state. They are the "commodities" of the entrepreneurship process. Just as is the case with commodities, ideas have a value as the raw materials from which opportunities are made and ventures are launched.

Entrepreneurs are often credited for their creativity and ability to generate new ideas for meeting customer needs. The following are general sources of ideas. Most of these apply to both business and social entrepreneurs:

- personal experiences—these may include experiences at work or at home
- hobbies or avocations—activities people enjoy engaging with during their free time
- serendipity or accidental discovery—something that is identified in the course of seeking something else
- systematic or intentional search—a deliberate effort to find an idea through research
- awareness generated by media, personal and professional networks, etc., with the prospective entrepreneur learning about an issue or a problem through a newspaper account, a television report, or a session at a conference.

Sea Changes - Timmons and Spinelli's Guide

Prospective entrepreneurs can emulate the results of an idea bath by engaging in their own trends analysis. They can look for what Timmons and Spinelli (2007) have called **"sea changes".** This is a nautical reference going back to the days when sailors did not have elaborate navigational systems at their disposal. Instead, they had to rely on the diligent monitoring of changes in wind patterns and velocity, the color of the sky, wave action, and so forth. These "sea changes" were the precursors of the challenges they would face to charting their course, maintaining it, and keeping their ship upright in a storm. What do entrepreneurs look for?

Strategic planners talk about **four major areas** of society to monitor when looking for sea changes, which they have given the acronym PEST (Bryson, 1995).

1. The "P" stands for the political arena—changes in regime, ideology, leadership, and so forth.

2. "E"is economic and involves changes in structure, monetary policy, trade policy, etc.

3. The "S" stands for social, which may include demographic and cultural shifts. The

4. "T" is technology, which accounts for a host of changes stemming from the development and implementation of new technologies.

What is Innovation?

A discussion of the ideas that underlie social enterprises, would not be complete without a discussion of innovation as innovation is the implementation of the idea. The Austrian economist **Joseph Schumpeter identified five types of innovation, and Dees has added two more** that are specific to social entrepreneurship;

- The creation of new products or services.
- A new process for producing or delivering an existing product, service, program, or project.
- Delivering an existing product, service, program, or project to a new or previously underserved market.
- Utilizing a new source of labor or other production inputs.
- Implementing a new organizational or industrial structure.
- Implementing new ways of engaging "customers" or target beneficiaries.
- The utilization of new funding models.

Innovation provides the link between ideas and opportunities. **Opportunities** are implementable ideas. But, how do we know whether an idea is implementable? The short answer to this question is that we test the idea in advance of pursuing it further. This reduces the chance of failure and its consequent wasting of resources—financial, physical, human, and social. The key characteristics of a business opportunity include:

- the ability to add value for the customer
- adding value by solving a customer problem or fulfilling a customer need
- the ability to capture a market and generate profits
- compatibility with the skill set of the entrepreneurs who pursue them.

Like business entrepreneurs, social entrepreneurs **need to identify the needs and wants of their "customers"—the target beneficiaries** of their effort. Like business opportunities, social opportunities have a **"window of opportunity".** This is the time period within which the social entrepreneur can provide maximum benefit to her or his customer before circumstances change, diminishing the value of the service. A window of opportunity might be opened by an event, a change in political regime and accompanying policy, a demographic shift, or an emerging trend. Various tools such as 'SWOT' analysis help entrepreneurs assess the real opportunities.

Topic 039: Case Study 1: International- Ashoka

As mentioned earlier in the course, Ashoka is a global organization headquartered in Arlington, Virginia. It was founded in 1980 by Bill Drayton, an American who had previously worked as a management consultant.

During the 1960s and 1970s, Drayton had traveled extensively in India. Drayton observed in his travels that a generation after independence, Indians were feeling more confident about their future. They were building organizations at every level to address social ills that had been ignored. Drayton spoke with many groups advocating ideas to reform Indian society— everything from improving sanitation to encouraging political participation from low-caste groups to creating new legal structures to protect the rights of women. However, not all the groups were effective. Drayton began to spot a pattern: the organizations that were making a difference had both a good idea and an unusually committed, creative, and action-oriented person at the helm: an idea champion or entrepreneur. **He believed that these entrepreneurs had enormous potential to lead change efforts, but they were hobbled by many factors(Idea!)**: they didn't have much money; they were misunderstood by their families and friends; isolated from one another and largely ignored by the media, the business sector, and the government.

Drayton envisioned an organization that could support them(Innovation!). Bill Drayton was of the view that the most powerful force for good in the world is a social entrepreneur: a person driven by an innovative idea that can help correct an entrenched global problem. **He founded an organization, Ashoka, in 1980. Beginning in India in 1981, Ashoka started identifying and supporting the world's leading social entrepreneurs who have ideas for far-reaching social change (Opportunity!** – need of the struggling entrepreneurs & need of the global society for change). Ashoka started by first distilling their unique qualities and pioneering a rigorous global system for vetting and electing them to the Ashoka Fellowship. Four years later, Bill Drayton was awarded a MacArthur Fellowship ("genius" award).

Ashoka began expanding rapidly in 1986 with the election of Ashoka Fellows in Brazil and then Mexico, Bangladesh, and Nepal in 1987. It continued to add countries in Asia, Africa, Latin America, and Central and Eastern Europe during the 1990s. Ashoka elected social entrepreneurs known as "Ashoka Fellows", receive a 3-year stipend, pro-bono support, an international network of social entrepreneurs and boost for their scaling & internationalization. The stipend is only for living expenses and not for funding the social entrepreneur's initiative or organization. Ashoka funds the stipends by raising funds from donors, which it uses as venture capital.

Today, Ashoka operates in more than 90 countries on every continent, having elected more than 3,500 Ashoka Fellows worldwide. Of Ashoka fellows with ventures that are more than five years old, Ashoka says that more than 80 percent have had their solution implemented by others; around 60 percent have directly affected national policy; and each Ashoka fellow is helping an average of 174,000 people.

Drayton named the organization after an Indian emperor, Ashoka, who lived roughly 2,200 years ago and is considered by many historians to be among the most benevolent and practical rulers in history.

Topic 040: Case study 2: Regional – Grameen Bank, Bangladesh

Muhammad Yunus, founder of the Grameen bank was working at the Chittagong University as head of the Economics department. After observing the famine of 1974, he became involved in **poverty reduction (Idea!)** and established **a rural economic programme as a action research project (Opportunity!).**

In early1976, as part of the research, during visits to the poorest households in the village of Jobra near Chittagong University, Yunus observed that the village women who made bamboo furniture had to take usurious loans to buy bamboo, and repay their profits to the lenders. Traditional banks did not want to make tiny loans at reasonable interest to the poor due to high risk of default. Yunus discovered that very small loans could make a disproportionate difference to a poor person. He believed that, given the chance, the poor will repay the money and hence microcredit was a viable business model. Yunus lent US$27 of his money to 42 women in the village, who made a profit of BDT 0.50 (US$0.02) each on the loan. Thus, **Yunus is credited with the idea of microcredit (Innovation!).**

Yunus found out that this 'microfinancing' could help the whole village. During his visits he has learned that the root cause of poverty in many villages, including Jobra, is drought. Pumps and tube wells, which are a source of supplementary income for people in these communities, have been left dry because no one would take the financial responsibility for taking care of them. Yunus encouraged the villagers to form a new form of agricultural cooperative called a three-share farm. In this model of farming, landowners allow farmers to plant rice on their land during the dry season, while Yunus himself paid for the fuel needed to operate the pumps, seeds, fertilizer, and pesticide, as well as provided farmers with technical know-how. When the yields sold, the income in split equally three ways. The project has been successful. Jobra became one of the top dry-season farming villages in Bangladesh, and the villagers' quality of life improved.

In December 1976, Yunus secured a loan from the government Janata Bank to lend to the poor in Jobra. The institution continued to operate, securing loans from other banks for its projects. By 1982, it had 28,000 members. On 1 October 1983, the pilot project began operation as a full-fledged bank for poor Bangladeshis and was renamed Grameen Bank ("Village Bank"). The unique feature of Grameen Bank is that no collateral is required to get the credit from the bank. To ensure repayment, the bank uses a system of "solidarity groups". These small informal groups apply together for loans and its members act as co-guarantors of repayment and support one another's efforts at economic self-advancement.

In the late 1980s, Grameen started to diversify. Ever since, the Grameen initiative grew into a multi-faceted group of profitable and non-profit ventures, including major projects like Grameen Trust and Grameen Fund, which runs equity projects like Grameen Software Limited, Grameen CyberNet Limited, and Grameen Knitwear Limited, as well as Grameen Telecom, which has a stake in Grameenphone (GP), the biggest private phone company in Bangladesh.

Grameen Bank is currently present in 81678 (94%) villages in the country and provides services to nearly 45 million people (including family members) through 10.27 million borrower members. Grameen Bank's microcredit program is being implemented as a successful model in alleviating poverty in many countries of the world. Grameen Bank was awarded the Nobel Peace Prize in 2006 in appreciation of its efforts to create economic and social development from the bottom of the society through microcredit. Grameen Bank is working not just to alleviate the poverty of its borrower members, but also to ensure that their future generations are not left behind. It offers education loans, new entrepreneurship loans, and scholarships to borrower members' children.

Topic 041: Case study 3: Regional - Aravind Eye Care System, India

The problem of **avoidable blindness(Idea!...)** rapidly escalating remained a major cause of concern in India and in most of the developing world. In a developing country like India, the government alone cannot meet the health needs of all owing to a number of challenges like growing population, inadequate infrastructure, low per capita income, aging population, diseases in epidemic proportions and illiteracy. Realizing this, Dr. Venkataswamy wished to establish an **alternate health care model that could supplement the efforts of the government and also be self-supporting (Idea!).** Following **his retirement at age 58 in 1976, he established the GOVEL Trust under which Aravind Eye Hospitals were founded (Opportunity!)**.

What started off as an 11-bed hospital has now become the conglomerate, Aravind Eye Care System. Today, Aravind operates a growing network of eye care facilities, a postgraduate institute, a management training and consulting institute, an ophthalmic manufacturing unit, a research institute and eye banks. Aravind's eye care facilities include 14 eye hospitals, 6 outpatient eye examination centres and 100 primary eye care facilities in South India.

Aravind, with its mission to 'eliminate needless blindness', provides large volume, high quality and affordable care. 50% of its patients receive services either free of cost or at steeply subsidised rate, yet the organisation remains financially self-sustainable. Much importance is given to equity – ensuring that all patients are accorded the same high quality care and service, regardless of their economic status. Among other things, Aravind focused on rotating doctors between free and paid wards, concentrating on efficiency and hygiene thus eliminating differences between the surgeries done for paid and non-paid patients.

A critical component of Aravind's model is the high patient volume, which brings with it the benefits of economies of scale. Aravind's unique **assembly-line approach, also called Mcdonaldization of eye care, increases productivity tenfold (Innovation!).** Over 4.5 lakh eye surgeries or procedures are performed a year at Aravind, making it the largest eye care provider in the world. Since its inception, Aravind has handled more than 6 crore (65 Million) outpatient visits and performed more than 78 lakh (7.8 million) surgeries. Aravind is now expanding into the rest of the developing world, where 275 eye hospitals in 27 countries have received consultancy services in eye care management and nearly 6,300 eye care personnel from 95 countries have undergone clinical and management training at Aravind.

The Aravind Eye Care System now serves as a model for India, and the rest of the world. Aravind is one of the most innovative social entrepreneurship companies operating today. Aravind is innovative in its mission of eliminating blindness by providing high quality eye care for all. The hospital also innovates in staffing, training, financing and distribution. Aravind, like many social entrepreneurship companies, believes in the power of outreach. The hospital holds outreach programs to provide eye care service in its communities. The hospitals provide/add value, improving the lives of people who could not otherwise afford eye care. Patients are able to perform better at their jobs and in their day to day lives. Patients are asked to pay according to what they can give, with many receiving free services. All social

entrepreneurs accomplish great things, but Aravind goes one step beyond with its life changing services and resources.



Lesson 11

SOCIAL ENTREPRENEURSHIP OPPORTUNITIES: CASE STUDIES FROM PAKISTAN

TOPIC 042-046

Topic 042: An Overview of Social Entrepreneurship Context in Pakistan

Pakistan is a lower-middle-income country with a population of around 231 million. The country has a young population with two-thirds of the country's population younger than 35 years old and a median age of just 21. Over the past two decades, Pakistan has achieved significant poverty reduction, but human development outcomes have lagged while economic growth has remained volatile and slow. The increasing proportion of Pakistan's youth provides the country with a potential demographic dividend and a challenge to provide adequate services and employment. Against this backdrop, social entrepreneurship is a promising avenue to the socioeconomic development.

Identifying social enterprises poses a challenge in the absence of a legal definition or formal recognition of such enterprises (such as a sub-category in local business registries), where the sector is fairly nascent, and where smaller, more local, indigenous and grassroots organizations often lack online visibility. The problem is even greater for countries such as Pakistan with a sizeable informal sector and significant division between rural and urban economies.

Social entrepreneurship activity in Pakistan is comparatively a recent phenomenon. It is less studied and under documented. Recently, British Council conducted a survey of 143 Pakistani social enterprises (2016). This **overview is based on the British Council's report of the survey.**

- Pakistani social enterprises have experienced a recent spike in the number of new start-ups, and most social enterprises are led by people under 35 – the sector is young, and growing.
- Social enterprise is having economic impact in terms of job creation. Social enterprises have a median turnover of £34,000 and most expect this to grow. The 143 social enterprises employ 7,191 staff in total and 80% anticipate staff numbers will increase next year.
- Just over a fifth of social enterprises are led by women – social enterprises hire nearly four times as many women as mainstream SMEs. Female-led social enterprises are also more likely to recruit women.
- Growth is set to continue as over 50% of social enterprise are seeking to develop new products and services, and nearly two-thirds of social enterprises plan to invest in their team and capacity in the coming year.
- Education (53%) and health& social care (30%) are the most common sectors of operation for Pakistani social enterprises and nearly half of social enterprises report that promoting education and literacy is a key objective.

- Access to appropriate funding and finance is seen as the main barrier to social enterprise growth in Pakistan. Although non-returnable capital is the main source of funding or finance, obtaining grant funding is by far the biggest reported barrier to growth – nearly half of social enterprises report this, followed by lack of capital and cash flow issues.

- Based on the very small unrepresentative sampling process, there may be as many as 448,000 social enterprises currently operating in Pakistan, with growth expected.

Topic 043: Case Study 1 – Hashoo Foundation

Hashoo Foundation is a knowledge-based, and an impact-oriented organization aimed at empowering communities by **leveraging knowledge as capital (Innovation!)** for their **socio-economic uplift (Idea!)**. The Foundation has a three-pronged focus:

- economic development through capacity building programs for rural microentrepreneurs
- human capital development through schools and youth development centres
- social protection through refugee rehabilitation, flood intervention, health programs

The foundation is the primary **implementing agency of Hashoo Group's Corporate Social Responsibility (CSR) Policy (Opportunity!)**, which is aligned with the Global Sustainable Development Goals (SDGs).

Hashoo Group Chairman and Hashoo Foundation Patron-in-Chief Mr. Sadruddin Hashwani established the organiztion in 1988 as a Trust aimed at poverty alleviation through humanitarian and social sector programs (Idea!). These include access to education and healthcare as well as sustainable livelihoods.
Hashoo Foundation maintains a thematic focus to facilitate national priorities with greater social impact in the following areas such as climate change/environment, entrepreneurship/employment and economic growth and social sector development.

Thus far, the foundation has directly benefited around 1,191,411 people (538,167 males and 653,244 females) through its numerous programs across Azad Jammu and Kashmir, Gilgit-Baltistan, Tribal Areas and 71 districts of Pakistan.

At the heart of the foundation's operations is the core belief that together we can make a difference and invest in people particularly youth and women to ensure a socially-cohesive and economically-just society.

Hashoo Foundation is a non-profit organization with **three key areas of focus:**

1. economic empowerment,
2. human capital development and
3. social protection.

It is primarily through its economic development programmes that Hashoo seeks to engage in (what it terms) 'social enterprise' with rural microentrepreneurs in Pakistan by helping them build capacity, enhance productivity and improve their value chain to obtain fairer returns. Their **pilot project** (in the realm of social enterprise/entrepreneurship) involved providing access to better technology and

information to 100 women beekeepers in Swat, a resource-rich yet underserved valley in Khyber PakhtunKhwah (KPK). The project then sought to enhance the entrepreneurs' value chain by setting up an independent processing plant in Islamabad, where the honey was packaged and distributed through major retail outlets in Punjab (as opposed to sold to intermediaries for meagre rates).

As a non-profit business, Hashoo forwarded all profits from this venture to the entrepreneurs, who experienced a significant improvement in their incomes and livelihoods and were eventually able to take over packaging and distribution by forming a cooperative. Therefore, while Hashoo achieves sustainable social impact by supporting rural enterprise, it serves more as an intermediary rather than as an independent enterprise (given its lack of focus on financial self-sufficiency and reliance on grants and donations).

Topic 044: Case Study 2 – Ghonsla

Ghonsla, founded in 2008, is a for profit social entrepreneurial initiative - an innovative technology company that provides sustainable and affordable insulation to underserved markets. **To warm up and regulate the temperatures of the households of eight million people living in mountainous northern Pakistan is the bold idea behind Ghonsla (Idea!).** It was **founded after 2005 earthquake (Opportunity!)** in northern areas of Pakistan and AJ&K.

Ghonsla provides **'sustainable housing' through cost effective, energy efficient, environment friendly insulation (Innovation!)** in rural areas to improve quality of life, help cut energy costs and promote resource conservation in rural KPK but expanding to urban areas. The company's signature insulation solution consists of a two-foot square and one-inch thick solid panel constructed from recycled paper and board. These panels can easily be installed as insulation under roofs and between walls using a standard metal grid. By installing these panels in their homes, residents can decrease their heating costs by 30 percent. The cost of insulation can be covered in the form of energy savings accumulated over the span of two years.

Ghonsla works with existing community-based organizations in forest-dependent communities in Pakistan to create a program to empower men and women socially and economically through extending credit to them for insulation retrofits and also through employing them in the promotion and potentially installation of the insulation.

In line with its customer service model, Ghonsla has also developed a line of product financing. Over 50 of its customers have availed of it last year with $15,000 in disbursement and nearly 100 percent recovery.

Over 150,000 ft2 of insulation installed across 300+ buildings, including homes, schools, offices, clinics and places of worship.

Source: Ali, B and Darko, E (2015). Grants, incubators and innovation: a snapshot of social enterprise activity in Pakistan. odi.org

Topic 045: Case study 3 – Akhuwat, a talk with Dr. Amjad Saqib
Topic 046: Case study 3 – Akhuwat, a video of operations



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Lesson 12

THEORETICAL CONTEXT OF SOCIAL ENTREPRENEURSHIP

TOPIC 047-49

Topic 047: Introduction to Theory of Social Entrepreneurship

The discussion of social entrepreneurship flows together from a number of quite different types of texts coming from different positions and practices. At least **six prominent perspectives** can be distinguished. These distinctions help listen to the 'sound of innovation' as the interplay of different voices rather than just as the confusing 'noise' of a field (under)mined by multiple definitions.

1. **Social entrepreneurs:** some discussions of social entrepreneurship are written by social entrepreneurs. In comparison to the other perspectives, such texts are relatively rare
2. **Social entrepreneurship support organizations:** a large number of texts on social entrepreneurship, including some of the most widely read ones, come from (or are strongly influenced by) the organizations that select and support social entrepreneurs. These texts tend to promote social entrepreneurship, not least because organizations such as Ashoka and the Schwab Foundation have an institutional interest to attract funds and other means of support. Catchy tunes are needed, and the promotion ranges from case studies of (typically successful) social entrepreneurs to manifestos. One example is William Drayton, the founder of Ashoka, who has probably done more than anyone else to promote social entrepreneurship. Among other things, he has written and published extensively
3. **Journalism:** book-length studies of social entrepreneurs have been written by journalists, well-known daily newspapers such as the New York Times or the Frankfurter Allgemeine Zeitung have published 'faces' and features; on television the Public Broadcast Service has aired a 'New Heroes' series that tells 'the dramatic stories of 14 daring people'. These are texts (and films) that feature successful entrepreneurs, and they are often written and produced in close co-operation with the social entrepreneurship support organizations.
4. **Academia:** management studies, but increasingly also researchers from other disciplines, including economics, sociology and political science, have made social entrepreneurship an emerging field of research. Social entrepreneurship has been examined inter alia via the lenses of strategic management, social movement theory and democratic theory. Inevitably, the tone is more sceptical. Social entrepreneurship reverberates from theories of agency, value, democracy and so forth. Historical comparisons and conceptual contrasts are drawn, theoretical analyses of the phenomenon are made.
5. **Business:** successful entrepreneurs have shown interest in social entrepreneurship. For example Jeff Skoll, first president of eBay, founded in 1999 the Oxford-based Skoll Foundation with a mission to 'advance systemic change to benefit communities around the world by investing in, connecting and celebrating social entrepreneurs'. Many companies support social entrepreneurship support organizations, financially but also via pro bono consultancy and other means.

6. **Fiction:** fiction, written or filmed, offers rich descriptions and very comprehensive perspectives. Fiction humbles academics and journalists by revealing just how little they have been considering so far, and how many other factors they might still have to consider. In fiction, the characters belong to families – something they would not seem to belong to for anyone who just read the accounts of (most) academics and journalists. They have social aspirations and meet social pressures, and these familial-social ties stand in a complex relation to their work.

The point of drawing these distinctions is not to say that any perspective is better than the others. They all are equally important and in practice these distinctions are blurred. Further, it should be noted that it takes time to develop, test and establish a theory. Initially, they take the form of perspectives approaches and models as shall be discussed next in the course.

Topic 048: Schumpeter's Theory of Entrepreneurship

In an earlier module, it was suggested that from the field of Economics, one can use Joseph Schumpeter's ideas to get a better theoretical handle on social entrepreneurship. In this session, we pick up where the earlier module left off, and make an effort to work out in detail the idea that we may use Schumpeter's theory of entrepreneurship for a better understanding of social entrepreneurship. In this module, all the essential elements in Schumpeter's theory of entrepreneurship will be applied.

Schumpeter's theory of entrepreneurship is often shrunk to what is only one of its elements – innovation (and sometimes to only one version of this, technological innovation). One important task in looking at the full model of Schumpeter's entrepreneurship is to tie all of its elements together, and in this way see how they are linked to each other and operate together. Another and equally important task, I suggest, is to explain non-economic application of Schumpeter's model. And finally, to link Schumpeter's model with social entrepreneurship.

Schumpeter's full model of entrepreneurship

The Main Thesis: Entrepreneurship is defined as the successful introduction of a new combination of already existing elements in the economy. 'Development [or entrepreneurship] is then defined by the carrying out of new combinations [of productive means or materials and forces]' (65–6).

The **Five Key Elements:** include

1. motivation,
2. innovation,
3. overcoming resistance,
4. profit,
5. link to the business cycle.

Comment: While Schumpeter's theory of entrepreneurship is usually equated with innovations (and sometimes exclusively with technological innovations), it also contains other crucial elements: the idea of the need to overcome resistance, to make a

profit, to consider the macro-effect of innovations on the economy and that the entrepreneur is driven by special motives.

Schumpeter's full model of non-economic entrepreneurship

The Main Thesis: Non-economic entrepreneurship is 'closely analogous' to economic entrepreneurship (1911: 110). It can be defined as the pushing through or successful introduction of a new combination of already existing material and forces in 'all areas of social life', except for the economy

The Five Key Elements:

1. **Motivation:** Non-economic entrepreneurs are driven by 'the will to conquer' and 'the joy of creating'; their motivation is complex (1934: 94).

2. **Innovation:** Innovations consist of new combinations in 'areas' or 'fields' such as 'politics, art, science, social life, moral considerations' (1911: 105, 108, 110). Any part of the process or combination can be changed through innovation: (a) the conception of the item (in art, science etc.); (b) financing the venture; (c) its legal forms; (d) its organization; (e) acquiring resources for its production; (f) method of production; and (g) marketing of the item

3. **Resistance:** Obstacles include habits, customs, tradition, norms, routines, orders that may or may not be anchored in interests linked to some special field or area. Some of the obstacles to noneconomic entrepreneurship differ from the obstacles to economic innovations.

4. **Profit:** Non-economic combinations lead to the creation of 'new developments, new "schools", new parties'.

5. **Link to macro-level change:** A swarm of artistic entrepreneurs may, for example, affect a change in 'the art of a time'. Non-economic innovations cause creative destruction in the areas of politics, art, science and so on, and in this way affect 'the social culture of a nation'.

Comment: Schumpeter wrote very little on non-economic entrepreneurship. Whatever we know comes basically from a brief discussion in the last chapter of the first edition of The Theory of Economic Development (1911). Non-economic entrepreneurship, Schumpeter states, is 'closely analogous' to economic entrepreneurship (1911: 110).

Richard Swedberg Applies Schumpeter's full model to social entrepreneurship

The Main Thesis: Social entrepreneurship can be defined as the pushing through or the successful introduction of social change through a new combination of elements that make up some way of doing things. Certain values are implied in the notion of 'social change', such as everybody's right to economic progress and a humane health care.

The Five Key Elements

i. Motivation: Social entrepreneurs have complex motivations, centred around a sense of mission to create social change.

ii. Innovation: Innovations are new combinations that produce social change. These combinations consist of the following elements, each of which can be the object of an innovation: (a) the conception of the way of doing things; (b) financing the venture; (c) its legal forms; (d) its organization; (e) acquiring resources for its production; (f) method of production; and (g) to turn it into the accepted way of doing things.

iii. Resistance: Resistance to social change includes habits, customs, tradition, norms, routines and orders that may or may not be anchored in interests (economic, ideal and other).

iv. Profit: Social change on the local, national and international level that typically entails the creation of new organizations, institutions and/ or laws that help to realize some value.

v. Link to macro-level change: Social innovations lead to creative destruction (of old ways of life) and contribute to society's evolution.

Comment: Social change held little attraction to Schumpeter, who defined himself as a conservative and who did not believe in intervening in society's evolution. While Schumpeter did not discuss social entrepreneurship, it can be conceptualized according to his model.

Topic 049: Sociological Perspective Based on Theories of Social Movements

Although the concept of social entrepreneurship is relatively new, people have obviously solved social problems in the past by releasing their 'entrepreneurial spirit'. Indeed, as scholars have noted, 'the practice of social entrepreneurship may be well ahead of the theory'' (Alvord et al., 2002). Depending on the type of innovation it promotes, social entrepreneurship can take at least three somewhat distinct forms.

First, some social entrepreneurship initiatives focus on disseminating a package of innovations needed to solve common problems. For example, once Muhammad Yunus came up with the idea to provide group-based loans without collateral for poor and marginalized Bangladeshi people in the late 1970s, the micro-credit innovation disseminated so quickly that, by 2008, over 4 million families in 27 countries were directly benefiting from it.

Second, some forms of social entrepreneurship involve building local capacities or working with marginalized populations to identify capacities needed for self-help. An example of this form of social entrepreneurship is the Amazon Conservation Team (ACT), an organization created in 1996 to develop the capacity of the indigenous peoples of the Amazon to provide enduring protection of the rainforest.

Third, some social entrepreneurship initiatives focus on mobilizing grassroots groups to form alliances against abusive elites or institutions. One example of such social entrepreneurship is the Self-Employed Women's Association, formed in the early 1970s in order to prevent the exploitation of poor, self-employed Indian women workers.

Similarities Between Social Entrepreneurship and Social Movement Activism

The above typology has the merit of emphasizing that social entrepreneurship is similar to social movement activism in at least **two ways**.

1. One similarity is that, because social activism and social entrepreneurship are inherently political phenomena, both charismatic movement leaders and creative social entrepreneurs have to overcome resistance to social change by mobilizing resources, taking advantage of political opportunities, and engaging in framing processes. This is particularly the case for those forms of social entrepreneurship that require building local capacities or mobilizing grassroots groups.

2. Another similarity is that the outcomes of both social movements and social entrepreneurship are complex phenomena that are irreducible to organizational creation and growth. One outcome of social movement activism is the creation of new social movement organizations; similarly, one outcome of social entrepreneurship is the creation of social enterprises.

Sociological Analysis of Social Entrepreneurship

A sociological analysis that will eventually lead to a theory of social entrepreneurship will have to start from the observation that social entrepreneurship activity, just like social movement activity, frequently targets multiple institutions: governments, education, the workplace, and so on. It will also have to take into account the fact that social entrepreneurs often act as social movement actors who engage in 'venue shopping' and 'forum shifting', shopping around for the most vulnerable targets and rapidly switching targets according to perceived chances of success, ie, opportunity (Armstrong and Bernstein, 2008: 87).

One promising line of inquiry is to examine the processes through which social entrepreneurs – not only individuals but also organizations – mobilize different types of resources in order to increase their chance of success. The resource mobilization framework from social movement studies is similar to sociological studies of entrepreneurship centred on social networks.

Another promising direction is to examine how social entrepreneurs employ framing processes to increase their ventures' legitimacy and, consequently, their chance of success. Because many social enterprises are outside the business mainstream, social entrepreneurs have to frame their activities such that they are perceived as legitimate. Social movement research shows that social activists have to change people's perceptions such that 'the social arrangements that are ordinarily perceived as just and immutable must come to seem both unjust and mutable'(Piven and Cloward, 1977).

Still another promising line of inquiry is to examine how social entrepreneurs' perception of various opportunities impacts on their ventures' outcomes as the concept of political opportunity structures has been used by social movement scholars to account for variation in movements' repertoires and outcomes.

To summarize, social entrepreneurship is an inherently complex process that requires combining insight from social movement studies and sociological research on entrepreneurship.

Lesson 13

CONVENTIONAL APPROACHES TO SOCIAL ENTREPRENEURSHIP

TOPIC 050-054

Topic 050: Introduction

As an academic field, social entrepreneurship is comparatively new, and therefore, it lacks a solid theoretical backing yet. As discussed in the previous module, social entrepreneurship benefits from various sources for its theoretical basis, however, it will take time for these theoretical perspectives to be tested and become full fledge theories. Currently, at best, theory of social entrepreneurship can be considered as comprising of some 'approaches' used by different successful social entrepreneurs in dealing with various social problems. While young age of the discipline is one reason for lack of theory, another reason is the nature of the problems that social entrepreneurship try to address, eg, social and environmental problems - poverty, sustainability, equality, and health and wellness, which are 'hard' if not 'impossible' to fix. Following are some of the **characteristics of these complicated social issues;**

1. Social issues have no definitive formulation. The problem of poverty in Houston is grossly similar but discretely different from poverty in Delhi, so no practical characteristics describe "poverty."
2. Solutions to social problems can be only good or bad, not true or false. There is no idealized end state to arrive at, and so approaches to these problems should be tractable ways to improve a situation rather than solve it.
3. There is no template to follow when tackling a social issue, although history may provide a guide. Entrepreneurs who approach social problems must literally make things up as they go along.
4. There is always more than one explanation for a social issue, with the appropriateness of the explanation depending greatly on the individual perspective of the entrepreneur.
5. No mitigation strategy for a social problem has a definitive scientific test because humans invented social problems and science helps understand natural phenomena.
6. Every social problem is unique.

Based on these characteristics, mitigation of the social issues is not an easy, quick, or solitary exercise. While traditional circles of entrepreneurship focus on speed and agility, approaches to social impact are about staying the course through methodical, rigorous iteration, which may lead to social entrepreneurship theories.

Topic 051: Policy/Business Approach

An entrepreneur is often driven by awareness of a problem and a passion to solve that problem. Like an entrepreneur, a social entrepreneur starts a company and assumes the risk. The difference, though, is the type of problem. A social entrepreneur works in the context of a social problem. The drive is toward helping people and creating social capital, the non-economic wealth within a community. The output can

be physical, as in a mosquito net to prevent malaria or a testing kit to reduce the spread of COVID 19. Or they can be digital, the result of the complexity of social problems, eg, the cheap cost of technology, and the ability to easily distribute a piece of software across large distances. These are called goods and services which involve people, policies and profit if possible.

Social entrepreneurs typically develop solutions by working their way "down" from a given policy or business model. That means they work on either changing the policy or economy, or supplementing laws. For example, from a policy perspective, a social entrepreneur may start by thinking about the lack of enough low-income housing in a given city. Thoughtful solutions in this case may include offering vouchers, subsidies, or other forms of free or lower cost housing for those that qualify.

Solutions to problems viewed from a policy perspective typically take the form of nonprofit businesses or nongovernment organizations (NGOs) that work alongside government to influence change. This change may itself take one of two forms:

- one-on-one interaction with someone afflicted with a problem, as in a case manager working with a homeless person. Or
- a lobbying effort, a top-down approach, in which someone attempts to influence policy decisions at a local or federal level.

In both cases, grants or donations typically fund the work, and many social entrepreneurs find themselves entrenched in the complexities of the legal system, government agencies, and foundations. The impact to be had in these contexts is often slow and painful.

As the public policy worldwide continues to struggle to solve economic, environmental and social challenges, the private sector is now being called upon to fill the gap. Yet this falls outside of the role that business has traditionally played. Corporate sustainability programs help give an understanding of a company's commitment to engage in solving environmental and social problems. The private sector over the past couple of decades has begun to focus on sustainability initiatives. Some companies are actively engaged as a key stakeholder in solving sustainability problems that go well beyond traditional approaches. They are leveraging their unique capabilities and scale to drive new initiatives to solve wicked water and climate problems. One example is Microsoft with its $1 billion climate fund, AI for Earth program and investment in the Emerald Water Venture Fund. It has the advantage of closely aligning its core technology offerings (i.e., Artificial Intelligence capabilities) with such initiatives. However, not all companies are effective – there is a need to separate the signal from the noise.

Topic 052: Limitations of Policy/Business Approach

These policy/business models of entrepreneurship experience many problems including;

Policy model

- an inability to raise enough money
- a lack of strategic direction

- a lack of people's participation
- a lack of sufficient organizational infrastructure

Business model

- a need for transparent reporting and business accountability
- a lack of programs with measureable social impact
- a lack of people's participation
- a lack of global reach for majority of small business enterprises

The operational and strategic nature of these problems implies that these institutions often have difficulty delivering any impact at all. Because they constantly chase grant money and funding (policy model), lack transparency in business practices (business model) or are dealing with government regulations/red tapism (both) they are unable to drive social and cultural change.

Topic 053: Project-Scaling Up Approach

The "traditional entrepreneurship"—the creation of goods and services for consumption—has traditionally been managed in the form of individual projects. A "project," is a finite course of action or intervention while scalability is the idea that a solution can be extended beyond a small, local group to serve a large, broad group, ie, when a project of creating certain goods and services to meet societal needs or to address social problems is successful, it is expanded to benefit a larger number of people.

Project approach is most obvious when a consultant works with a client. The typical engagement works like this: A client—often a large corporation—identifies a problem that requires design skills. The client assigns a budget and a timeline for solving the problem. The consultant then receives the "project," which is a finite engagement with a beginning, middle, and end.

The project as a unit of engagement is so ubiquitous as to be nearly unquestioned, and because it is common in industry, it has become common in social entrepreneurship. With project-scaling up approach, large and powerful companies and consultancies seem to have become obsessed with differentiation – newness.

This idea of constant change drives a machine of mass production and consumption – scaling up, where consultants and product managers craft product roadmaps that describe the progressive qualities of incremental changes. In fact, it is considered a best practice and a standard operating procedure to start a project and then scale-up. Developed countries have worked hard to master mass-production capabilities and to increase the quality of life through conveniences and efficiencies. Scaling-up seems to be a strategy for social entrepreneurs who are always searching for and lacking funds. Social entrepreneurs like Aravind eye care system have used the same approach and have addressed the issue of avoidable blindness.

A project-based approach is also good for those entrepreneurs who do not wish to or cannot scale-up, they just move on to a new project. It is an effective way of addressing some urgent social issues in the short-term, eg, humanitarian issues related to pandemics and natural disasters. The finiteness feature of project based approaches allows for evaluation, ie, measuring social impact or value added. lessons learned

from a project help in scaling-up, which is considered cost effective and efficient and serve large populations.

Topic 054: Limitations of Project-Scaling Up Approach

As touched upon earlier, with project-scaling up approach, large and powerful companies and consultancies seem to have become distracted with differentiation. Innovation describes some form of differentiation or newness. But in project-scaling up, tiered releases and differentiation often replace innovation, although they often are claimed as such. Take the example of microfinance providers, who have introduced so many products with some differentiation.

Intervention into social issues requires the acquisition of tacit knowledge—an understanding of the unstated, implicit qualities of the problem. It may take weeks of observation to become aware of the intricacies of tacit knowledge in other people, which a short-term project-based approach does not provide.

Project based approaches fail to gain meaningful trust and relationship with all stakeholders in the short duration of a project's life, whereas, scaling up fails to cater to the individual needs and uniquenesses. Further, project based social entrepreneurship lacks accountability. With the end of the project, enterprise is no more accountable to the stakeholders especially beneficiaries.

Implicit in a push for scale is the idea that a solution can be generalized; the goal is often breadth of impact, but also streamlined production and distribution and a minimization of costs. The field of social entrepreneurship is relatively new, and its recent surge in popularity can be attributed to this practice of scaling, where a proven intervention model is replicated in other geographic areas to spread the impact. Organizations that invest in social entrepreneurs have driven scaling efforts.

Scaling a solution makes it subject to a problem of mass production, or a template solution. To reap the benefits of the massive gain in efficiency requires the creation of a single, rigorous, homogenized solution. And this is precisely where large-scale social problems differ from the marketing-driven approaches that have fueled big consumer brands. Social problems are too complicated and they vary too much from place to place to benefit from templates.

This approach does not account for the solution's inherent human qualities such as training, cultural norms, value structure, religious rules, supply-chain relationships, and power dynamics. Understanding and respecting these qualities build trust and respect. Scaling-up ignores this human dimension.

For example, a system to serve the homeless in Mumbai may have a lot in common—such as providing education, vaccination, and food and water—with such a system in Rio. But the details of implementation need to be wildly different. The service ecology, the relationships between people including between the genders, the food itself, the time of day the food is served, the way "vaccinations" are described, the relationship between men and woman, and the religious influences in the area, all must be different for the service to succeed.

Lesson 14

INNOVATIVE APPROACHES TO SOCIAL ENTREPRENEURSHIP

TOPIC 055-060

Topic 055: Design Approach

The origin of 'Design Approach' to Social Entrepreneurship goes back to Victor Josef Papanek - an Austrian-born American designer and educator, who became a strong advocate of the socially and ecologically responsible design of products, tools, and community infrastructures. His book "Design for the Real World", originally published in 1971 and translated into more than 24 languages, had lasting international impact.

A design is a plan or specification for the construction of an object or system or for the implementation of an activity or process or the result of that plan or specification in the form of a prototype, product, or process.

Design has also been considered relevant to address with social issues as a Design is about finding solutions, practical innovations, and making improvements that enhance people's lives, address problems or open up possibilities for a better life. And therefore, after more than 40 years of Papanek's work, design firms, public bodies and collaborative programs have shown a rising interest in Design for social innovation. Designers can change culture, change behavior, and advance a system of values, and social entrepreneurship provides the economic vehicle in which designers can tackle social issues.

In fact, researchers and practitioners have introduced a series of characteristics of Design that benefit social initiatives. For example, Brown and Wyatt (2010) also argue that Design Thinking, consisting of inspiration, ideation and implementation, is a deeply human process that promotes the creation of product and services that are human centred. Furthermore, there are specific disciplines that show great potential in social innovation projects such as Service Design (to develop solutions that consider the quality of the interactions involved) and Strategic Design (to promote and support the participation of different stakeholders). In fact, designers benefit social innovation initiatives by understanding user experiences, ideating, rapid prototyping, visualizing and through their systemic approach.

Design is used in practice not only for the creation of social value but for the multiple circumstances that social entrepreneurs encounter in their journeys. Design plays different roles in the entrepreneurship process. Some of the roles are described as follows.

• Design supports enabling communications between the entrepreneurs and people. This allows entrepreneurs to express their social mission effectively which is vital to building their legitimacy among stakeholders.

• Design facilitates the interactions between people, products or services and their organizations. The interactive aspect of design allows social entrepreneurs to engage with multiple stakeholders. The stakeholders include beneficiaries, clients, funders, supporters (for instance the social incubator), citizens, partner organizations and service providers. The interactions allow entrepreneurs to leverage capital, resources,

capacities, information and knowledge necessary for the accomplishment of their strategic goals while also leading to the development of new opportunities.

• Design facilitates the operations of organizations. Appropriate utilization of design reduces the development times and costs, resources that are limited in social entrepreneurship. The entrepreneurs find design useful as a process, because it helps them to structure their way of working but allowing the exploration of ideas and the implementation of them.

Despite of these benefits, the adoption of design principles and practices is not a priority for social entrepreneurs.

Topic 056: Limitations of Design Approach

Although the entrepreneurs recognize the value of design for their ventures. however, is not a priority for social entrepreneurs to use design approach due to its limitation such as;

- Implementing a designerly approach requires the acquisition of design as new knowledge. Adopting that new knowledge is not a priority for social entrepreneurs compared to the responsibilities that they face within the organization and with their stakeholders. Further, there is a need to work with an in-house designer to adopt design adequately.
- Before designing innovative solutions to complex social problems using design approach, it is important to gain the understanding of the problem (and people it is affecting) and developing empathy, which could be a time consuming process. many a times, social entrepreneurs do not have such time for various reasons including pressing/urgent nature of the problem, the window of opportunity open at a certain moment which may not be available again.
- Design thinking is a human-centered approach. Its solutions are relevant to a unique cultural context and may not necessarily work outside that specific situation, thus, limiting the social impact.
- Design thinking relies on human ability to be intuitive, to recognize patterns, to construct ideas that have emotional meaning as well as being functional, and to express oneself in media other than words or symbols. Nobody would want to run an organization on feeling, intuition, and inspiration (but an over-reliance on the rational and the analytical can be just as risky).

As more social designers and social entrepreneurs are collaborating, one can hope that these limitations would be addressed soon.

Topic 057: Case Study: Movirtu, "Design-Led Social Entrepreneurship"

More recently, we have many examples of design-led social entrepreneurship including the inspiring and groundbreaking Liter of Light project by MyShelter Foundation, which turns a soda bottle into a solar light and provides light to underprivileged families that cannot afford electricity.

Another example is Movirtu, which is a UK based startup that supplies phone service to rural and poor parts of Africa. Movirtu reinvents the way mobile phones are used to increase access to phone services by the rural poor. Their cloud phone provides

affordable access to mobile phone services for the 1 billion people who earn between $1-2 a day, cannot afford a phone, but spend 5-30% of their income on phone sharing or village phones. Working with a U.N.-affiliated initiative called Business Call to Action (BCtA), Movirtu offered the numbers, which it calls mobile identities, through commercial carriers in developing countries in Africa (and South Asia). People in those countries who typically borrow phones from others were able to log into the carrier's network and use their own prepaid minutes and bits of data.

Users can get a mobile identity by going to one of the mobile carrier's shops. When they borrow a phone, they enter a shortcode for the Movirtu service and then punch in their individual phone number and a personal identification number. After that, the temporary user can access all the services available through the phone, as well as a personal carrier home page where they can manage and top up their prepaid account. The system works on any GSM (Global System for Mobile Communications) phone, using USSD (Unstructured Supplementary Service Data), a GSM protocol for communicating with a service provider's computers. The service is called Cloud Phone, though it operates within a carrier's own infrastructure rather than on the Internet as a classic cloud service would. Having a personal mobile identity can save users money in two ways. First, they can use mobile services without buying a phone, which is a luxury even at US$15 or $20 for people making $1 or $2 per day. Second, the cost of prepaid service from a carrier typically is less than what consumers in those countries pay someone to borrow a phone.

In developing this system, the design team sought to understand how the users consider the role of a mobile phone in their lives. Two designers spent weeks in Nairobi to do research and test and refine prototypes. They used cultural probing technique to develop cultural sensitivity and empathy to develop a prototype that is relevant to the cultural context and meet people’s needs. As a result, although Movirtu's customers are the carriers, which can use the personal mobile identities as an avenue to sell prepaid service, more than half the users are women, and almost all users are poorest of the poor.

The turning point in this case study came in 2014 when Blackberry acquired Movirtu. As a business, it gained much needed capital but as a social enterprise, its founders and funders were unhappy as the aim and the design was not just profit but social impact.

Topic 058: Third Sector Approach

In the 19th century philanthropy or charity coupled with voluntary action was an important part of the social, political and religious fabric. For much of the 20th century it was misleadingly regarded simply as a stage in the development of a modern welfare state. This is an oversimplification, although it is true that many welfare functions that have been taken on by the state were met first through the actions of social entrepreneurs and voluntary activity. Subsequently, it was realized that the state could not and should not attempt to meet every welfare need through government agencies, a realization that subsequently resulted in a proliferation of interest groups, alternative, self-help and complementary services called third sector.

Social enterprises and social entrepreneurship have developed as distinctive features in the 21st-century third sector. They play a significant part in contemporary development ranging from economic and social regeneration to more traditional welfare provision. The larger more expansive role that social enterprises have is a product of 'marketization' – an alternative to markets as opposed to direct state provision and grant aid or charitable funding. This marketization, in return, created the conditions for third sector development. Markets have influenced the development of social enterprises through changed funding arrangements from direct public donations for charitable organizations to government grants for NGOs, to contracting out, to allocation of resources through production of quasi-public goods and services.

There is a very wide diversity of forms, contexts and dynamics in social entrepreneurship which allow them to produce 'social capital' if not 'capital' (profit) often termed as social impact. This diversity of form, contexts and dynamics also help differentiate social entrepreneur as a third sector distinct from governments and markets (other two sectors of provision) and define social entrepreneurship within the third sector (distinct from NGOs, Charities etc.).

Approaching social entrepreneurship as a third sector makes it also likely that social entrepreneurs require a different mix of skills than business entrepreneurs and/or philanthropists/NGO workers. In particular, political skills, and the ability to secure and maintain charitable support, appear to be common to successful social enterprise ventures.

In short, third sector approach to social entrepreneurship characterizes the social enterprise in terms of marketization, changed funding arrangements, a wide diversity of forms, contexts and dynamics, a distinct skill set, and creation of social impact as 'social capital' among others.

Topic 059: Limitations of Third Sector Approach

The third sector is synonymous with social purposes. The first two sectors are the state (government) and the market (private enterprise market production). Production for social purposes differentiates social enterprises from directly delivered public services and private enterprises. That is not to say that the state and private enterprise do not have social purposes. The distinction is that the third sector is exclusively concerned with social purposes, which makes it vulnerable in terms of funding and financial resources.

This vulnerability leads to a number of challenges to the sustainability of social enterprises. The existing funding and financial arrangements overlook the impact on fairness of resource differences between competing organizations and, more importantly, it overlooks the need to protect and foster social innovations, which is the hallmark of social entrepreneurship.

Repeated financial and economic crises make creativity and innovation in general and social innovation in particular even more important to foster sustainable growth, secure jobs and boost competitiveness, but, can social enterprises fulfil this role is an open question yet.

Due to its inherent diversity, a source of tension originates in the gap between social enterprises offering their entire output for sale on the market (as do most co-operatives) and associations whose activities do not have a strong economic character (such as youth movement activities) and whose resources are totally non-market (grants, subsidies, etc.), or even non-monetary (volunteering).

Social entrepreneurship as a third sector require a distinct skill set, which is yet to be incorporated universally in the university curricula.

Topic 060: Other Approaches

Various other approaches are mentioned in the emerging social entrepreneurship literature. Some are not fully developed yet, others' applicability is yet to be tested. Some of these are included here briefly to familiarize students with the broader existing literature.

1. The Innovation School of Thought: Individuals tackle social problems and meet social needs in innovative manner. Innovation in solving social problems is the most important factor. Other factors like profit, replicability and scalability are desirable, but not mandatory.

2. The Social Enterprise School of Thought. Non-profit venture that generates earned income to serve social mission. This promotes the idea that adopting business methods is a successful way to improve the effectiveness of non-profit organization and make them more entrepreneurial.

3. EMES Approach - Developed by the Emergence of Social Enterprise in Europe Research Network: Social enterprise are launched by a group of citizens, in the form of associations, cooperatives, mutual organizations and foundations aiming to benefit the community, enjoys a high degree of autonomy, participatory in nature and does not base decision making power on capital ownership.

4. Business with Social Purpose Approach - Developed by Social Enterprise Coalition that creates the social enterprise unit within the Department of Trade and Industry, UK: Business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community rather than being driven by the need to maximize profits for shareholders or owners.

Lesson 15

UNDERSTANDING STRATEGIC ISSUES: COMPARATIVE ANALYSIS OF SOCIAL ENTREPRENEURSHIP MODELS – MISSION AND MONEY RELATIONSHIP MODELS

TOPIC 061-065

Topic 061: Introduction: Mission and Money Relationships

The hallmark of social entrepreneurship is its ability to combine social interests with business practices to effect social change. Its hybrid world—part business–part social—has spawned a new breed of practitioner, the social entrepreneur, as well as a new brand of organization, the revenue earning social enterprise.

The social enterprise is driven by two strong forces. First, the nature of the desired social change often benefits from an innovative, entrepreneurial, or enterprise-based solution. Second, the sustainability of the organization and its services requires diversification of its funding stream, often including the creation of earned income opportunities.

The early years of social entrepreneurship have been characterized by tremendous innovation; this, in turn, has produced a diverse landscape of social enterprises. Nonetheless, distinct patterns are emerging, called models. These social enterprise models impart prototypes for replication, inspire creative approaches for value generation, inform design by establishing operational blueprints, and motivate new methodologies for not-for-profit mission accomplishment.

The crux of the individual social enterprise lies in the specifics of its dual objectives—depth and breadth of social impact to be realized, and amount of money to be earned. Mission drives social value creation, which is generated through not-for-profit programs. Financial need and market opportunities drive economic value creation, which is delivered through business models. As a result, money and mission are intertwined like DNA in the social enterprise, yet they are not always equal partners. Although all social enterprises create both types of value, the decision to pursue a social enterprise is generally motivated by either the monetary gain or the program benefit it renders the not-for-profit parent organization. The purpose of a social enterprise is defined by the emphasis and priority given to its financial and social objectives.

Agricultural organizations offer ample opportunities to marry sustainable crop cultivation programs with social enterprises that process food and sell Fair Trade coffee and cocoa. In these cases, the social enterprises are central to the organization's mission.

In organizations where high compatibility between business and social mission exists, social enterprise is a natural program fit. For example, an environmental organization concerned with reforestation may launch an eco-tourism enterprise to earn supplemental income while also educating the public about conservation and employing community members in alternative, low environmental-impact jobs. Therefore, clear mission-related benefits realized by this enterprise also enlarge the organization's mission.

Topic 062: Two Case Studies of Mission–centric and Mission-related Social Enterprises

A: Mission –centric Association Paysan

In the mission-centric social enterprise business activities are central to the parent organization's social mission.

The mission of Association Paysan in rural Haiti is 'to establish at the community level cooperative enterprises that allow the peasants to advance economically'. Association Paysan's mission is the foundation of its social programs, guiding decisions ranging from which industries to enter to how to design its business models.

In central Haiti, where food supplies are unreliable, little sustainable farming knowledge exists and peasants lack access to agricultural inputs; so people often go hungry. To address this problem and accomplish its mission, Association Paysan began three mission-centric cooperative enterprises: a bakery that makes and sells traditional Haitian flat bread; a store that sells agricultural and farm inputs; and a farm. The bakery provides twenty-four jobs for Association Paysan's clients and a reliable supply of food to the community. The store promotes sustainable cultivation and food production and, hence, fosters self-employment (farming) as well as creating jobs. The third business, a 50-acre farm, grows produce and animal feed, and raises livestock, also providing food to the local population and over 100 jobs. In sum, Association Paysan's three businesses create nearly 200 jobs for local peasants and supply essential goods and services to the community. Financially, the social enterprises are self-sufficient, not only covering their own costs but also earning a surplus that Association Paysan uses to subsidize its literacy, advocacy, micro-loans, and agricultural education programs.

B: Mission-related Essential Eldercare by IONA Senior Services

In the mission-related social enterprise business activities are related to the organization's mission or social services.

IONA Senior Services is an example of a not-for-profit organization that launched a mission-related social enterprise, Essential Eldercare. IONA is 'dedicated to enabling older people to live with dignity and independence. Through its professional staff, corps of volunteers, and close collaboration with other organizations, IONA provides services and access to programs designed to meet the needs of seniors and their families'. IONA accomplishes its mission by providing free and subsidized eldercare services to low income elderly residents of Washington, DC, which includes adult day care, fitness, computer classes, recreational activities, counselling, meals, etc

IONA commercialized its social services to start Essential Eldercare, a premier eldercare social enterprise, as a means to generate income to support the organization's program activities. Essential Eldercare sells premium eldercare services to middle- and high-income seniors in the greater Washington Metro area. Although there are marginal differences between the types of eldercare services rendered by IONA and Essential Eldercare, the main difference is the markets they serve, thus Essential Eldercare social enterprise's activities are related to IONA's mission.

Topic 063: Mission and Money Related Model I: Embedded Social Enterprise

Social enterprises are designed to accomplish their social and economic value creation objectives. The design process typically begins with a vision for the social enterprise that articulates its purpose in accordance with the not-for-profit's mission. Ideas for how the social enterprise will create value are conceptualized, and then modelled. All social enterprise models fit into the three main archetypal categories according to the level of integration between their social programs and business activities: embedded, integrated, and external.

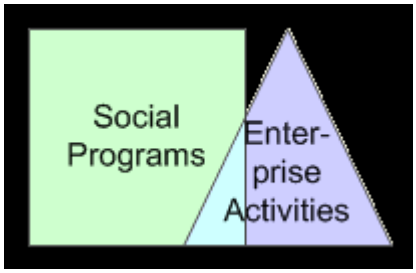
Embedded Social Enterprise

In the embedded social enterprise business activities and social programs are synonymous. The enterprise activities are 'embedded' within the organization's operations and social programs. Practitioners create embedded social enterprises to accomplish their organization's mission. The not-forprofit target population (client) is a recipient of the enterprise, either as the target market, a direct beneficiary, owner, or employee. Social programs are self-financed through enterprise revenues and thus, the embedded social enterprise can also be a sustainable program strategy. The relationship between business activities and the social programs is comprehensive, achieving financial and social benefits simultaneously



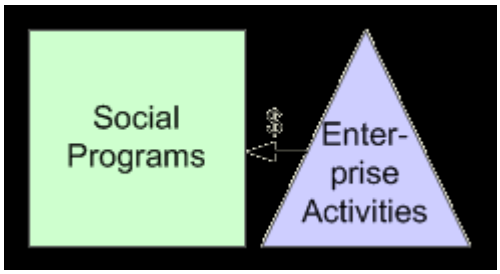
Topic 064: Mission and Money Related Model II: Integrated Social Enterprise

In integrated social enterprises social programs overlap with business activities, often sharing costs, assets, and program attributes. The enterprise activities are 'integrated' with the organization's operations. Not-for-profits create integrated social enterprises as funding mechanisms to support their operations and social activities; and/or as vehicles to expand or enhance the organization's mission. The latter may be achieved by commercializing social services to new fee-paying markets or by providing new services to existing clients. In integrated social enterprises, the not-for-profit client benefits from investments made in social programs vis-a`-vis earned income, but may or may not be involved in the enterprise's operations. This type of social enterprise often leverages organizational assets, such as expertise, content, relationships, brand, or infrastructure as the foundation for its business. The relationship between the business activities and the social programs is synergistic, adding value—financial and social—to one another.



Topic 065: Mission and Money Related Model III: External Social Enterprise

In external social enterprises social programs are distinct from business activities. The enterprise activities are 'external' from the organization's operations and programs. Not-for-profit organizations create external social enterprises to fund their social programs and/or operating costs. Mission relevance and the pursuit of social benefit are not prerequisites of business activities. The not-for-profit client is an indirect beneficiary of revenue and rarely involved in any operational aspect of the external social enterprise. These social enterprises may or may not benefit from leveraging, cost sharing or program synergies, therefore, to serve their purpose, they must be profitable. The relationship between the business activities and social programs is supportive, providing unrestricted funding to the not-for-profit parent organization.



Lesson 16

UNDERSTANDING STRATEGIC ISSUES: COMPARATIVE ANALYSIS OF SOCIAL ENTREPRENEURSHIP MODELS – OPERATIONAL MODELS - I

TOPIC 066-069

Topic 066: Operational Models I - Entrepreneur Support Model

Alex Nicholls has identified seven distinct operational prototypes of social enterprise evidenced and emulated by practitioners around the globe. However, it is equally important to recognize that the field is immature and many innovative examples defy neatly labelled boxes.

First, the entrepreneur support model of social enterprise sells business support and financial services to its target population—self-employed individuals or small firms—who then sell their products and services in the open market. The entrepreneur support model is an embedded model; the social program is the business, its mission centres on facilitating the financial security of its clients by supporting their entrepreneurial activities. The social enterprise achieves financial self-sufficiency through the sales of services to its clients and uses this income to cover costs associated with delivering these services as well as operating expenses. In cases where surpluses are generated, the entrepreneur support model may use this money to underwrite auxiliary social services for clients such as health education, insurance, etc.

The strengths of the entrepreneurial support model lie in its ability to reach large numbers of clients, and its potential to realize the sustainability inherent in its self-financing model. The mission-centric nature of this social enterprise also serves to guard against losing mission focus. These features have contributed to the success and allure of microfinance, the quintessential social enterprise, which provides financial services to poor entrepreneurs. Though the entrepreneurial support model meets several key objectives, its application is narrow and limited to economic development or programs that support employment and entrepreneurship. The clients, most often poor or disadvantaged people, are also the paying customers, therefore viability is difficult to achieve without scale.

Economic development organizations, including microfinance institutions, small and medium-sized enterprises, and business development programs, use the entrepreneur support model. Common types of businesses these organizations run are: financial institutions, management consultancies, other professional services, technology, and product firms that support entrepreneurs.

Topic 067: Case study: Pro Mujer, An Entrepreneur Support Model

Pro Mujer, an international women's development organization, was founded in 1990 to empower women to improve their social and economic status. Pro Mujer operates in Argentina, Bolivia, Mexico, Nicaragua and Peru with headquarters in New York City. The organization accomplishes its mission by establishing microfinance institutions that provide small working capital loans ($50–$300) to low-income women who invest the capital in productive activities such as retail trading or small-scale production, then sell their products in the open marketplace. Training in business development and management augments Pro Mujer's financial services by helping women to improve their small businesses and increase their incomes to ensure

economic security for themselves and their families. Pro Mujer also provides health education, and connects women and their families to health services.

The organization's financial model is similar to a bank's, interest is charged on each loan and savings deposits are leveraged for on-lending. The interest spread over significant volume creates a financially sustainable entrepreneur support model (i.e. a microfinance institution): income covers operating and financial costs and loan loss. Factoring in operational and capital costs, regulations, and competitors' prices sets interest rates. Because its clients are so poor, Pro Mujer's goal is to provide financial services as inexpensively as possible without compromising its viability. The results of an impact evaluation demonstrated that Pro Mujer's clients are able to double their income after two years in the program. They are also more likely to seek health care for themselves and their children. Moreover, clients tend to increase their community leadership and participation and expand their decision-making abilities. In addition, three of the four of Pro Mujer's microfinance institutions are self-sufficient and have received several awards for the transparency of their financial management.

Topic 068: Operational Models II - Market Intermediary Model

The market intermediary model of social enterprise provides product development, market access, and credit services to its target population: small producers (individuals, firms, or cooperatives). The market intermediary model is an embedded model: the social program is the business. Its mission focuses on facilitating clients' financial security by helping them develop and sell their products in high-value markets. The social enterprise purchases the client-made products at fair prices, and then sells the products at a margin. Commissions or mark-up charged on client-made products provides income to the enterprise that is used to pay operating expenses and program costs.

The advantages of the market intermediary model are similar to the entrepreneur support model concerning its potential for scalability, social impact, mission strengthening, and self-financing. Its application is limited to producers, and difficulties can arise in finding markets for client-made products due to o market saturation, poor or inconsistent quality, and commodity products. Frequently, quality requirements for marketable products cannot be supported through the market intermediary's decentralized production; thus, the social enterprise may sacrifice scale to serve clients, converting it into an employment model. Marketing supply cooperatives—such as Fair Trade organizations, agriculture, and handicraft groups—use the market intermediary model of social enterprise. Common types of businesses they operate are marketing or consumer product firms and companies that sell processed foods or agricultural products.

Topic 069: Case Study: The Aetas Pumice Marketing Cooperative - Market Intermediary Model

The Aetas indigenous people of Luzon in the Philippines once lived simply on abundant fish and wildlife and subsistence farming. The plight of these poor mountain people began when a volcano on Mount Pinatubo erupted in the early 1990s and buried their community and its natural resources under volcanic ash and stone. Threatened with starvation, many Aetas migrated to cities to find jobs. Unskilled, poorly educated, and lacking urban savvy, they were exploited for labour and left to live in squalor. Those that stayed stripped the mountain of its few remaining natural

resources to survive. Meanwhile, entrepreneurs in Manila discovered the benefits of the acres and acres of stone and rock left behind by the volcano—pumice, which is used in garment factories to produce ‘stone washed’ denim fashions. With help from the Asian Institute for Technology, the Aeta people formed a marketing social enterprise to gather, market, and sell the stones to the thousands of garment makers in the Philippines. The marketing cooperative commercializes the informal process of selling pumice to middlemen who pay the Aeta very low prices then realize large profits by selling products to the private sector. As a result of the social enterprise, the Aeta are able to earn a liveable, rather than a marginal income. This alternative livelihood encourages Aetas to stay in their community while reducing their reliance on environmentally destructive activities. This market intermediary model is an example of "small is beautiful"; startup costs were $38,000 in 2003, yielding a return of economic security for hundreds of indigenous people.



Lesson 17

UNDERSTANDING STRATEGIC ISSUES: COMPARATIVE ANALYSIS OF SOCIAL ENTREPRENEURSHIP MODELS – OPERATIONAL MODELS - I

TOPIC 070-073

Topic 070: Operational Models III – Employment Model

The employment model of social enterprise provides employment opportunities and job training to its target population: people with high barriers to employment—such as the disabled, homeless, at-risk youth, and ex-offenders—through enterprises that sell products or services in the open market. The employment model is an embedded model; the social program is the business. Its mission centres on developing skills and employment opportunities for its clients.

The type of business used in the employment model is predicated on the appropriateness of jobs it creates for clients as well as its commercial viability. Social services, such as soft skills training, physical therapy, mental health counselling, or transitional housing, are built into the enterprise model to provide a supportive working environment for clients. The social enterprise achieves financial self-sufficiency through the sales of its products and services. Income is used to pay standard operating expenses associated with the business, including paying liveable wages to clients, and additional social costs incurred by employing the target population.

The employment model may operate any business that meets its social and financial goals. Therefore, the organization is not burdened with designing an enterprise from scratch, but may benchmark similar existing businesses and apply industry standards. Modifications to the business model are social in nature such as 'job coaches', shortened working hours, modified workstations to accommodate physical needs, and are thus compatible with the not-for-profit's core competencies. The employment model is mission-centric, and renders direct client impact; however, this model is not scaleable due to the inverse relationship between employing clients and viability. Depending on the type of business, start-up costs and capitalization requirements can be high, barring many would-be practitioners from using this model.

Employment enterprises must compete with the private sector while carrying additional social costs associated with employing clients, making marketplace survival a challenge. The employment model is widely used by disabled-focused and youth organizations, as well as social service not-for-profits serving low-income women, recovering addicts, formerly homeless people, and welfare-to-work recipients. Popular types of employment businesses are: janitorial and landscape companies, cafes, bookstores, thrift shops, assembly work, bakeries, woodworking, and mechanical repair.

Topic 071: Case Study: Digital Divide Data, An Employment Model Social Enterprise

Cambodia's long history of war and devastation left a large number of disabled, disenfranchised, and displaced people who face barriers to employment. Many Cambodian women have few economic choices other than to enter the sex trade. The poor become trapped in low-income jobs because their families cannot afford to send

them to school. Rural immigrants, who came to urban areas hoping to find a better life, wind up in squatter settlements scratching out a subsistence living picking through rubbish tips. Large numbers of Cambodians physically maimed or disabled in the war are completely marginalized from the workforce, a result of discrimination. The situation has created a huge surplus of labour in Cambodia, yet few institutions provide vocational training to help these people secure relevant jobs.

Technology avails an opportunity for poor and marginalized people to start entry level jobs and gain high value workplace experience and marketable skills while earning a liveable wage. Digital Divided Data is a technology-based employment social enterprise that provides vocational training to disadvantaged people in Cambodia and in other developing countries. Its clients are landmine victims, abused women, rural immigrants and orphans, and through Digital Divide Data they receive computer literacy and technology training to qualify for entry level and low-skilled jobs in the technology sector. Digital Divide Data secures contracts for data entry work outsourced by universities and businesses, which provides paid on-the-job training in a supportive environment for its clients and generates income for its operating costs, including fair wages and social costs related to education and training. The combination of paid work experience and computer literacy, coupled with education, prepares clients for higher-paying skilled-work opportunities.

Digital Divided Data increases the knowledge base and skills, enhances social networks, provides a secure financial base, and promotes self-determination of the marginalized youth it employs. It creates sustainable opportunities for underserved youth, their families and communities.

Topic 072: Operational Models IV – Fee-For-Service Model

The fee-for-service model of social enterprise commercializes its social services and then sells them either directly to the target population: individuals, firms, communities, or to a third party payer. The fee-for-service model is an embedded model; the social program is the business. Its mission centres on rendering social services to clients in the sector in which it works. The social enterprise achieves financial self-sufficiency through fees charged for services. This income is used as a cost-recovery mechanism for the organization to pay service delivery and business expenses, such as marketing and accounting, associated with commercialization. Surpluses (net revenue) may be used to subsidize social programs that do not have a built-in cost-recovery component.

The fee-for-service model's ease of implementation is its blessing and its curse. Charging for social services has long been cast as a not-for-profit cost recovery vehicle, and does not require the mental leap to 'running a business' that many not-for-profit leaders abhor. As a result, many organizations treat fee-for-service as an income-generating activity rather than as a scaleable business. Even when operated as a business, many fee-for-service activities produce marginal financial benefits, failing to cover costs of the service, let alone subsidize the parent organization.

Similar to the entrepreneur support model, the target population frequently lacks money, and third party payers such as insurance companies that can offer viability are largely limited to industrialized countries or specific industries. The fee-for-service mission-centric nature is a plus, yet, when financially successful, this model can test the mission and create internal organizational strife. Then again, the potential

application of the fee-for-service model is vast, transcending the not-for-profit sector. Membership organizations and trade associations, educational institutes, parks and recreational facilities, museums, hospitals, and clinics are typical examples of organizations that use this model.

Topic 073: Case study: Bookshare.org, Fee-For-Service Model Example

World's fewer than 5 per cent of books are available for people with 'print disabilities'—the blind or learning disabled—posing a significant barrier to literacy. The only way for most people with print disabilities to enjoy books is to scan them into computers with adaptive technology capable of converting the text into speech or Braille formats. The Benetech Initiative, a Silicon Valley based not-for-profit organization that develops adaptive technology, saw this gap as an opportunity to launch its new social enterprise— Bookshare.org, which is a subscription service that provides an extensive online library of digital books for individuals with print disabilities; many of whom already use the computer reading machine technology originally developed by Benetech. With a special exemption in US copyright laws, Bookshare.org is allowed to distribute its materials to US residents who have a visual impairment, learning disability, or mobility impairment. Bookshare.org enables thousands of people who scan books to share them, while eliminating duplication of efforts and producing accessible books much faster than other providers at a fraction of the cost. Subscribers download books using Bookshare.org's software in two formats: digital Braille or talking books.

Bookshare.org uses a fee-for-service model. For US students and schools, service is free. For US individuals, a one-off fee of $25 is charged to register and then subscribers pay an annual subscription fee of $50. In 2004, Bookshare.org launched a group account service, Institutional Access, which enables a school or group to purchase a pre-set number of books to download and deliver directly to qualified students. Internationally, individuals from upper income countries pay a $50 annual membership fee, from middle income countries a $30, and from lower middle to low income countries, no fee is charged. Income generated from these fees covers the costs to continue expanding the book collection and provides new services to its users. Scale makes viability possible in Bookshare.org's business model.

The library has 1,179,256 titles and is the most extensive collection of accessible ebooks in the world for people with reading barriers.

Lesson 18

UNDERSTANDING STRATEGIC ISSUES: COMPARATIVE ANALYSIS OF SOCIAL ENTREPRENEURSHIP MODELS – OPERATIONAL MODELS - III

TOPIC 074-077

Topic 074: Operational Models V – Service Subsidization Model

The service subsidization model of social enterprise sells products or services to an external market and uses the income it generates to fund its social programs. The service subsidization is an integrated model: business activities and social programmes overlap, sharing costs, assets, operations, income, and often program attributes. Employed primarily as a financing mechanism—the business mandate is separate from the social mission—nonetheless the business activities are frequently mission-related, serving to enlarge or enhance the organization mission. Not-for-profits that implement service subsidization social enterprises operate many different types of businesses; though most leverage assets as the basis of their enterprise activities. Commercialization of social services leads to enterprise activities that enhance the mission; whereas leveraging physical assets may result in an enterprise that is very different from the organization's social programs. The enterprise benefits financially from leveraging and cost sharing and provides a stream of unrestricted revenue to subsidize or wholly fund the parent organization's social services.

The strength of the service subsidization model is its broad application to not-for-profits—organization type, business, sector, or client does not bind it. The model can be strategically employed to increase its social impact by commercializing social programs. But before an organization can implement a service subsidization social enterprise, it must be competent in rendering its social services, because the organization must run a venture over and above its social programs. Even when programs are strong, this model can tax staff and test the mission. Additionally, social subsidization requires that the organization has assets and earns significant income to make the venture worthwhile. Common examples of service subsidization models that commercialize social service or intangible assets are: consulting, counselling, logistics, employment training, or marketing. Enterprises that utilize infrastructure and capital assets include: leasing, property management, product-based retail businesses, transportation, and copying and printing services.

Topic 075: Case study: Associacao Nacional de Cooperacao Agricola 's Editora Expressao Popular Service Subsidization Model Example

Associacao Nacional de Cooperacao Agricola (ANCA) works in areas of Brazil where illiteracy rates are as high as 80 per cent of the population. This education not-for-profit provides literacy training and educational services to children, adults, and community activists.

While operating its programs, ANCA recognized a gap in the education market for pertinent leadership and organizing resources for the community activists it serves. In response to this need, ANCA developed training and educational materials for labour movement leaders, and found there was high demand for these products outside their target population. ANCA saw an opportunity to sell its materials and generate supplemental income for its literacy programs. ANCA created a social enterprise—

Editora Expressao Popular (Popular Expression Press)—a publisher and clearinghouse for educational materials for not-for-profit leaders and community activists.

Editora Expressao Popular sells periodicals, audiotapes, and publications within Brazil and export markets. The social enterprise enlarges ANCA's mission beyond teaching literacy to facilitating social change. Editora Expressao Popular is integrated into ANCA as a division of the organization. In 2002, the enterprise sold 7,000 books, up from 4,500 the year before. Income is used to cover start-up and operating costs of the press, and to subsidize programs aimed at ANCA's clients overcoming illiteracy.

Topic 076: Operational Models VI – Market Linkage Model

The market linkage model of social enterprise facilitates trade relationships between the target population—small producers, local firms, and cooperatives—and an external market. The social enterprise functions as a broker connecting buyers to producers and vice versa, provides market information, and then charges fees for these services.

The market linkage model can be either embedded or integrated. If the enterprise's mission revolves around linking clients to markets, and its social programs support this objective, the market linkage model is embedded; the social program is the business. Income generated from enterprise activities is used to self-finance social programs. On the other hand, commercializing an organization's social services or leveraging assets, such as trade relationships, also creates market linkage social enterprises and in this case, income is used to subsidize its other client services. In this second example, social program and business activities overlap following the integrated model. Unlike many social enterprise models, the market linkage customer is the financially attractive private sector, making viability readily attainable. Scalable impact also is achievable, though client scope is limited to producers.

The market linkage model offers easy integration opportunities for trade associations, network organizations, and cooperatives who may add import– export, market research, and buyer–broker services to its other activities. This model works best for organizations in developing countries connecting with Western companies. Trade is a relationship-driven industry, thus barriers to entry exist on the buyer side along with the normal hurdles of cultural misunderstanding between not-for-profit and private companies.

Topic 077: Case Study: PhytoTrade Africa, a Market Linkage Model Example

In southern Africa, few economic opportunities exist for the rural poor, many of whom live on annual incomes below $100. An emphasis has been placed on cash-cropping for employment, though 65 per cent of the region is arid and agricultural cash crops are risky for vulnerable populations, often ecologically inappropriate, and financially unproductive. Employment alternatives residing in the $45 billion global market for natural products have been largely inaccessible for rural African producers. These natural products, made from African plant species, have a multitude of applications: beverages; cosmetic oils; health care products; herbal teas; jams; nutritional supplements; and medicinal products. Because natural products are grown in the wild, rural producers can easily manage their collection and cultivation.

PhytoTrade Africa is a non-profit trade association that promotes sustainable production and Fair Trade, contributing to the economic development of southern Africa. PhytoTrade's main aim is for sustainable use and conservation of Africa's plant biodiversity with commercial & socio-economic benefits. It does so by developing business partnerships between rural producers and buyers—usually major European natural products companies. In doing so, the social enterprise links rural producers in seven southern African countries directly to source suppliers, buyers, quality control evaluators, and product development specialists. Additionally, it helps its clients secure export contracts and provides a clearinghouse for research and development information on African natural products.

Lesson 19

UNDERSTANDING STRATEGIC ISSUES: COMPARATIVE ANALYSIS OF SOCIAL ENTREPRENEURSHIP MODELS – OPERATIONAL MODELS - IV

TOPIC 078-079

Topic 078: Operational Models VII – Organizational Support Model

The organizational support model of social enterprise may incorporate virtually any type of business and sell its products and services to an external market, businesses, the public, or in some cases the not-for-profit client. The organizational support model is an external model; its business activities are separate from social programs. Although the enterprise may have social attributes, the organizational support model is created as a funding mechanism to cover program costs and operating expenses of the parent organization. Therefore, not-for-profits select business activities on their financial merits, and these are not necessarily related to mission.

Advantages of the organizational support model are similar to those of the service subsidization model; namely, wide application among not-for-profits and tremendous latitude regarding the type of business organizations operate. The main disadvantage of this model is that it is difficult for not-for-profits to implement. Successful organizational support models fund a significant portion of the parent organization's budget, therefore, the enterprise must be highly profitable. Staff and mission challenges similar to the service subsidization model that exist in the organizational support model on a larger scale. This model is best executed by mature and business-savvy organizations.

Topic 079: Case Study: Para la Salud, An Organizational Support Model Example

As discussed earlier, social enterprise generates revenue from customers for a parent company to serve a beneficiary group. The social enterprise is used as a funding mechanism for the parent company, often structured as a subsidiary of the parent company.

In many rural areas in Guatemala, residents lack access to basic health services and medicine. Barriers include mountainous topography with few roads, poor distribution systems for health inputs, urban flight of medical professionals, and few sources of stable funding for rural health clinics.

Para la Salud, a national health organization, started a chain of village pharmacies to address this problem. The pharmacy social enterprise was designed as a sustainable distribution model for health inputs in rural areas as well as a means to generate funds to subsidize rural clinics. Para la Salud orders medicines and supplies in bulk, which are first shipped to its headquarters in Guatemala City before being sent to rural pharmacies. Through educational campaigns that promote lower cost generic drugs, the organization has worked to counter the effects of brand marketing by large US pharmaceutical companies. Para la Salud's business model uses streamlined systems— centralized purchasing, inventory management, order fulfillment, and delivery—to lower the high costs associated with serving rural areas.

The pharmacies have an average profit margin of 20 to 25 per cent, and profits are used to cover the costs of rural community health clinics. To date, Para la Salud's village pharmacy social enterprise enables a community to self-fund its local clinic without external subsidy in four to five years.

Lesson 20

UNDERSTANDING THE SOCIAL ENTREPRENEURSHIP PERSPECTIVE IN INDIVIDUALS: MOTIVATION - I

TOPIC 080-082

Topic 080: Introduction

People have been engaged in the types of activities that today we include under the umbrella we call "social entrepreneurship" for centuries: ministering to the sick, feeding the hungry, teaching the illiterate to read, and so forth. Economic and social phenomena such as the spread of capitalism, the rise of the welfare state, and the decline of the traditional family support structure have served to make these activities more necessary and social entrepreneur is the person who makes it his mission to perform these necessary activities.

Social entrepreneur is a social innovator who adds value to people's lives by pursuing a social mission, using the processes, tools, and techniques of business entrepreneurship. She or he puts societal benefit ahead of personal gain by using the "profits" generated by her or his enterprise to expand the reach of her or his mission. The social entrepreneur's vehicle for pursuing her or his mission could be for-profit, nonprofit, or public in its structure, or it could be a hybrid, or any or all of these. Whatever form it takes, it is almost always challenging to pursue a social mission, to address social issues due to the complexities involved in causes, forms and resources available.

Why do social entrepreneurs take on this challenge? What drives them to want to engage in the hard work of building an organization, marshaling resources, managing risk, building networks, and so forth? Does it have something to do with their background? Is it based in a reaction to something they have seen or heard about? Is it a product of their moral training? In other words, what is the motivation behind an entrepreneurial initiative?

Motivation is used to explain the effort and persistence through a given action and studying human motivation is of paramount importance if we are to understand, for example, how to motivate people to be more entrepreneurial.

Topic 081: Entrepreneurial Motivation: Background

Mair and Noboa (2006) maintain that "background" and "content" are the major contributors to the motivation of social entrepreneurs.

"Background" refers to how the individual entrepreneur was raised and socialized. This might include the influences of family, friends, religious leaders, and teachers. It may also reflect personal characteristics that heighten the individual's sensitivity to a particular social problem. Daryl Hammonds, founder of KaBOOM! (a nonprofit social enterprise that facilitates the building of children's playgrounds in underserved areas), had learning disabilities and was raised in a foster home (Wei-Skillern et al., 2007).

Prospective social entrepreneurs may have had instilled into them strong beliefs about what is right and what is wrong. They likely have learned empathy for those who are

less fortunate. They often have a strong sense of justice. This causes them to be altruistic, morally outraged by injustice, and sensitive to issues of equity (Anderson, 1998; Yujuico, 2008; Skoll Foundation, 2010).

Another aspect of background in social entrepreneurship is previous experience as an entrepreneur (Mair & Noboa, 2006). This gives the social entrepreneur the sense of self-efficacy that permits her or him the necessary comfort level to be able to proceed. Many successful social entrepreneurs were first successful business entrepreneurs. eBay founder Jeff Skoll, who created the Skoll Foundation, is often held up as an example. These individuals possess both self-confidence and the support of an established network of resource providers as they transition to launching and growing a social enterprise (Mair & Noboa, 2006).

Topic 082: Entrepreneurial Motivation: Content

"Content" provides the milieu in which the social entrepreneur's background interacts with the social sector. This is where they become exposed to social problems, for example, seeing homeless people on the street, volunteering in a soup kitchen, watching a friend die of an incurable disease, or reading about war crimes. This causes them to exercise their altruism and focus their anger at social injustice. It also helps them in the process of recognizing an opportunity for adding social value and of developing a mission for delivering on that value proposition (Mair & Noboa, 2006).

Shapero & Sokol identified perceived desirability and feasibility as important elements in the enterprise formation process (Shapero & Sokol, 1982). Perceived desirability refers to the attractiveness of generating the entrepreneurial event, i.e., forming an enterprise; while perceived feasibility refers to the degree to which one believes that he or she is personally capable of forming an enterprise. Mair and Noboa (2006) take this a step further by creating a model that explains how a social entrepreneur moves from these motivating factors to perceptions that yield intentions which, ultimately, produce behaviors that result in the creation of a social venture.

Put simply, social entrepreneurs' involvement with the social sector or their exposure to social issues, not only allows them to recognize social opportunities, but also seems to turn them into altruistic citizens unsatisfied with the status quo; loyal to their values and philosophy; and motivated to act socially responsibly and yet passionately.

Drayton (2002) claims that the factor that distinguishes the average from the successful entrepreneur is "entrepreneurial quality" (pg. 124). Entrepreneurial quality is much more than altruistic motivation or passion. It is the relentless motivation to change the whole society shared by only a very small percentage of the population. It is the highlight of the 'content' of an entrepreneur's motivation.

Lesson 21

UNDERSTANDING THE SOCIAL ENTREPRENEURSHIP PERSPECTIVE IN INDIVIDUALS: MOTIVATION - II

TOPIC 083-084

Topic 083: Entrepreneurial Motivation: Push Factors

Compared with 'background and content' approach, entrepreneurial motivation, the motivation to create a new venture, is more often studied through the push/pull approach (Gilad and Levine, 1986). This way to consider motivation gave birth to the concepts of opportunity and necessity entrepreneurship.

The push dimension is composed of an economic motive (lack of employment) and a non-economic one (dissatisfaction with the previous job). The creation of business motivated by push factors is also known as necessity entrepreneurship. On the other side, the pull dimension is also composed of an economic motive (the presence of a business opportunity meaning an increase in earnings) and a non-economic motive (the desire for independence). Pull dimension is related to the opportunity driven creation.

Social entrepreneurs seem to be motivated primarily by non-economic motives such as the search for an improvement to society. Their motivation is to solve a social or environmental need. The necessity to solve pressing social and environmental problems of the society is a push factor that motivates social entrepreneurs to act.

Social entrepreneurs have 'pro-social motivation' which involve helping others, helping the community or aiding the economic development. Their empathy and compassion can encourage (push) them to create a social enterprise based on emotions, as opposed to selfish motivations.

Various levels of dissatisfaction including dissatisfaction at micro level, eg, job dissatisfaction, and at meso & macro level, eg, dissatisfaction with firms and the state push social entrepreneurs to create a venture.

Religious values, eg, Christian morality, Islamic concepts of '*muwakhat*' (brotherhood), '*qarza e hasana*' (virtuous loan) may motivate and push social entrepreneurs to work for the betterment of the society, especially, the most vulnerable. Volunteering, feeling of usefulness are other values that motivate a person to enter into social entrepreneurship.

Topic 084: Entrepreneurial Motivation: Pull Factors

Pull factors are those that "attract" a person to start a social enterprise. People are drawn to entrepreneurship motivated by various pull factors and pull factors are more common in social entrepreneurship rather than push factors.

The discovery of a social opportunity is a well-known determinant of entrepreneurial motivation. It is a social/environmental opportunity, that is to say non-economic motivation that pulls them to avail the opportunity and start a venture.

Desire and/or willingness to innovate and create is an important motivation for social entrepreneurs to take up issues that established societal structures, ie, government and market, have either failed to address or ignored.

Independence is an important pull factor of entrepreneurial motivation. At an individual level, it is more of a means to achieve social purpose rather than a determinant, however, independence for everybody, independence from want/need) has been an important pull factor.

Dissatisfaction with the society, eg, class, age, gender, religious discrimination, inequalities, exploitation may pull a social entrepreneur's attention and motivate them to try to improve the societal situation by creating a social enterprise.

Role models may also pull social entrepreneurs to act themselves. Many emerging social entrepreneurs have revealed that famous social entrepreneurs, family or friends have been a source of inspiration for them and motivated them to start a venture.

Self-realization including desire for personal accomplishments, to be different, and testing one's capacities and capabilities may also pull social entrepreneurs to start a social venture.

Lesson 22

UNDERSTANDING THE SOCIAL ENTREPRENEURSHIP PERSPECTIVE IN INDIVIDUALS: MOTIVATION AT DEEPER AND BROADER LEVELS

TOPIC 085-088

Topic 085: Entrepreneurial Motivation: Micro/Personal Level

Dissatisfaction is a well-known determinant of entrepreneurial motivation. This dimension is complex and may involve different levels of dissatisfaction.

On a personal level, a classical determinants of dissatisfaction is boredom. It is when people start finding their work repetitive, lacking stimulation and they feel like running in circles. They need novelty. They want to face challenge, and therefore, many quit their current work and start something more challenging, especially something that benefits not just them but others, society on the whole.

Also, on a personal level, problems with the hierarchy are another factors of dissatisfaction and frustration. Problems with hierarchy include employers not being open to new ideas, being treated badly, and having to comply with the decisions with which one does not agree.

Other problems such as lack of respect, injustice or favoritism were also found as a source of dissatisfaction which motivated people to start their own entrepreneurial activity and earn respect and adopt just practices. It is a well-known fact that social entrepreneurs have a very strong sense of social justice, they feel angry when there is injustice and take up the cause/s to ensure justice.

Topic 086: Entrepreneurial Motivation: Meso et Macro level

Among potential social entrepreneurs, a wider discontent could be felt directly related to firms' management and employment conditions. It is a kind of rejection and frustration with big companies and wage labor.

People experience the limitations of some management methods, the short-sightedness of some companies, and the lack of empathy. They feel that their work serve interests that are not for the sake of the common good, in which the human being is only a means to achieve a higher performance, which is frustrating.

This frustration can be seen in the fact that many entrepreneurs have not sought employment at the end of their previous experience (before starting their own enterprise). Many entrepreneurs simply rule out the idea of another job and declare that entrepreneurship is the only viable option for them.

There is also a relationship between the orientation of individuals and the type of dissatisfaction. When a person whose studies were orientated to work in the public sphere, government, international institutions or NGOs, the objects of dissatisfaction

are the lack of efficiency, transparency, and equality of the processes. They find institutional processes as lethargic and bureaucracy being more important than the organizational mission, which turns into meso et macro level dissatisfaction and motivates people to start their own work to achieve the common good that governments and international bodies originally aim to achieve.

Beyond working conditions and firms' managerial issues, and dissatisfaction with the bureaucratic processes of governments and international bodies, social entrepreneurs are subject to dissatisfaction regarding the social structure and environmental problems (at a local, national or even international scale). It seems that governments are not accomplishing their social and environmental missions, and this causes dissatisfaction among people.

This dissatisfaction comes from the sensitivity of the potential entrepreneurs to perceive problematic situations related to their areas of expertise or to simply social and environmental issues.

Topic 087: Entrepreneurial Motivation: Independence Factors

Independence is an important determinant of entrepreneurial motivation. Different levels of independence have been identified. Some are directly related to the personal aspirations of the social entrepreneurs, but others seem to be more complex and universal.

For many social entrepreneurs, the search for autonomy was an important factor that led to the launch of their new business. The fact that his or her number of working hours increased was not even a concern for anyone. What counts, in their business creation, is the freedom to organize their family life, to choose their place of work, to have the opportunity to develop their skills, and to contribute to common good.

Although a large proportion of entrepreneurs proclaims their desire for independence, other social entrepreneurs do not identify "independence" as a primary determinant of their motivation. However, they embrace entrepreneurial endeavors because it is the only way they have to attain their objective. In these cases, independence is not a motivator, but a means to achieve a social purpose that can only be achieved via a business creation.

This concept of independence is important not only for the entrepreneur personally but also for society as a whole. Their desire is to allow one and all to be independent and to have access to forms of fulfillment. It is the need to grant the other his freedom, by freeing society from social injustice. By offering these alternatives to society, social entrepreneurs expect the emergence of a free population, aware of their ability to achieve things for themselves, independent and seeking to hold their destiny in their own hands.

Topic 088: Entrepreneurial Motivation: Opportunity, Necessity and Other Motivational Factors

In the literature on entrepreneurship, the discovery of a business **opportunity** is a well-known determinant of entrepreneurial motivation and one of the main motivations for starting a business. The conceptualization of this determinant is usually related to an economic enrichment. However, in the context of social entrepreneurship, the economic side of the opportunity loses importance; giving place to a social/environmental opportunity, that is to say non-economic. In the literature on social entrepreneurship the opportunity recognition is linked to a social objective. In this case, the recognition of a gap or a social need will be a driving force for the creation.

The discovery of an entrepreneurial opportunity (or a social opportunity in the case of social enterprises) is related to the personal experience of the entrepreneur and especially to his needs. When faced with a shortage, a situation where supply may be ineffective or non-existent, entrepreneurs can very well have the urge to create so as to find an appropriate answer to meet their needs. The lack of comfort or goods is the driving force behind their reflection and the issuing creation, the solution to the problem.

Necessity is another important factor of entrepreneurial motivation. It means a creation triggered by a lack of employment (unemployment) or inability to find a job (loss of employability). In the case of social entrepreneurs, however, employability is not a problem.

Indeed, many social entrepreneurs suggest that they earned more money before embarking on the entrepreneurial project. However, this aspect becomes important when they abandoned a good standard of living to follow a social motivation. They must be able to continue to make a living with this new work, ie, social mission.

Beyond opportunity and necessity, **some internal and external factors** will have an influence on the creation of social enterprises. Among them, the environment (domestic, educational, professional, social, religious values) could inspire their creation. Regarding internal factors such as personality traits, it seems that social entrepreneurs share relatively optimistic personalities. Another internal factor is that of self-efficacy. Social entrepreneurs show self-confidence to carry out their projects and accomplish their mission.

Lesson 23

THE DARK SIDE OF SOCIAL ENTERPRISES

TOPIC 089-091

Topic 089: Introduction

When the new idea of social entrepreneurship came into market, it got a very positive reception. Everyone was all praise – after all, using business tools and techniques for social good (and not for personal profit maximizing) was pretty novel and altruistic. That was one side of the picture – the bright side. Very few dared to look at the other side, ie, the dark side.

Densil Williams and Kadamawe K'nife studied violence as business among gangs in Jamaica. These gangs use violence as business which generate funds to support social services. Williams and K'nife raised the question as to whether or not all enterprises that deliver a social service can be duly classified as social enterprise and be linked to the wider field of social entrepreneurship? They argue that the line between violence as a business, which generate funds to support enterprises that deliver social services to ensure power and control by gang leaders and, social enterprise, which deliver social services to transform lives through the creation of social value has become blurred. This, they called the dark side of social entrepreneurship and argued that the discourse on social entrepreneurship cannot ignore this phenomenon, especially in developing countries with a high number of vulnerable communities.

This is further mudded by the fact that a number of organizations that have questions surrounding their legitimacy but which carry out social functions, for example, criminal gangs and drug cartels are sometimes categorized as social enterprises and fall under the rubric of social entrepreneurship. This situation appears to be most prevalent in societies that are low growth, with high levels of poverty, high unemployment, and large social dislocations. In these contexts, social enterprises tend to have a significant impact but it is not always clear whether or not the intent is really social, or is there another darker motive behind the benevolence being distributed under the guise of social entrepreneurship.

These dark side theories enrich entrepreneurship curriculums and textbooks by exposing students to critical perspectives of entrepreneurship research and practice. The emerging research field recognizing entrepreneurship's dark side challenges students to better identify the social impacts of enterprises and innovations in addition to economic impacts. Dark side theories challenge students to define entrepreneurial success (and failure) beyond profit and production (or lack thereof). Students are pushed to critically evaluate the various impacts enterprises have on economies and societies. Furthermore, students are exposed to nontraditional examples (e.g., drug cartels, Rolling Jubilee Fund, among others) that broaden their perspectives on economic and social good (and bad).

Topic 090: The Dark Side of Social Enterprises – A talk by Professor Tina Dacin

https://www.youtube.com/watch?v=b2PTNBnb_aw

Topic 091: Concluding the Talk

According to Professor Tina Dacin (and many others) social enterprises can be driven by ulterior motives or private gain rather than social good. The main points of her talk include;

Traditional ways of "saving the world" — aid, philanthropy, grant-making — have a mixed and disappointing record. Today's promising pathways to change include social innovation, social enterprise/entrepreneurship, and cross-sector collaboration (non-profits with governments).

However

one needs a clear-eyed view of social enterprises and not assume they are all based on altruistic motives, ie, look beyond the "myth of impact"

there are examples of how social enterprises can lose their way - in the developing world, micro-finance has been co-opted and exploited for private financial gain at the expense of social needs and justice

Dacin offers five possible unintended negative consequences of a social enterprise:

i. unforeseen outcomes
ii. trade-offs between the social and profit missions
iii. governments abdicating their responsibility to provide social services
iv. the demonization or de-legitimization of traditional charities
v. the growth of unethical behaviour follow

Lesson 24

THE CREATIVE PURSUIT OF IDEAS; RECOGNIZING OPPORTUNITIES, CREATIVITY AND INNOVATION FOR SOCIAL CHANGE

TOPIC 092-096

Topic 092: Introduction

Generating ideas for a social venture and assessing those ideas for their potential to be true opportunities is central to social entrepreneurship. In an earlier module, it has also been emphasized that if a social entrepreneur is to be successful, he or she must assess their initial idea's potential as a viable opportunity to address a social or environmental need—a process that is known in the entrepreneurship field as opportunity recognition. This is to say that good ideas are not necessarily true opportunities to add social value. Each idea must be intentionally examined to ascertain the likelihood that it can produce positive social change, that there is a market for it, and that a social venture built to pursue the idea is sustainable over time. There are formal ways/tools to assess the viability of an idea as an opportunity (which we'll discuss later).

Even if this is not done formally, successful social entrepreneurs informally evaluate their opportunities—they think them through—as was the case with Allison Lynch of the New York Women's Social Entrepreneurship Incubator (NYWSE). Allison Lynch had a long-time interest in social entrepreneurship and had on several occasions sought to start her own social venture. Yet, she could never seem to quite get to the point of actually launching one. She holds an MBA and is an otherwise self-assured person; so, what was holding her back? She puzzled over this situation and came to the conclusion that she felt alone, lacking in the support she needed to undertake this kind of endeavor. In her words,

> I had previously been interested in starting several socially oriented enterprises (including leaving a job to investigate such a possibility), but had not taken the final plunge. I wondered why I was hesitating… Ultimately, I felt that perhaps the reason was because I felt isolated and lacking connections to information, capital/fundraising sources, legal/tax support, and was uncertain about how I could survive financially in a start-up phase. I also realized that most of my colleagues in graduate business classes were men; I didn't know any women who had started their own social ventures.

These observations led Lynch to her idea: an incubator for women social entrepreneurs. This incubator would empower women to launch social ventures by providing them with knowledge and skills and a support structure within which to work. The NYWSE Incubator's first "class" of social entrepreneurs consisted of six women pursuing opportunities ranging from helping obese women in New York City

to lose and keep off weight to providing enhanced educational opportunities for women in India.

In the next few modules we will discuss social ideas and where they come from. We will explore the process of assessing an idea to determine whether or not it represents a genuine opportunity. Along the way, we will introduce the concept of innovation and the role it plays in opportunity recognition and implementation.

Topic 093: Social Ideas

We have discussed earlier that every social venture begins with an idea for improving society in some way. Webster's New Collegiate Dictionary defines an idea as "an indefinite or unformed conception." It is important to understand that ideas represent a starting place, but they lack the finish to build an enterprise around. Ideas represent unrealized potential value in their original state. They are the "commodities" of the entrepreneurship process. Just as is the case with commodities, ideas have a value as the raw materials from which opportunities are made and ventures are launched. In this way, they are important and worthy of our deeper consideration.

Entrepreneurs are often credited for their creativity and ability to generate new ideas for meeting customer needs. There is the often-told story of Anita Roddick, founder of The Body Shop, who generated new ideas every time she walked down the street, observing her surroundings. But where and how do ideas for meeting needs actually originate for most entrepreneurs? In an earlier module, we touched upon that. The following are general sources of ideas.

i. Personal experiences—these may include experiences at work or at home. An example from social entrepreneurship might be a mother whose child suffers from a learning disability and is not getting the help he needs from the local public school, so the mother founds an organization that provides specialized assistance to children who share this particular disability.
ii. Hobbies or avocations—activities people enjoy engaging with during their free time.
iii. Serendipity or accidental discovery—something that is identified in the course of seeking something else. There are numerous stories in the business world about entrepreneurs whose ideas came to them purely by a lucky accident. The inventors of a blood coagulant called Quick Relief originally set out to develop a method for purifying water. By accident, they created a product that is now widely used to stop bleeding caused by sports injuries.
iv. Systematic or intentional search—a deliberate effort to find an idea through research.
v. Awareness generated by media, personal and professional networks, etc., with the prospective entrepreneur learning about an issue or a problem through a newspaper account, a television report, or a session at a

conference. An individual in the US who hears about human rights abuses somewhere in Africa may become a social entrepreneur who builds a venture to bring a solution to that problem to its source.

Topic 094: The Role of Innovation

A discussion of the ideas that underlie entrepreneurial ventures, and social enterprises in particular, would not be complete without a discussion of innovation. In order to fully understand innovation, an important distinction must be made between the terms "creativity" and "innovation." These terms are often used as synonyms, but they are not. Creativity is the development of original ideas, or inventions. Innovation is the implementation of those inventions. Entrepreneurs, by definition, are innovators, but they are not always inventors (though some are).

Dees et al. (2001, p. 162) observe that "innovation involves establishing new and better ways for accomplishing a worthwhile objective." In social entrepreneurship the identified "worthwhile objective" is the creative idea; the innovation is the implementation of that idea. SE specific innovations include;

i. The creation of new products or services. In social entrepreneurship, it is, the delivery to market of things that had not previously been conceived of.
ii. A new process for producing or delivering an existing product, service, program, or project. For example, throughout much of the twentieth century, affordable housing for low-income households was delivered by government through the construction of public housing projects, which employed multiple family dwelling units for rental. Habitat for Humanity introduced a new process model by which low-income households, with the help of volunteers, could build their own detached, single-family dwelling, which they then owned.
iii. Delivering an existing product, service, program, or project to a new or previously underserved market. When Muhammad Yunus created the idea of micro-lending, he implemented it with low-income women entrepreneurs in his native Bangladesh.
iv. Utilizing a new source of labor or other production inputs. Greyston Bakery of Yonkers, New York, operates a bakery that produces high-quality baked goods for restaurants and hotels using ex-convicts and other "unemployable" individuals as bakery workers.
v. Implementing a new organizational or industrial structure. Community development banks are private banks, like their commercial banking cousins; however, they do not offer checking accounts or access to safe deposit boxes. Instead, they sell certificates of deposit to their investors and use the money to invest in the development of their communities in a variety of ways.
vi. Implementing new ways of engaging "customers" or target beneficiaries. A relatively new nonprofit social venture in New York City called Blue

Skies uses the Internet to consolidate information on social service programs in the area and streamline the application process for its users.

vii. The utilization of new funding models. The funding of nonprofit social ventures has departed dramatically from a dependence on the traditional philanthropic sources to a greater reliance on the generation of earned income.

Innovation provides the link between ideas and opportunities. Innovation involves the implementation of ideas. This implies, of course, that those ideas are implementable. We will discuss that in a next module on 'Opportunities Recognition', but, first we need to see how innovation brings social change, the ultimate objective of social entrepreneurship.

Topic 095: Innovation and social change

Social entrepreneurial innovation ultimately aims to bring social change. Therefore, a critical research area in social entrepreneurship concerns social outcomes and social change. There is a long list of the fields in which social transformation is observed/expected in the social entrepreneurship analysis (as shared through case studies throughout this course)

- Arts, culture and humanities
- Children and youth
- Community and economic development
- Disaster relief
- Education and research
- Employment training
- Environment and sustainable development
- Health enhancement
- Homelessness
- Hunger and poverty relief
- Rehabilitative services

Yet these are only fields of action: to be more specific, what kinds of social transformation can be identified in current practice?

A first area of social entrepreneurship contribution is employment creation: There are many examples from around the world, such as Juma Ventures, Pioneer Human Services and Rubicon Programs Inc., of how it is possible to create direct employment for at-risk people, otherwise excluded from access to the marketplace. The fact that SEs often employ low-income or at-risk workers does not imply quality reduction or less attention to attracting the best skills. On the contrary, they have the most innovative people on board.

Secondly, SEs' social outcomes extend to the field of access to information. Grameen Bank's telecommunications venture with Norwegian company Telenor is one of the

best examples of how it is possible to stimulate a nonexclusive flow of information, which, in turn, could be the main driver to enhance democracy and reduce overall asymmetry.

Thirdly, SEs can actually contribute to changing patterns of interaction in order to enhance social cohesion through personalization and participative approaches. By contributing to solving or to alleviating the problems of specific groups, and by favoring the integration of disadvantaged people into the labor market with higher wages than those paid by sheltered employment workshops and sometimes for-profit companies, social enterprises also contribute to improving life conditions, the well-being of communities and the level of social integration.

Finally, a general consideration: as innovation, social change is anything but a one-dimensional construct. SEs tend to voluntarily and involuntarily pursue simultaneous, different social outcomes.

Topic 096: Opportunity Recognition

Clearly, opportunity recognition involves movement from an idea to an opportunity. We know what an idea is, but what is an opportunity? If opportunities are implementable ideas, what makes them implementable?

To begin to answer these questions, we attempt to establish a working definition of "opportunity." Timmons and Spinelli (2007) describe the key characteristics of a business opportunity as including:

- the ability to add value for the customer
- adding value by solving a customer problem or fulfilling a customer need
- the ability to capture a market and generate profits
- compatibility with the skill set of the entrepreneurs who pursue them.

Mariotti (2007, p. 18) simply defines an opportunity as "an idea that is based on what customers need or want." Barringer and Ireland (2008, p. 38) state that "[a]n opportunity is a favorable set of circumstances that creates a need for a new product service, or business." With these things in mind, our working definition of opportunity might look something like this:

> An opportunity is a business concept for a product or service that adds value to the lives of its customers by uniquely addressing an identified need or desire in a way that takes advantage of existing market conditions and the skill set of the entrepreneur(s) and ensures the financial viability of the enterprise delivering the product or service.

Like business opportunities, social opportunities have a "window of opportunity." This is the time period within which the social entrepreneur can provide maximum benefit to her or his customer before circumstances change, diminishing the value of

the service. A window of opportunity might be opened by an event, a change in political regime and accompanying policy, a demographic shift, or an emerging trend.

Having defined opportunity, we can now turn our attention to "recognizing" it. In fact, a big part of recognition lies in knowing what it is that you are looking for. The real challenge lies in systematizing the recognition process so that it can be repeated with some measure of consistency in its predictive power. This must be done with the understanding, however, that there is no foolproof way to forecast the success of an entrepreneurial endeavor before it begins. This is due to the fact that entrepreneurship is an organic process, not a mechanistic one. Tools for the purpose of assessing ideas to determine their potential as an opportunity include:

i. The environmental scan, more commonly referred to as the SWOT analysis, from strategic planning is a common tool for evaluating ideas. It permits the entrepreneur to examine the implementation of the idea by strengths and weaknesses that are internal to the operations of the enterprise that will pursue the idea and by threats and opportunities presented by the external environment in which the enterprise operates.
ii. The Outside-In/Inside-Out Analysis model (Longenecker et al., 2006) assesses ideas for their potential as opportunities by looking at the prospective impact of the outside context (defined as the "general environment" and the "industry environment") on the proposed enterprise and at the internal capacity of the enterprise to act.
iii. Timmons and Spinelli (2007, pp. 170–171) developed a tool they called QuickScreen, as its names implies, takes a streamlined approach. There are only three major assessment areas: "Market and Margin Related Issues," "Competitive Advantages: Relative to the Current and Evolving Set of Competitors," and "Value Creation and Realization Issues."

And there are many other adaptations of these and other tools.

Lesson 25

SOCIAL OPPORTUNITY

TOPIC 097-100

Topic 097: Social Opportunity I: Social Value Potential

In order for an idea to be a viable social opportunity, it must have the potential to create social value for the customers, or target beneficiaries. The five criteria for assessing the social value potential of an idea are social need, mission alignment, achievable impact, social return on investment, and community support. First, the idea must meet a true social need. This is a need that has been clearly identified as such. One way to determine the relevance of a perceived need is to survey the prospective target beneficiaries. Their response can help to determine whether or not to move forward with an idea. Another way to determine customer need is to study the results of secondary research on the subject. Books, articles in academic and professional journals, and technical reports can all be sources of information on a given need.

Another measure of social potential is alignment with the social venture's mission. This is probably most germane to social ventures that are already in operation and are exploring new opportunities to pursue. The rule of thumb is that if an idea will not distract the venture from its mission (i.e., will not result in what is referred to as "mission creep"), it is worth exploring as an opportunity. If it will draw human, financial, and physical resources away from the mission, it should be approached with considerable caution.

An idea for a social venture cannot be a viable opportunity if it will not yield an achievable impact. It must produce a transformation—a deep and lasting social change of some kind. This performance must be demonstrable in some way. It is not enough to say that it is your intention to end homelessness; you must be able to show that your efforts as a social entrepreneur can be directly linked to a lower rate of homelessness in your community and that the people you remove from the street do not return. Obviously, there is no way to guarantee that an idea will have impact before it is pursued, but, at the least, there should be the ability to put a system in place to measure and report on progress toward the stated goal. Looking at comparable social entrepreneurship efforts with an eye to understanding how and why they did or did not succeed is one approach to determining the reasonableness of your own expectations relative to your idea.

Going hand in hand with achievable impact as a criterion for social value potential is social return on investment (SROI). In business entrepreneurship, every investor in an enterprise expects a return on investment (ROI). That is, for each dollar they invest, they do so with the hope that they will receive more than a dollar in return. This is the incentive to invest. No investor in a business invests with the idea of breaking even or of losing money. The same should be true for social investments; they should "pay

off" by producing social gains that exceed the value of the initial investment. The difficult aspect of SROI is that, unlike ROI, it cannot always be measured in dollars. How does one accurately monetize lives saved or quality of lives improved? It is a work in progress

The final criterion for determining an idea's social value potential is community support. A true social opportunity has the support of the community (however this term is defined) where it is being pursued. The community must believe in the idea philosophically, must believe in its ability to be effective, and must be willing to, at least, provide political support. This is because the community is a stakeholder in the opportunity in the sense that the social entrepreneur's success in addressing the need will impact quality of life in the community.

Topic 098: Social Opportunity II: Market Potential

The first criterion for determining the market potential of a social idea is its ability to address a customer need or want. Even meeting a customer need may not be enough if the customers do not want, or desire, the service being offered.There have been too many instances of would-be social entrepreneurs attempting to ride to the rescue of people who they perceived needed and wanted what they were offering, only to find that this was not the case. Just like a business person who tries to sell a product for which there are no customers, a social entrepreneur who does the same will soon be out of business.

An important concept in entrepreneurship's market potential is that of the window of opportunity. Every opportunity has one—a specific period of time in which conditions are ideal for a favorable reception of the good or service. The window may be opened by a specific event or pattern shift. The 2010 oil spill in the Gulf of Mexico was a catastrophe that opened a window of opportunity for social entrepreneurs seeking to help natural wildlife, businesses, and entire communities negatively affected by it. How long this window will be open is presently unknown; however, as life along the Gulf returns to normal, the window will surely close. The trick is to enter this market space as close to the time the window of opportunity opens as possible, ie, people feel they need/want the product or service being offered.

In order for a social idea to have market potential, it must be able to attract investor interest. This is true whether the investors are philanthropic organizations, government agencies, or private entities.

Market size is another important consideration when evaluating market potential. True social entrepreneurs, like business entrepreneurs, must "think big" about their opportunities. They should seek to maximize mission achievement by reaching as many customers as possible. A large market does not necessarily ensure a large market share for the social venture, however. How much of that large market the venture captures will depend on how open the market is and how much competition exists in the market ecosystem. These two factors generally work together. In some

markets a strong competitor may dominate the market, with many customers who are loyal to that competitor and unlikely to change their allegiance. An example from social entrepreneurship might be the dominance of Habitat for Humanity in the market for providing affordable housing for lowincome households through homeownership. If a social entrepreneur was seeking to enter this market with a new offering, she or he might find it very difficult to capture market share because of loyalty to Habitat's mission and model by prospective customers and investors.

Of course, for most social problems there is far more demand than there is supply; therefore, markets overcrowded by competition are a rarity.

Topic 099: Social Opportunity III: Competitive Advantage Potential

Pursuant to the discussion of market potential, including an assessment of competitive advantage may seem redundant. However, carefully examining the criteria relative to competitive advantage can prove very useful to a better understanding of one's opportunity. A very important competitive advantage criterion is barriers to entry. As the name implies, these are obstacles that make it difficult for new ventures to enter a market. This acts as an advantage for those ventures that have already entered the same market; the higher the barriers to entry, the longer the venture already in the market has to capture market share before competition emerges. This is why being "first to market" is a highly sought-after position among ventures serving a given customer segment.

Robinson (2006) identifies five types of barriers to entry that have relevance to both business and social entrepreneurship: economic, social, institutional, formal (public), and cultural.

i. Economic barriers to entry usually involve not having access to resources that can build a company up to a place where it can thwart the competition. Such barriers might include not having access to certain intellectual property (e.g., patented technology), sufficient financial capital, or specialized equipment, and so forth.
ii. Social barriers to entry prevent an entrepreneur from having access to social networks in the market that are crucial to success. In particular, these include such resources as labor markets, civic organizations, business organizations, political networks, and other business owners (Robinson, 2006, p. 101).
iii. Barriers to entry that are institutional in nature involve not having access to knowledge about the norms, rules, and values of the community in which business is to be done. This precludes necessary relationships between the business entering the market and public and private actors in the community (Robinson, 2006).
iv. Formal barriers to entry are those that involve the lack of formal institutions for governance, legal interactions, market interactions, and financial capital provision in the context that the company is trying to enter (Robinson, 2006,

p. 103). Most developed countries have these institutions in place; however, many developing countries do not.

v. Cultural barriers are characterized by informal institutions in the context to be entered that present obstacles to the entrepreneur. These include cultural norms, such as dress, etiquette, legends, superstitions, and language and slang, that affect the ability to establish trust (Robinson, 2006, p. 103). These things must be learned and understood if the entrepreneur is to successfully enter the market—something that is extremely difficult.

Prospective social entrepreneurs should research the barriers to entry in their proposed opportunity's market. Information for this analysis can be derived from sources that cover the market and context in which the entrepreneur would be operating. If, for example, the idea being assessed involves creating an organization that facilitates the adoption of orphaned children in Nepal by parents from other countries, the would-be social entrepreneur must understand Nepalese adoption laws, cultural norms regarding orphaned children and adoption, the language of the country, international laws regarding adoption, the human capital (skill sets) required to operate such an organization, physical facilities required, and many other barriers to entering this market. The social entrepreneur must then attempt to realistically determine whether or not she or he can overcome these barriers and establish a venture in this market.

The ability of the social venture's mission to attract investors, suppliers and customers is very important. A mission that is highly compelling can be a powerful competitive advantage. Shaukat Khanum Memorial Trust is a large trust hospital and cancer research center. It has been very successful in its ability to attract donors, partners, and customers because of its mission aimed at cancer research and treatment, a social issue that touches the lives of millions of people in Pakistan and around the world.

The final factor in determining the competitive advantage potential of an opportunity is the management team of the social venture. A strong team that represents the complete skill set necessary to effectively operate the venture can be a decided competitive advantage. Aravind Health Care, India is an example we are familiar with. The skills necessary for successful entrepreneurship are lying within four dimensions: technical, managerial, entrepreneurial, and personal maturity skills. Technical skills are those needed to effectively operate in a given industry. Managerial skills permit the daily operation of the venture on a successful basis: administrative, management, bookkeeping, marketing, and related skills. Entrepreneurial skills include the ability to recognize and act on opportunities, bootstrapping, and risk management skills, among others. Personal maturity includes such skills as the ability and willingness to take responsibility, self-awareness, the management of emotions, and creativity.

Topic 100: Social Opportunity IV: Sustainability Potential

Starting a social venture is of little use if it cannot be sustained over time. Therefore, an idea is not an opportunity unless its financial sustainability is likely. There are five factors that can be assessed to determine an idea's sustainability potential.

The proposed venture's capacity is an important consideration regarding its sustainability. Capacity refers to the physical resources necessary to operate the venture over time. Physical resources might include facilities, equipment, inventory, and the like.

Another important factor in determining sustainability potential is venture capability, which represents the combined skills of the entrepreneurial team, the staff, and the board of directors and/or board of advisors.

Just as it was important to assessing market potential, investor interest is a useful indicator of sustainability potential. It is one factor in the financial sustainability of the proposed venture. There must be sufficient evidence of philanthropic, governmental, and/or private-sector financial interest if the venture is to be sustainable.

An increasingly important indicator of the financial sustainability of an opportunity is its ability to generate earned income, a phenomenon that is frequently referred to as "social enterprise." This is an issue for both for-profit and nonprofit social ventures. Obviously, for-profits must have an opportunity that produces earned income through sales or they do not have a viable business model. For a nonprofit social venture, however, the issues are slightly different. Nonprofits can draw upon both philanthropic financing sources and earned income. Earned income strategies represent uncharted waters for most nonprofits, with considerable concern about the impact of these activities on the tax-exempt status of these venture.

A crucial factor in sustainability potential, just as it was in competitive advantage potential, is having a compelling mission. The more compelling a social venture's mission, the more likely it is that it will be able to attract financial investment for start-up and ongoing maintenance as well as for growth.

Lesson 26

PATHWAYS TO NEW SOCIAL ENTREPRENEURSHIP VENTURES: KEY STEPS AND STRATEGIES

TOPIC 101-106

Topic 101: Introduction

People who have the spark of an idea and are motivated to take action for a social cause often do not know where to start or how to proceed. Those who are successful have been sufficiently persistent to keep their goals alive despite the frustrations of planning, organizing, and leading. They usually do not have training in social entrepreneurship competencies and methods. Starting any enterprise is a challenge, whether it is a for-profit or not-for-profit. It often requires learning skills and building competencies on the go, which means learning the hard way from mistakes and failures. This lecture attempts to outline steps of starting and maintaining a social venture.

Social action follows a cycle of envisioning, formulating, taking action, evaluating, and sustaining. This is a cycle in that it is ongoing and repeats over time as new ideas emerge, learning takes place, needs are met, and new needs emerge. It applies to efforts with long-term goals that are meant to be sustained over time, such as starting an organization to shelter the homeless. It also applies to short-term or one-time initiatives, such as organizing a fund raising event to help a family with a sick child.

Having a clear mission statement and detailed “business” plan are important for any social action initiative, whether it is meant to be an ongoing enterprise with an organizational structure or a one-time event or activity. For structured organizations, we emphasized the importance of board governance, particularly board members’ ethical and fiduciary responsibilities. Social entrepreneurs’ implicit theories about human behavior, development, and attitude change affect the strategies they adopt. Social entrepreneurs are likely to use an influence strategy that provides information about the values, probability, and immediacy of outcomes (cognitive-rational arguments) when they believe people respond to anticipated gains. Social entrepreneurs are likely to use emotional appeals when they believe people respond to anticipated losses.

Topic 102: Envisioning

Envisioning entails identifying the problem and recognizing situational conditions that are challenges, pressures, and opportunities to solve the problem or meet a need. Envisioning requires innovative thinkers who are not satisfied or bound by the status quo (Kaplan & Warren, 2007). The visionary may not be the best person to actually execute the vision in later steps. This visionary may be; a) a business entrepreneur or an employee of a business enterprise, or b) a responsible citizen with no entrepreneurial experience.

An employee in a company who sees a social problem or need that the company can help meet begins talking about the vision to fellow employees and executives. The employee may have an idea for how the company can address the problem. Or the employee may raise the issue but not have a definite idea or authority about what to do, other than that the company should devote resources and take action to solve the problem. Others in the firm need to share the vision and understand that the organization can and should help. They may view this as a responsibility (e.g., reduce waste).

A visionary may be someone with no corporate background, and acting as a good citizen of the community (e.g., help the homeless). The community citizen who is trying to bring about change and social good begins expressing a vision to attract others' attention and commitment. A start would be to hold informal meetings and eventually organize more formal town-hall type gatherings to discuss ways of addressing the issue, solicit resources and support, and form a plan of action. Concurrent actions would be to reach out to stakeholders in different constituencies who care about the issue, e.g., government officials, educators, leaders of religious organizations, directors and boards of existing social service agencies, to solicit support.

In short, envisioning involves identify the problem(s) and need(s) and/or recognize situational conditions. It may also involve direct experience with the problem, seeing an issue close up and personal. Social entrepreneurs focus on ways to create a compelling vision of the problem and potential solutions to attract others' attention and commitment, recognize stakeholders and generate sources of support.

Topic 103: Formulating

In the formulation step, the founder and lead activist demonstrates his or her motivation, skills, and competencies to work on the issue. He or she works with initial volunteers to formulate goals. Together, they become the first adopters—the principal emissaries who communicate the mission and are willing to be identified with it. They set initial action strategies to begin accomplishing their goals. Formulating requires a practical mind for such concrete tasks as analyzing need, determining situational conditions, writing a plan, and setting measurable goals. Within a company, the lead activists need to demonstrate to others that the company should get involved to help the cause. Knowing how to convince others and bring about change helps. This means knowing who controls resources, knowing what the executives of the company are interested in, and describing needs in a compelling way that others are willing to support. Within a community, citizen activists find or organize forums to get their ideas across. They may do this in PTA meetings in the schools, town council meetings, religious services, or simply gatherings of friends who have like interests and see the world similarly. They may begin to develop support structures to garner resources, address adversaries (e.g., residents who don't want a soup kitchen in their neighborhood), and implement solutions. An important part of formulation is

developing a mission statement. Innovative ideas need to be expressed concretely. Transformational leaders need to express their vision. They capture their vision in a mission statement for their social entrepreneurship venture. Consider the mission statement of TED, for example.

‘spread ideas’

while it may seem ironic that a media organization that hosts hours of content would stick to a two word mission statement, it actually fits with their branding. TED exists to share ideas online for free, and talks are usually limited to only 18 minutes. This kind of rapid-fire idea sharing is what makes TED such a lasting presence.

Now, consider the mission statement of a social enterprise, Ashoka,

> Ashoka identifies and supports the world's leading social entrepreneurs, learns from the patterns in their innovations, and mobilizes a global community that embraces these new frameworks to build an "everyone a changemaker world."

Following a mission statement, a business plan needs to be formulated which involves a SWOT or some kind of analysis for opportunity recognition, market analysis and financial plan among other things. Other elements of the plan are to indicate levels of support, establish an operations plan, and foresee possible directions for expanding and/or deepening the effort. Formulating a sound plan of action is a key step in terms of success (or failure) and impact (or lack of it) of a social enterprise.

Topic 104: Taking Action

Taking action is making decisions, allocating resources, holding events, delivering services, and in other ways beginning to make a difference. For example, an action might be placing advertisements in local newspapers to inform others, develop sympathetic attitudes, and increase resources. Knowing how to build commitment, influence others’ decisions, and establish organizational support structures are important competencies at this point.

Social entrepreneurs usually start with social capital (vs. financial capital), such as corporate resources and a network of contacts and supporters within their corporation. Social entrepreneurs recruit fellow employees, contact others outside the organization (e.g., beneficiaries, community support organizations, government agencies) and build momentum.

Taking action also involves formally establishing an organizational structure (legal entity, board of directors, constitution/by laws), formulating a partnership, seeking corporate resources, setting short- and long-term goals, recruiting volunteers (and paid staff at some stage) and seeking donations or investing to earn income/generate excess revenue to provide social services and to further the social mission.

A social entrepreneur may or may not take these various actions him/herself. For example, they might have necessary skills and competencies to write plans, communicate with other stakeholders to generate support but lack technical expertise in production/delivery of the social service involved. That is one reason social capital, social networking and volunteering are important part of social entrepreneurship.

Social entrepreneur's vision informs and attracts stakeholders who make commitments, refine the vision, and shape strategies and goals. Stakeholders' commitments are affected by the clarity of a vision and its tie to their underlying values, beliefs, and emotions. Generally, the social entrepreneur needs to apply principles of good management. It means the vision needs to translate into operational goals that are specific, measurable, actionable, realistic, and time bound (SMART) and that takes us to the next strategy, ie, evaluating.

Topic 105: Evaluating

Evaluation is an ongoing process. However, evaluating first efforts is critical to show that the goals can be accomplished. The first Habitat for Humanity houses showed community members that they could get together to provide low-cost housing for people in great need. This led people in other communities to see they could be effective as well, and the initiative spread quickly. The first efforts showed the challenges, costs, and mistakes (e.g., in the case of Habitat, possibly not having sufficient resources to complete a home or identifying a family who is in great need but who cannot maintain the home) .

Social entrepreneurs are likely to be accountable for their performance to a board of directors and executives; and social entrepreneurship initiatives are likely to be characterized by nurturing those served and those who serve, operating by consensus, and treating all volunteers with equal respect by avoiding status differences. In addition, social impact may not always be monetized or quantified. Thus, evaluating a social enterprise becomes a complex task (and there are both formal and informal ways to evaluate a social venture), however, when done it increases the social entrepreneur's learning and provide direction and resources for accomplishing its objectives. Events and outcomes (whether positive or negative) strengthen the social entrepreneur's engagement and readiness to be flexible and learn.

Some formal tools and methods to measure the impact of a social enterprise and/or to evaluate it include:

The Five Dimensions of Impact framework is a helpful starting point to generate a robust understanding of all of the different ways a social entrepreneurship initiative may be creating change. In this framework, impact is measured along the dimensions of What, Who, How Much, Contribution, and Risk

Social Return on Investment (SROI) is a method for measuring and communicating a broad concept of value that incorporates social, environmental and economic impacts.

Theory of change is another method, which is a simple logic model to help a social enterprise develop a high-level strategy for measuring impact, and figuring out what data points are needed.

Social enterprises can also apply sound business methods to improve their efficiency and effectiveness, and measures of costs per unit can be examined and compared to determine the cost-benefit of different initiatives and methods they use to deliver service.

Topic 106: Sustaining

Social entrepreneurship has emerged as a way to identify and bring about potentially transformative societal change. To succeed, these ventures must adhere to both social goals and stiff financial constraints. Typically, the aim is to benefit a specific group of people, permanently transforming their lives by changing a prevailing socioeconomic condition that works to their disadvantage. Sometimes, as with environmental entrepreneurship, the benefit may be extended to a broader group, but, more often the benefit's target is a disadvantaged or marginalized segment of society that does not have the means to transform its social or economic prospects without help.

However, it has been reported that as many as 40% of all new social initiatives and programs are not sustainable beyond the first few years after its conception and initial funding (Gimmon and Spiro 2013). This alarmingly high rate of failures and a low percentage of sustainability of social enterprises require deeper understanding.

In the context of social entrepreneurship, sustainability has two facets. Firstly, it concerns the need for social enterprises to survive and endure financially over time. Secondly, sustainability can only be achieved after social enterprises have established viability in running their businesses. In other words, social enterprises will not exhibit sustainability until it has demonstrated the ability to achieve both impact and operational outcomes over a period of time.

Social entrepreneurial sustainability is, usually, centred on the integration of three components which are social sustainability, environmental sustainability, and economic sustainability – a concept first introduced and developed by Elkington (1998) and called the triple bottom line. Based on Elkington's triple bottom line framework, sustainability efforts are focussed on areas concerning people, profit, and the planet.

In terms of sustainability, revenue-generating activities by social enterprises are important to achieve social impact that is significant in scale by diversifying their operations. These activities, in turn, will help promote financial sustainability for their organizations. Additionally, the sustainability of social enterprises can be achieved by

maximizing positive impact through the management of healthy and mature ventures by incorporating social equity, economic prosperity, and environmental integrity as part of their business philosophy.

Social entrepreneurial sustainability is essential in the longitudinal path of creating social change.

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Lesson 27

PATHWAYS TO NEW SOCIAL ENTREPRENEURSHIP VENTURES: PRACTICAL HELP TIPS TO PLAN

TOPIC 107-110

Topic 107: Reason to Plan

Most social entrepreneurs will agree that the value of developing a social venture strategy does not necessarily lie in having a finished plan in hand; rather, the real value comes from the process of thinking about and researching the social venture.

The process of planning can assist in thoroughly understanding the social problem a social entrepreneur hopes to solve and the resources s/he needs to launch, develop, and sustain the business. New social ventures that have a strategy, and plan accordingly, outperform those firms that do not (Miller & Cardinal, 1994; Rogers, Miller, & Judge, 1999).

There are four major reasons why entrepreneurs and managers of new social ventures should embrace planning:

i. The probability for success and sustainability increases.
ii. Managerial leaders can more effectively adapt to change.
iii. Planning helps provide a meaningful context and direction for employee and volunteer work.
iv. Planning helps align controls to key social and economic objectives.

Like most strategic planning, it also assists social entrepreneurs in developing their social venture business plan in meeting the demands of the social venture market, potential investors, and employees. Despite the critiques of business plans, either traditional or social (Honig, 2004), numerous practitioners expound the benefits behind using them (Sherman, 2007). “Good intentions without rigorous analysis and smart strategy lead to a waste of scarce resources” (Brock & Ashoka, 2008).

Topic 108: Key Questions to Ask

To initially begin thinking about the plan itself, it is useful to consider first the overall concept and define the social venture opportunity. There are a number of core questions that social entrepreneurs may follow as they embark on defining their social venture concept.

1. New social venture idea

a. The big idea/your solution: Describe the service or product, its unique social value benefit.

b. What social innovation(s) is this venture leveraging? How does this social innovation address the problem or need?

c. Who is your customer that is in need of your service or product? Is there more than one customer group? (Remember to differentiate between the customer who pays, and the end user of your service or product.)

2. Social venture (sustainability) model

a. What are your potential sources of revenue and initial funding?

b. What are your cash needs for the first year of operations? How can you get there?

c. What are your initial financial projections? Provide a simple income statement with revenue, cost of goods sold, other expenses, and projected margins.

d. How do you plan to scale and grow the venture?

3. Market analysis

a. Who is the present competition and possible new entrants? Consider other solutions that exist and already solve your problem/need.

b. What is your competitive advantage? Is this advantage sustainable?

c. What are the critical success factors?

d. What are the critical risks and how, if possible, will you manage them?

e. What is the appropriate segment of customers?

f. What is the marketing plan?

4. Operations and social impact measurement

a. How does this business work? Identify: development/logistics/human resources/physical facilities/operating and sales cycle necessary to fulfill the strategy and mission of the venture.

b. Articulate milestones and longer term goals for your new venture. What is your current status?

5. Management

a. What are the current team's qualifications for executing this plan successfully? (Consider personal connection to mission, background, experience, expertise, network, and advisors.)

b. What is your initial management and governance structure?

c. Who are the necessary key hires? Key partnerships?

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Topic 109: Some Social Entrepreneurship Ideas And/Or Opportunities

Consider the wide range of needs that are ripe for social entrepreneurship and examples of on-going initiatives to address them:

• Environmental protection and quality

• Health care—fight and prevent disease

• Community safety and security – eg, provide shelter and support to individuals suffering from homelessness, domestic violence

• Education – universal access, girls education, inclusion of children with special needs, adult/informal literacy

• Arts, culture, and humanities – eg, provide students and workers of all ages with information related to diversity, multiculturalism on a regional, national, and international levels

• Social Justice - e.g., fight bias and adverse discrimination, support civil liberties, lobby for pay equity, and promote civic engagement

• Hunger and poverty—promote economic development, provide job training, microfinance

Here are some examples of individuals and organizations that address global issues:

• The goal of the World of Good Development Organization is to eliminate poverty and structurally improve the quality of life for artisans in very-low-income craft-producing communities around the world (http://www.worldofgood.org, Emeryville, California).

• Muhammad Yunus revolutionized economics by founding the Grameen Bank ("village bank") in Bangladesh in 1976 to offer "microloans" to help impoverished people attain economic self-sufficiency through self-employment, a model that has been replicated in 58 countries around the world.

• Ashoka was founded in 1981 by Bill Drayton in Washington, DC (now headquartered in Arlington, Virginia). Drayton was one of the early pioneers of social entrepreneurship as a field. Ashoka is a global organization that identifies and invests in leading social entrepreneurs who have innovative and practical ideas for solving challenging social problems (www.ashoka.org).

• Seth Goldman founded Honest Tea in 1998. The company seeks to build communities and create an environmentally healthful product. Honest Tea is certified organic and kosher and the company works with fair-trade farms that practice sustainable farming and demonstrate respect to their workers (see http://www.honesttea. com).

And many more examples have been shared throughout this course.

Topic 110: Proposal Outline

Here is a proposal outline to help you develop a strategic plan for your own social venture. Develop a project proposal plan that includes the following:

1. **Goal: Articulate your mission**

What do you want to do? Why is this cause worth promoting and/or aiding? What is the main purpose of your project? What are the defining features and benefits of this program/project?

2. **Background and motivation**

What is the setting-history behind the need for this project? What is the problem to be addressed? What are some current approaches?

3. **List ways you could approach this project:**

For instance, sell a product or service to make money, which in turn can support the effort; raise funds to support the effort directly; convince one or more companies to help.

4. **Describe the strengths and weaknesses** that you and your proposed organization bring to the effort.

5. **Describe the opportunities and threats** that may influence your success.

6. **Reference any documents or resources** used in planning your program/project.

Lesson 28

DEVELOPING A STRATEGIC PLAN FOR A SOCIAL VENTURE - I

TOPIC 111-115

Topic 111: Importance of Strategic Planning to a New Social Venture

Strategy is defined in many ways, but generally, it involves setting objective/s, identify the actions required to meet the objective/s, mapped against the necessary resources needed to execute the objective/s.

Strategic planning is a 'deliberative, disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or a social venture)) is, what it does, and why' (Bryson 2011, 7–9). In other words, strategic planning is the process of defining the goals of an organization and chalking out the strategies by which these goals will be achieved and resourced.

Strategic planning requires taking a long-range view of the social venture and developing the vision to guide operations (Brinkerhoff, 2000; Bryson, 2004). It involves identifying opportunities and threats in the external environment, and assessing how the venture's internal and external strengths and weaknesses can be leveraged to take advantage of the opportunities and minimize the threats. Although a comprehensive plan may be written, such a plan does not take the place of strategic planning—an activity that should be ongoing throughout the life cycle of the new social venture (Bryson, 1995, 2004).

In addition to information found in a typical business plan (including business description, market analysis and strategy, management and organization description, product and service description, competitive analysis, operations plan, and financial needs and projections) social venture business plans should include:

- Social or environmental innovation: A clear understanding of the social or environmental need or problem it seeks to address, the feasibility of the innovation, and the economic and social or environmental drivers of the business model.
- Social or environmental impact: A practicable approach to measuring organizational outcomes and long-term impact. A social return on investment (SROI) should be demonstrated with a framework that assesses the double or triple bottom-line impact (social, economic and/or environmental).
- Sustainability/scale: The concept business model and how likely it is to make a substantial contribution toward the solution of the need or problem that can be sustained for a period of time consistent with achieving its social or environmental impact.

In the for-profit literature, it is reasonably clear that strategic planning is undertaken to maximize enterprise-wide or sub-unit effectiveness in terms of profit, market share, and other business-related outcomes. In the social enterprise, achieving mission alignment, continuity of effort, and social value addition or social impact could be important reasons for undertaking strategic planning.

Topic 112: Step I: Social Problem to be Solved

Almost all social ventures have a mission to solve a social problem or address a societal concern. In terms of strategic planning, social entrepreneurs need to think, what specific problem do their idea solve? Why is it important? What is the scale of the problem? What are the contributing factors to the problem? Why is it solvable?

Zahra, Rawhouser, Bhawe, Neubaum, and Hayton (2008) have identified these five core areas that make a social problem into a promising social opportunity as shown in the figure 1 below. More specifically, these dimensions include:

- Prevalence—how rampant is the social problem or need in society?
- Relevance—does the aspiring entrepreneur have the necessary knowledge, skills, and abilities (KSAs) to effectively solve the problem and launch the social venture?
- Radicalness—how creative and innovative is the solution to solve the social problem?
- Urgency—does the social problem need a quick, immediate response by the social venture team?
- Accessibility—what is the level of difficulty in addressing a social need through traditional welfare mechanisms, including government interventions or foundation support? For example, if the government has difficulty in effectively solving a social problem, there is a need and opportunity for outside assistance on the part of the social entrepreneur to arrive at a new solution through the social venture.

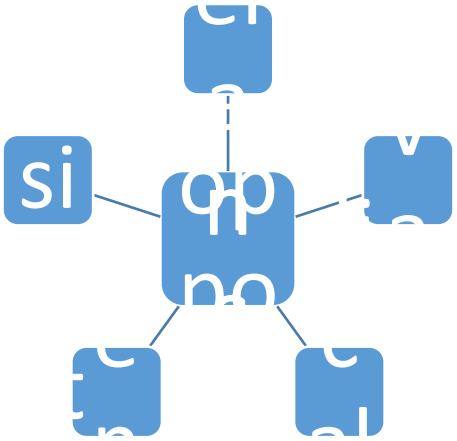


Figure 1

Topic 113: Step II: Vision and Mission

Once the social problem has been identified and the opportunity to create a venture is seen as innovative and sustainable, and can potentially be scaled to other regions, the social entrepreneur will want to develop both the vision and the mission of what her or his social venture does. Developing a vision can also give an image of the change the social entrepreneur seeks to create through the business. Consider what the world could be if the idea or solution were implemented. Ultimately, a vision should motivate and drive the social entrepreneur and the team in the same direction. While a mission addresses how the vision is implemented ie, practical steps to be taken.

An example of a vision from the National Foundation for Teaching Entrepreneurship (NFTE), an organization dedicated to offering entrepreneurship education to underserved youth, is "Every young person will find a pathway to prosperity." A vision also helps the social entrepreneur think about the overall mission of the social venture. It more specifically addresses how she or he can implement the vision and objectives that reinforce how the social venture will operate in solving a pressing social problem. Carrying the NFTE example forward, its mission is as follows:

NFTE provides entrepreneurship education programs to young people from low-income communities.

*How We Do It. . .*NFTE achieves its mission by*:*

- Creating engaging, experiential curricula and tools to improve academic, business, and life skills
- Training and supporting teachers and youth professionals
- Partnering with schools, community-based organizations, and postsecondary institutions
- Offering volunteers meaningful opportunities that connect students to real world experiences
- Linking the educational and business worlds in the classroom and beyond
- Providing services to program graduates
- Demonstrating outcomes of entrepreneurship education through research
- Building public awareness to expand entrepreneurship education

In short, vision is about aspirations, hopes, an ideal state that a social venture wants to achieve (in future), while mission statement is what the organization needs to do now to achieve the vision.

Source: Kickul & Lyons (2012). Understanding Social Entrepreneurship: The relentless pursuit of mission in an ever changing world. Routledge . P. 78

Topic 114: Step III: Theory of Change

Based on the understanding of the problem and the vision or mission, what is the theory about which actions will lead to the results the social entrepreneur wants to

achieve? A theory of change offers a clear road map to achieving results by identifying the preconditions, pathways, and interventions necessary for an initiative's success. It is a statement about causality.

Some examples from social ventures include the following:

- Habitat for humanity: providing families with simple, decent, affordable housing will break the cycle of generational poverty
- low-cost eyeglasses: delivering affordable corrective eyewear to the 1 billion people in the developing world who need it and can't get it will raise the standard of living in those countries through enhanced educational and employment opportunities for the wearers

In conveying a venture's theory of change, it is helpful to articulate it with a logic model that involves all key stakeholders, including your team, employees, volunteers, advisors, and investors (Anderson, 2004; Clark & Anderson, 2004). Developing a theory of change and a logic model is a process of aligning stakeholder goals and expectations with the strategic planning process and business strategy by (1) making underlying assumptions about cause and effect explicit, and (2) examining the dynamics that make the social venture successful on a blended value basis.

The following steps provide the framework of the logic model that can be utilized by social entrepreneurs as they communicate their own theory of change to their stakeholders and community.

1 Resources. Consider: in order to accomplish our set of activities, we will need the following: This can include finding management team, employees, volunteers as well as securing financial capital to launch the social venture.

2 Activities. Consider: in order to address our problem, we will accomplish all of the following activities: This is basically the operating model or working business plan in action. Consider all the strategic planning and processes, marketing, operations, personnel, etc. that need to be implemented for the launch of the social venture.

3 Outputs. Consider: we expect that once accomplished, these activities will produce the following evidence of service delivery. This could include number of graduates from an adult literacy program; number of solar panels installed in homes and businesses; number of workers trained in basic accounting and financial skills.

4 Short- and long-term outcomes. Consider: we expect that if accomplished, these activities will lead to the following changes in one to three years, then four to six years. This could include: greater likelihood of securing employment, higher intentions in launching own business, and improved emotional wellbeing and social behavior.

5 Impact. Consider: we expect that if accomplished, these activities will lead to the following changes in seven to ten years. This could include: lifelong employment and

job security, increased pay and healthcare coverage, and less dependence on the government welfare system.

Topic 115: Step IV: Business Model

This step is about the ways in which the social entrepreneur will put her or his theory into action and develop the firm's business model. Is there an earned revenue stream? In what ways can the social venture sustain itself financially beyond just donations and philanthropic support? Careful attention should be paid to how the venture can generate revenue to support all of the various expenses and costs involved in implementing and pursuing its mission and strategy.

In terms of business models, social enterprises could be embedded, integrated or external (as discussed in earlier modules). They can operate as 'for-profit with a social mission', 'not-for-profit mission focused' or a hybrid. This step needs to be considered not just in terms of mission and resources but also the legal regime under which social venture is being established.

Moreover, part of developing the business model is formulating the social venture's go-to-market (GTM) strategy. A full GTM strategy encompasses the channels that a venture uses to connect with its customers and the organizational processes it develops to guide customer interactions from initial contact through fulfillment. The right GTM strategy has a significant impact on a social firm's ability to cost-effectively deliver its value solution to each of its target segments. Social ventures are becoming increasingly focused and sophisticated in the way in which they compete to create superior customer value at an affordable rate. Broadly, social entrepreneurs can run their ventures using e-commerce tools and techniques or as a conventional market-based venture.

Once the GTM strategy has been developed, identification of the partners that are needed to assist in maximizing success and social impact should be made. The following considerations can be taken into account in the search for partners:

- Identify the partners that will be needed to achieve your vision or mission in terms of competency and knowledge needs in particular.
- Explain the value that each partner will bring to the partnership. What is the contribution each partner is making? Are they highly competent, connected, or experienced? Essentially, why does your social venture need them?
- Why will they need or want to work with you? What is the value your social venture has for each of them? What is the synergy between you and your partner?
- Finally, describe the status of the partnership. Have you contacted them and do they agree to work as a partner? Do you have their leadership and management support?

Lesson 29

DEVELOPING A STRATEGIC PLAN FOR A SOCIAL VENTURE - I

TOPIC 116-121

Topic 116: Step V: Competition

Social enterprises typically work for the social good, therefore, it seems obvious that they would cooperate. However, social entrepreneurs should not forget that healthy competition is also essential. *Social enterprises* are not stand-alone entities. They are part of a value chain, and are in *competition* with other social enterprises.

It is likely that there will be competitors who are providing a similar type of program or service. In consideration of launching the social venture, the social entrepreneurship should be aware of competitors and understand who is providing similar value to its customers. Conducting a competitor analysis helps the social venture position itself in relation to others in the marketplace and create new strategies and value to its customer groups.

The competition can include those that directly compete with venture (direct competitors) or substitutes that also solve the same problem or need as is being addressed through the social business (indirect competitors). Several questions that the social venture should address in this regard include:

- What other solutions exist and what are the implications for your team?
- What other service providers or models are there?
- What's distinctive about yours?
- How much money flows to your "issue" annually and how is it distributed? How will you capture some of those dollars or attract others?

Answers to these questions are important for social entrepreneurs to create and maintain (sustained) competitive advantage, and consequently, not just generate excess financial returns, but rather excess social value – or a balanced combination of both.

Topic 117: Step VI: Management Team and Operational Plan

One of the most crucial components of venture planning is deciding on the team that will be executing the vision or mission of the new venture (Amason, Shrader, & Tompson, 2006). Specifically, the social entrepreneur will want to address;

- What it is about this team that makes it likely that they can execute this plan?
- What is their personal connection to the vision or mission?

- What background, experience, leadership, and expertise do they bring to the social venture?

Also, consider the expertise that they do not have and think about how they can obtain it. As the social venture grows and develops over time, consider how the team composition will change over time. As the social venture scales, a different type of skill set, experience, and leadership may be needed to grow the social business to other regions of the world and to other customer groups and their expectations and needs.

Along with identifying your management team, the social entrepreneur will also want to define an operational plan for the launch and development of the firm. An operational plan details;

(1) the processes that must be performed to serve customers every day (short-term processes)
(2) the overall business milestones that the company must attain to be successful (long-term processes).

In looking at both the short-term and long-term milestones that need to be in place, consider developing a timeline or using a Gantt chart to demonstrate ramp-up to launch and beyond.

Topic 118: Step VII: Growth Strategy

While it may be difficult in the beginning of the planning stages to foresee where the social venture may be after several years of operation, it is important to convey to the team, employees, volunteer, donors, and investors;

what the potential of the social business can be for other customer groups and locations around the world?

What will be the replication of your organization or your model? That is, will the social entrepreneur launch more sites or make your model available for others to implement?

As the venture grows, considerations should be made of the value the social entrepreneur is trying to create and the level of quality needed to perform in order to continue to create value as the social venture grows (Dees, Anderson, & Wei-Skillern, 2004). Given this, how should the social entrepreneur balance the “need for speed” with the quality hurdle to maximize social value creation?

In the business entrepreneurship world, growth is referred to as “scaling” or “scaling up.” The purpose for scaling is to maximize profit by capturing additional market share or reaching new markets. Scaling is pursued for a variety of reasons and in a variety of ways; however, the ultimate goal is increased financial return on investment. While the spread of mission accomplishment is the focus of scaling

/growth in social entrepreneurship, social venture philanthropists, such as Ashoka, Echoing Green, and the Acumen Fund among others demand that the ventures in which they invest maximize their social return on investment (SROI). Foundations want their grant dollars to achieve as much social mission as possible. The emerging paradigm for social ventures, be they nonprofit, for-profit, or hybrid, is that they will strive to expand. Social entrepreneurs are increasingly adopting different growth strategies including capacity building, dissemination, branching, affiliation, and social franchising (as will be discussed later in the course).

Topic 119: Step VIII: Measuring Impact

Although the social entrepreneurship field has matured, its ability to measure the impact of a venture's efforts still remains a significant challenge for most organizations. In fact, one of the most challenging and potentially frustrating aspects of a social entrepreneur's work can be measuring and also communicating the positive social impact. For example, how should we measure the "return on investment" of better health, cleaner air and water, families having nourishing food on their tables, or children receiving education they would not have had access to otherwise? Moreover, the diversity and overlapping nature of the domains encompassed by many social enterprises bring an additional layer of difficulty to this endeavor.

Despite noteworthy advancements in the field, there are still no standard measures of success, and impact data remain quite challenging and costly for social ventures to collect and share. That said, there are a number of ways that the social entrepreneur can communicate the value of their social impact to the community. Part of measuring the impact relates directly back to the theory of change and how the value proposition and activities relate to the outcomes and impact that a social entrepreneur would like to achieve. Approaches to measuring social impact include, among others;

- Cost-effectiveness Analysis
- Cost-benefit analysis
- Social Return on Investment (SRoI)
- Best Available Charitable Option (BACO) ratio

We will more fully discuss tools, resources, and best practices for measuring social impact later in this course, but all social ventures should relate their venture's outcomes and impact to their theory of change (Paton, 2003; Sharir & Lerner, 2005). All indicators should link back to the theory of change, and should take into account the time horizon it makes sense to measure.

Topic 120: Step IX: Financial Plan

One last step in the social venture strategic planning process involves the development of the financial plan and resources needed to effectively launch and sustain the firm (Zietlow, Hankin, & Seidner, 2007). In this last stage, the development of the pro forma financial documents can assist the social entrepreneur

in understanding the amount of start-up capital the firm needs, how the funding will be used, and what sources are available to provide initial seed capital.

Capital is the fuel that powers a social venture, and success can depend on a social entrepreneur's ability to navigate diverse funding sources. Social entrepreneurs have traditionally had two discrete investment sources: grants and fellowships from the public sector or philanthropists and commercial investments and lending from the private sector. With an estimated $6 trillion expected to be directed toward social enterprises by 2052, entrepreneurs and investors are experimenting with hybrid forms of social ventures that generate economic, social, and/or environmental benefits (Fulkerson & Thompson, 2008). Simultaneously, both the national and international social capital markets are calling for and demanding higher levels of transparency and accountability from the social ventures they are funding to demonstrate the impact of such ventures (Rangan, Leonard, & McDonald, 2008). To meet these demands, as a baseline, the social entrepreneur should develop a profit and loss statement, a balance sheet, and cash flow analysis.

In addition, to direct the social entrepreneur to the appropriate capital sources, following questions about the financial drivers of an enterprise need to be considered;

- What combination of financial, social, and environmental value (the triple bottom line) is being created in the enterprise? What opportunities and challenges exist to monetize this value?
- Is financial sustainability a viable goal given the social or environmental mission of the enterprise? Does the enterprise require a specific amount of start-up capital to build operational capacity before it becomes financially self-sustaining?
- What are the earned income opportunities for the enterprise? How do they relate to the overall revenues and expenses of the enterprise?
- Can revenues from one type of service or tiered pricing model be used to provide service to further the social or environmental mission of the enterprise?
- What are the operating efficiencies to the business plan that can generate additional revenue or decrease expenses?
- Does the enterprise generate sufficient excess earned income streams to repay debt?
- What assets does the enterprise own or control which could be used as collateral to support debt?
- Does the enterprise require ongoing grant subsidy because it is creating value for the community or public that cannot be readily monetized?
- What are the working capital needs of the enterprise? Does the enterprise require bridge funding in order to operate until payments are received for the services or products it provides?

- Does the enterprise project sufficient profitability to attract market-rate debt or equity?
- Is equity an option for the enterprise, given the mission and legal structure?

Topic 121: Entrepreneur Marketing Principles

- Entrepreneurial marketing is a "proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation" (Morris, et al., 2002).

- Entrepreneurial marketing is less about a single marketing strategy and more about a marketing spirit that differentiates itself from traditional marketing practices as there are clear differences between traditional marketing and entrepreneurial marketing. The former is customer-oriented, top-down and based on formalized research. While the latter is innovation-oriented, bottom-up, interactive and based on informal networking. Here are six principles to guide an entrepreneur's marketing efforts.

- **1.Using unconventional tactics** (Guerrilla marketing strategies). Social entrepreneurs do not attack competitors head-on. They forge strategic alliances and attack where competitors are weak. The key is self-knowledge regarding one's capabilities and vulnerabilities, coupled with an intimate knowledge of the competitor. The aim is not to conquer but to outlast the opponent, therefore, the use of unorthodox methods that are flexible and allow adaptation to unforeseen situations is critical.

- **2.Respond to changes quickly.** There is a shift in the timeframe of market changes from being measured in years to days, minutes and seconds. Change is happening faster. In order to survive, ventures must accelerate their speed – sensing, responding, acting, changing, adapting, and creating at twice the speed it used to. For the entrepreneurial marketer, this means making decisions faster in order to get the right product to the right customer, with the right price, in the right condition, at the right place, at the right time.

- **3.Improvise.** Social entrepreneurs often do not have the luxury of historical data to guide decisions during the process of exploration and exploitation, especially not when entering new markets, or when radical innovation and new technologies are involved. Entrepreneurial marketers try out several things and keep what works. When the situation is novel, ambiguous and complex, the strategy relies on a process of "enlightened experimentation" that "thrives on serendipity, risk taking, novelty, free association, madness, loose discipline, and relaxed control." Grameen Bank and BRAC are good examples of improvisation.

- **4.Make strategic alliances.** Social entrepreneurs compete by cooperation. By partnering with opponents and adhering to "the rules of the co-opetition game," each competitor strengthened their overall competitive position. At the same time, they limit the room for maneuvering, and preempt head-to-head competition. It is a win-win situation over a shorter term.
- **5.Grow demand.** One of the neglected but most obvious marketing principles is focusing on primary demand, or the ability to grow the overall size of a given market. This type of demand-expanding approach is accomplished either by increasing the total number of users or the average usage rate per user. Demand expansion can be facilitated in various ways, including geographic expansion, focused promotions, the identification of new applications or uses for a given product or service, or the development of new products in a given product category.

- **6.Break boundaries.** In entrepreneurial marketing**,** eliminating competitors is not the quest---making them irrelevant is. But can one make the competition irrelevant? They can do so by becoming a champion of ideas, to test unchartered waters, by creating future as well as by redefining the present.

Lesson 30

ORGANIZATIONAL STRUCTURES FOR SOCIAL ENTREPRENEURSHIP

TOPIC 122-124

Topic 122: Introduction

In this module we introduce the alternatives available to social entrepreneurs as they design and structure their ventures from a legal and organizational perspective. These include forprofit, nonprofit, and hybrid models, each with their own advantages and limitations which will be discussed in detail in the next few modules.

Before entrepreneurship became a major factor in the accomplishment of social goals, the delivery of social services was largely accomplished by entities labeled "charities" or "charitable organizations." Usually, these were tax-exempt organizations that the governments around the world would gladly relieve of their taxpaying duties because they were undertaking difficult activities that government officials were unwilling or unable to perform in areas such as health, education, and community development (Lasprogata & Cotten, 2003). Furthermore, governments at all levels routinely channeled public grant monies to these entities to help them sustain their efforts. These organizations had a simple nonprofit structure, and because they were clearly engaged in activities that neither the private nor the public sectors had an interest in pursuing, there were rarely conflicts between this sector and the other two. However, things changed substantially in the 1980s, when social entrepreneurship entered the field.

Once a social entrepreneur has identified an opportunity to pursue and developed a mission, vision, and strategic plan for the venture that will pursue it, deeper thought can be given to the organizational structure of her or his venture. Some of the questions that potential social entrepreneurs need to ask include;

- What are the organizational design options available?
- How should the venture be designed to maximize its effectiveness in achieving its mission and to create significant impact?
- What are the legal implications of a given organizational structure?
- How does legal structure affect the venture's ability to acquire resources, particularly financial resources?

The decision regarding organizational structure is a very serious one that requires careful consideration. It can affect a social venture's financing, accountability, and legitimacy, and consequently the social impact it aims to create. One way to frame the range of structural options available is as a spectrum, or continuum, with a purely nonprofit form at one end point and a purely for-profit structure at the other. Between these two options lie a host of hybrid structural forms: for-profits with nonprofit

subsidiaries, nonprofits with for-profit subsidiaries, nonprofit partnerships, and nonprofit–for-profit partnerships. Figure 1 offers a simple depiction of this spectrum.



FIGURE 1. The Spectrum of Structural Options in Social Entrepreneurship Source: Dees, Emerson, & Economy (2001, p. 70)

We will take each of these major structural forms in order and examine them in some detail in the next few modules.

Topic 123: Pure Nonprofit

Despite their name, nonprofit organizations are not precluded from generating a profit. They can produce excess revenue (that which exceeds their costs) as long as they observe the "private inurement doctrine." This legal restriction holds that a nonprofit may not distribute its earnings among its investors and owners. These earnings must be plowed back into the organization and its pursuit of its mission. Around the world, many countries' laws governing nonprofit entities typically contain such restrictions or prohibitions on private benefit and inurement. Also, nonprofits are not necessarily tax exempt, though most are.

In Pakistan, nonprofits are regulated through an array of laws including…… FBR under section 2(36) of the Income Tax Ordinance, 2001 can approve an entity as a Non-Profit Organization (NPO) for the purposes of tax credit and other benefits admissible under the Income Tax Ordinance, 2001.

One of the chief advantages of adopting the nonprofit structure is the multiple options it affords for generating revenue. Not only does it provide the ability to produce earned income, within the limits discussed, but it makes the social venture eligible to receive philanthropic money—both traditional and nontraditional. There are several types of traditional philanthropy: individual donations, foundation grants, government grants, and corporate giving.

Individual donations account for the greater part of philanthropic giving. Although there are fewer foundation grants to be had, they are popular with nonprofit social ventures because they usually provide larger amounts of money (Wei-Skillern et al., 2007). Increasingly, they come with significant strings attached, as foundations are holding their grantees accountable for outputs, outcomes, and impact. Social ventures that pursue foundation grants should be prepared not only to compete vigorously for them but to meet rigorous reporting requirements throughout the granting period as well.

The availability of government grants has generally waned in recent years. However, their accessibility tends to vary with the ideology of the government leadership and with which social issues are in good currency at the time.

Corporate giving offices have long supported charitable activity in the community or communities where these businesses operate for the purposes of receiving tax write-offs and generating goodwill among customers and prospective customers. These grants are usually relatively small and one-off.

Traditional philanthropy presents some challenges to nonprofit social ventures. One such challenge is that grants tend to be short term, typically from one to three years. Yet, as is emphasized in this course, social problems are long term. Thus, nonprofits that receive grants find themselves continuously applying and reapplying for them. This takes time and effort away from pursuing their mission.

Another challenge is that grants tend to be highly categorical—that is, funders have very specific activities they want to fund. These activities often constitute only a small portion of the nonprofit's mission. This means that nonprofits must spend considerable time cobbling together funding from multiple sources to cover their various activities. This is highly inefficient (Wei-Skillern et al., 2007).

A third challenge is that many funders only want to fund innovations in their area of giving or to fund high-visibility tangible assets that lend themselves to generating publicity. For example, most foundations seek to fund the launch of new approaches to solving social problems. This allows them to associate themselves with creative thinking and position themselves as champions of social innovation. However, once the new social venture is launched, they are often no longer interested in funding its operations.

Governments are guilty of similarly flawed thinking in their granting decisions.

As a result of these challenges and the serious problems they create for social entrepreneurs, several forms of nontraditional philanthropy have emerged in recent years. These include social venture philanthropic organizations, private market investments, e-philanthropy, and longer term loans by foundations (Wei-Skillern et al., 2007). Social venture philanthropy is epitomized by such organizations as Ashoka, Echoing Green, and the Acumen Fund.

While the purely nonprofit structure offers considerable choice in sources of financing, it is limiting in other ways. It is restricted in the amount of earned income it can generate. It relies heavily on the largesse of others, and, as a result, is beholden to their agendas, objectives, and whims. For these reasons, many social entrepreneurs are opting for for-profit structures for their ventures.

Topic 124: Pure for Profit

The pure for-profit structure for social ventures follows the same conventions as those observed by for-profit commercial ventures. The chief difference is that the former pursue a social mission. They are seeking to do good and to do well at the same time. Because of this, they must hold themselves to high ethical standards. Their ability to sell their products or services, earn a profit, and achieve their social mission is very reliant upon the goodwill they generate with their customers and the general public.

Depending on a country's legal regime, there are several legal structures available to entrepreneurs who choose to structure their venture as a for-profit.

The simplest is the sole proprietorship. It is inexpensive and relatively easy (in terms of government requirements) to start. It has a single owner, who pays taxes for the entity through her or his income tax. The biggest drawback to this structure is that the owner is solely liable for debts incurred should the venture fail. That is, the owner bears all the market risk.

Another for-profit structure is the partnership. This is the same as the sole proprietorship in every way, except that the venture has two or more owners. These owners share the tax burden and liability.

A third for-profit structure is the limited liability corporation (LLC). This business form may have a single owner or partners. Despite the fact that it is considered a type of corporation, an LLC cannot sell shares. However, just as in the case of a corporation, the owner is considered separate from her or his business entity; therefore, liability is borne by the LLC, not by its owner(s). Thus, an LLC has the benefit both of being relatively easy and inexpensive to start and of limited liability for the owner.

The final major structure available to for-profit social ventures is the corporation. There are various types of corporations in different countries. While, the decision about which structure to choose for a for-profit social venture must be determined by the social entrepreneur's goals and priorities, in light of her or his mission, there is an emerging type of corporation that is not yet widely recognized in a legal sense or known by the general public, but, of interest to social entrepreneurs. It is the "Benefit corporation" ("B corporation"). B companies are certified and must meet performance standards relative to their impact on their community and the environment and their accountability to employees and consumers (bcorporation.net, 2010).

Unlike pure nonprofit social ventures, for-profits do not have a widely diverse array of financial resources from which to choose; however, there are several. Among these are FFF (family/friends/founder), gap financing, commercial bank loans, mezzanine capital, angel capital, and venture capital.

While they are not without regulation, for-profit social ventures are not subject to the same level of scrutiny as are nonprofits. If they are privately owned (not publicly

traded) they do not need to disclose their financial statements. Also, they can more easily protect their intellectual property. In sum, they have more control over what they do and how they do it.

Social entrepreneurs who choose the purely for-profit structure enjoy greater control over their ventures and the opportunity to generate earnings (profits) that they, as owners, can keep for themselves, while solving a social problem(s) at the same time. However, they must wrestle with the dilemma of trying to run a business that is attempting to make a profit and a business that is pursuing a social mission at the same time. This is much more difficult than it may seem on its surface and sometimes causes for-profit social entrepreneurs to seek out other structural options, ie, hybrid which we'll examine next.

Lesson 31

ORGANIZATIONAL STRUCTURES FOR SOCIAL ENTREPRENEURSHIP - II

TOPIC 125-129

Topic 125: Hybrid I - For Profit with Nonprofit Subsidiaries

As the name implies, hybrid structures assumed by social ventures represent various combinations of structural elements from nonprofit, for-profit, and/or government organizations.

Sometimes, social entrepreneurs find it too difficult to pursue their mission through a for-profit structure alone. In some cases it can be detrimental to the success of the profit-making company to attempt to deliver on its social mission at the same time. This is when for-profits create a nonprofit subsidiary to handle the distribution of its after-tax profits for social causes.

In other cases, for-profit social entrepreneurs have decided that they need more than the earned income generated by their ventures to expand their mission achievement. With this in mind, they sometimes create a nonprofit subsidiary that can accept donations and grants that the for-profit could not attract.

It is not always possible to readily create a hybrid solution, however, as the social entrepreneur may be limited by the laws in the context in which she or he is operating. For example, in Germany, social entrepreneurs do not have such option. US social entrepreneurs have some options in this regard. In the United Kingdom a new designation called the "community interest company" has been created. This is a for-profit structure that allows for putting a larger share of profits toward a social mission and for reduced compliance with government regulations.

Pakistan has some options available, eg, Hashoo Foundation is a nonprofit subsidiary of the corporate Hashwani group. Hashoo Group Chairman and Hashoo Foundation Patron-in-Chief Mr. Sadruddin Hashwani established the organisation in 1988. The foundation is the primary implementing agency of Hashoo Group's Corporate Social Responsibility (CSR) Policy and is recognized by FBR as a NPO under the Income Tax Ordinance 2001.

Topic 126: Hybrids II - Nonprofit with For Profit Subsidiaries

Sometimes, frustration resulting from the limitations of organizational structure is on the part of entrepreneurs operating nonprofits. They cannot sustain their social ventures on philanthropy alone, and they are troubled by the legal vagaries surrounding the generation of earned income by tax-exempt nonprofit organizations as well as the claims of unfair competition from for-profit ventures (Brinckerhoff,

2000). They may also envision a double benefit to be derived from operating a for-profit venture in conjunction with their nonprofit: not only could the for-profit be an additional source of revenue that is unencumbered by the private inurement doctrine, but it could also engage in values-based activities that further the nonprofit's mission.

In Pakistan, there are some organizations working as 'foundations', eg, Kashaf, however, there is not a clear division of nonprofit parent and for profit subsidiary. One example of this form of hybrid structure is Greyston Bakery, located in Yonkers, New York. Simply put, Greyston has a nonprofit parent organization— Greyston Foundation—with a for-profit subsidiary—Greyston Bakery—but it is a true hybrid because these two entities work together seamlessly.

To make this relationship clearer, some background is in order. The bakery itself was founded in 1982 by a former aerospace engineer turned Zen Buddhist priest named Bernard Glassman. Glassman and his meditation group first established the bakery to provide themselves with a livelihood. However, this soon shifted to providing employment to those individuals in the community who are considered "unemployable" (e.g., former drug addicts, prisoners, and recovering alcoholics). It became apparent to Glassman that merely providing these individuals with a job was not enough. They needed affordable housing, social services, and health care as well. This is when a nonprofit foundation came into the picture. The Greyston Foundation could manage the venture's charitable giving, accept donations and earn grants, and coordinate interactions with other nonprofits in the community.

Instead of making the for-profit venture the parent and establishing the nonprofit foundation as its subsidiary, Glassman chose to do the opposite. This is in keeping with his vision for individual development and subsequent community economic revitalization.

Brinckerhoff (2000) offers some very practical considerations when exploring the viability of nonprofits with for-profit subsidiaries. A for-profit subsidiary must pay taxes on its profits before donating them to its nonprofit parent. Each should have its own distinct board of directors, which can share a few overlapping members but may not have precisely the same members (Lasprogata & Cotten, 2003).

Topic 127: Hybrids III – Nonprofit with Nonprofit Subsidiary

There are instances in which nonprofit social ventures find it beneficial to create their own nonprofit subsidiaries. This form of hybrid social venture might be adopted for several reasons; among them to undertake business activities that are not related to the parent organization's mission but that generate revenue; to increase the prospects of receiving certain grants; to avoid a loss of grant money from funders that reduce their grants if other revenue sources are found; to maximize income from property holdings by placing them in an arm's-length nonprofit separate from the parent; or to establish an endowment through the creation of a nonprofit foundation (Brinckerhoff, 2000; Lasprogata & Cotton, 2003; Thompson & Thompson, 2010).

The creation of a nonprofit–nonprofit hybrid by the New York City-based social venture ReServe: Next Steps for Older Adults provides an illustration. ReServe is an organization with the mission of placing retirees in jobs at nonprofit organizations that pay a small stipend and provide an opportunity to use the skills that the retiree has developed over a lifetime to benefit the nonprofit to which they are assigned. Nonprofit agencies that hosted the ReServists were happy to pay the stipend in exchange for the services of a skilled retiree; however, they were not enthused about handling the payroll for the ReServist(s) they hosted (Robert Wood Johnson Foundation, 2007).

The host nonprofits did, however, indicate that they would be willing to pay extra if ReServe would manage the payroll of their ReServists. While payroll management is not an activity that is directly related to ReServe's mission, it does afford the opportunity to generate additional revenue to the organization. With this in mind, ReServe created a nonprofit subsidiary, the chief function of which is to handle ReServists' payroll (Robert Wood Johnson Foundation, 2007).

Topic 128: Hybrids IV - Nonprofit-Nonprofit Partnership

Nonprofit–nonprofit partnerships, often referred to as nonprofit consortia, are not the same as the nonprofits with nonprofit subsidiaries described in the previous subsection. A consortium suggests the coming together of two or more nonprofits in a mutually beneficial relationship that allows each member to achieve more than they could alone. By pooling resources in an efficient manner they can maximize mission achievement and community benefit (Lasprogata & Cotten, 2003).

Nonprofit consortia tend to take one of two legal forms: cooperative ventures or strategic mergers or consolidations (Lasprogata & Cotten, 2003). Cooperative ventures, or cooperatives, in the nonprofit arena can have many partners or very few. These partners come together to pursue a joint venture. The partners may have an equal financial stake in the cooperative or they may have varying stakes. No matter the size of each partner's stake, however, they all have equal control over the cooperative's board of directors. This makes cooperative ventures especially attractive to small nonprofits, as they can operate on a level playing field with much larger nonprofits.

Examples from Pakistan include Tribal NGO Consortium, established to facilitate cooperation, collaboration and communication among organizations working for peace and development in FATA, Pakistan, and *Indus Consortium for Humanitarian, Environment, and Development Initiative which* is an umbrella of 64 civil society organizations in Pakistan.

Nonprofit mergers and consolidations create the same result: one organization out of two or more. Mergers involve the absorption of one nonprofit by another. The nonprofit that does the absorbing (the legal term is "liquidating") acquires the liabilities and assets of the nonprofit that is absorbed. Consolidations involve the

coming together of two or more nonprofits into a totally new nonprofit venture. Either way, one organization loses its identity, ie, its mission. The best way to combat resistance to merger or consolidation is to educate the prospective parties to its benefits: integration of services, expansion of client markets, expansion of resource pools, fuller attainment of mission, and survival.

Around the world, nonprofit mergers continue to face opposition from those who fear job layoffs and mission creep, they appear to be an increasingly popular alternative for stressed organizations, especially in financial issues.

Topic 129: Hybrids V - Nonprofit- For Profit Partnership

Nonprofit–for-profit partnerships are sometimes referred to as cross-sector alliances. They tend to be long term and focused on the partners working together toward a social goal. They are particularly attractive to larger businesses that want to engage in activities that improve the quality of life of the communities in which they do business.

Successful nonprofit–for-profit partnerships tend to have several common characteristics. According to Lasprogata and Cotten (2003), these include:

■ a perception by the partners that the partnership is mutually beneficial

■ a complementarity of strategies between the partners

■ a good fit between the cultures of the partnering organizations.

Activities that benefit both partners are the hallmark of long-lasting partnerships of any kind (Hamlin & Lyons, 1996).A partnership in which only one partner benefits is not a partnership but a case of co-optation, and a partnership that benefits no one is a waste of time and resources.

Many nonprofit–for-profit partnerships have a strong marketing component. This is often referred to as cause-related marketing. A nonprofit with a strong brand (a name and a mission that are highly recognizable and respected) is an attractive partner to commercial businesses because they can benefit from associating themselves with that nonprofit brand. By including the nonprofit brand in their advertising and packaging they can attract customers who have an affinity for the mission of the nonprofit partner. For its part, the nonprofit benefits from the resources it receives from its for-profit partner in exchange for the use of its brand. It should be remembered by nonprofits that their brand has a value, and they are entitled to payment for use of their brand (Wei-Skillern et al., 2007). Furthermore, in many cases opportunities are created for additional donations to the nonprofit when customers buy the for-profit's products.

An example is a Pink Ribbon campaign for breast cancer, which is a huge brand. They partner with corporate sector and when a consumer see the Pink Ribbon logo on,

say, yogurt pack, they tend to prefer it over other brands which brings profit to yogurt manufacturer who, in turn, donates $1 to Pink Ribbon on sale of each yogurt pack.

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Lesson 32

FUNDING SOCIAL VENTURES - I

TOPIC 130-132

Topic 130: Introduction

It is important to provide direction for potential social entrepreneurs in defining the specific capital needs of their ventures with the goal of achieving financial sustainability while balancing social and economic considerations.

Capital is the fuel that powers a social venture, and success can depend on a social entrepreneur's ability to navigate diverse funding sources. By considering investors as partners in the creation of meaningful impact rather than just funding sources, social entrepreneurs can build more scalable and effective enterprises.

As mentioned earlier in modules on organizational structures, social entrepreneurs have traditionally had two discrete investment sources: grants and fellowships from the public sector or philanthropists; and commercial investments and lending from the private sector. However, with the development of the sector, social entrepreneurs face an ever expanding set of funding options (which we'll discuss in the next lecture). Table 1 below outlines several of these sources and examples that have traditionally been offered, as well as new funding sources internationally.

Table 1 Sources of Funding for Social Ventures

Sources	Grants	Fellowships	Crowdfunding/ Online platform	Angels/ Venture Capitalist	Loan Providers
Examples	Social Innovation Fund, Kaufman Foundation, Dosomething.org, Google grants	Acumen Fund, Ashoka, Echoing Green, Skoll Foundation, Unreasonable Institute	Kiva, CauseVox, Change.org, Chase Community Giving, Pepsi Refresh Project, Kickstarter	Blue Ridge Foundation, Calvert Group, Good Capital, Gray Gray Ghost Venture, Investors' Circle, Mission Markets	Calvert Foundation, Shorebank, Triodos Bank, Partners for the Common Good, Wainwright Bank

A new generation of entrepreneurs and investors are increasingly combining the creation of social and environmental impact with the tools of investment (Godeke & Bauer, 2008). This social capital market involves both for-profit and non-profit organizations pursuing financial and social returns while utilizing both philanthropic and financial investment strategies. These blended value investors and social entrepreneurs understand that social or environmental value cannot be neatly separated into financial and societal pieces (Emerson & Spitzer, 2007; Emerson, Fruchterman, & Freundlich, 2007; Godeke & Pomares, 2009). While this gulf between profit-maximizing financial investment and "give-it-away" charity is gradually narrowing, social entrepreneurs still find it difficult to monetize the blended value they create for reasons already discussed in various modules.

Topic 131: Challenges in Raising Funds

Social ventures are mission oriented, however, this mission does not necessarily make them attractive for investors, especial those who invest for profit. Therefore, new social entrepreneurs are faced with various challenges in raising funds for their ventures. Some of these challenges are as follows.

- Social enterprises tend to use transformative and disruptive forces to create impacts which may accrue to a segment of society or society at large rather than a discrete set of customers. In other words, the recipients or beneficiaries of a social enterprise's service or product may not pay for it directly. This can lead to an externality that hinders the social enterprise from optimizing its business model.
- In this social capital market, the demand typically comes from social entrepreneurs who need capital to move beyond the start-up phase of their businesses. This is a significant funding gap for social enterprises, be they nonprofit or for-profit ventures.
- Raising capital for collaborative activities is difficult because the benefits cannot be completely captured by the social enterprise. For example, highly cost-effective programs that reduce societal costs may not be captured by the public budgeting process.
- Although social entrepreneurs may provide innovative solutions, funders of existing programs may not have the risk appetite to

support new projects in lieu of existing programs.

- The time horizon needed to address social and environmental issues may not be aligned with the time frames of the potential funders. Social enterprises are typically designed to maximize value in the long term, while investors tend to have shorter time horizons. While social entrepreneurs may find favorable donor funding, these public-sector and philanthropic sources can be unpredictable over time.
- Traditional early-stage investors expect to receive an appropriate risk-adjusted return on their investments to compensate for the risk of start-up ventures. Given that mission-related impact is the goal of a social entrepreneur rather than wealth creation, these return expectations can be misaligned with the income generation ability of the social enterprise.
- Hybrid structures can raise issues of subsidies among the public, philanthropic donors, and private-sector players. Philanthropic donors cannot just mitigate the risk of commercial investors, but need to advance their charitable goals. This sharing of the blended value may raise issues of public subsidy being captured by private investors, thus impeding the flow of capital.
- Finally, social entrepreneurs cannot rely solely on market signals and pricing to indicate to potential investors how successful they have been in achieving mission-related impact.

Topic 132: Establishing the Capital Needs of Social Ventures

Before approaching potential investors, it is essential to have a clear understanding of the nature of the enterprise's financial drivers in order to determine the appropriate investors and to understand the reasons a particular type of capital (grant, debt, equity) makes the most sense, given the business plan. The following questions about the financial drivers of an enterprise can direct the social entrepreneur to the appropriate capital sources (Godeke, 2006; Godeke & Bauer, 2008; Godeke & Pomares, 2009):

- What combination of financial, social, and environmental value (the triple bottom line) is being created in the enterprise? What opportunities and challenges exist to monetize this value?
- Is financial sustainability a viable goal given the social or environmental mission of the enterprise? Does the enterprise require a specific amount of start-up capital to build operational capacity before it becomes financially self-sustaining?
- What are the earned income opportunities for the enterprise? How do they relate to the overall revenues and expenses of the enterprise?
- Can revenues from one type of service or tiered pricing model be used to provide service to further the social or environmental mission of the enterprise?
- What are the operating efficiencies to the business plan that can generate additional revenue or decrease expenses?
- Does the enterprise generate sufficient excess earned income streams to repay debt?
- What assets does the enterprise own or control which could be used as collateral to support debt?
- Does the enterprise require ongoing grant subsidy because it is creating value for the community or public that cannot be readily monetized?
- What are the working capital needs of the enterprise? Does the enterprise require bridge funding in order to operate until payments are received for the services or products it provides?
- Does the enterprise project sufficient profitability to attract market-rate debt or equity?
- Is equity an option for the enterprise, given the mission and legal structure?

On the basis of a clear understanding of these financial and mission drivers, a social entrepreneur can approach the correct investors. In general, sectors with hard assets can be more readily financed, while other, non-asset-based sectors, such as human services, may need to demonstrate predictable revenues from fees if they are to be "bankable."

Lesson 33

FUNDING SOCIAL VENTURES - II

TOPIC 133-135

Topic 133: Risk, Return And Impact

Investors who seek to make investments that generate social and environmental value as well as financial returns (Monitor Institute, 2009) are not a homogeneous group. Different types of investors coexist: institutional, philanthropic, or high-networth individuals. Institutional investors include public and private pension funds, insurance companies, or banks. Under the label "philanthropic," one can find foundations and nonprofit organizations that decide to make impact investments. Depending on their values and intentions to invest, they all consider risk, return and impact of their investment.

In a well-functioning capital market, risk is inversely related to return. A major goal of designing and managing an investment portfolio is to maximize total return while keeping overall risk at an acceptable level. With the introduction of the additional dimension of impact, investors' perceptions and considerations of the risk and return relationship will be altered. Social entrepreneurs must find alignment with their investors' social or environmental impact goals as well. Successful investors in social enterprises seek to continually tighten the link between their investment decision making and generation of impact. The social entrepreneur must understand how a potential investor's values and mission, theory of change, and impact themes align with her or his own.

Topic 134: Match Between the Venture and Investors' Goals

For a social venture, both the values and the mission should be aligned with the intentions of the possible investors. Outlined below are several concerns when a social entrepreneur is trying to find the right match between the venture and investors' goals.

- Motivation: Understanding investor intent is key to raising capital. Investors can have very distinct motivations in seeking financial returns. While philanthropists may have personal connections to a particular mission, large institutions such as pension funds or foundations may be targeting specific policy objectives.
- Issues: Investors typically establish clear program and sector guidelines to prioritize investment opportunities. Do the social enterprise's issues meet these guidelines? Is the enterprise focused on widespread global problems

such as poverty, disease, or climate change, or specific or domestic issues like literacy, local education, or affordable housing? Geographic choices must also be made, as well as decisions about how a social enterprise can best effect change— through leaders, institutions, or both?

- Evaluation: Investors establish benchmarks to compare their investment and assess performance. What is the investor's time horizon and level of engagement? What is their tolerance for risk?
- Approaches: Is the social enterprise's strategy to create impact (its theory of change) in alignment with the investors'? What problem is it trying to solve? Does the investor want to support philanthropic efforts or attract commercial capital? A social enterprise should understand how its own activities line up with the impact themes of particular investors.

Topic 135: Case study - From Grameen to BASIX, a New Approach to Microfinance

Since the pioneering origins of Grameen Bank over four decades ago, microfinance has grown into a formidable industry. Muhammad Yunus's vision of microfinance was to break the cycle of poverty by lending to the poor for small businesses that were not serviced by the existing banking infrastructure. In his experience, because of their lack of any other option, the poor were being exploited by loan sharks that charged up to 10 percent interest per day. Grameen would change all that by offering microloans at a tiny fraction of that interest rate.

In order to scale the model, Grameen offered one simple loan product, which required equal weekly repayments over fifty-two weeks. Grameen dealt with collateral by requiring loans to be "guaranteed" by four other residents of the village. This was called the joint liability model, which essentially relied on peer pressure to ensure high repayment rates. Indeed, the model scaled well, and by 2008 there were more than 3,000 microfinance institutions with over 150 million customers and an estimated $30 billion in outstanding loans.

Most of these institutions have simply applied the Grameen model to their respective markets. However, with its success and high returns has also come much criticism. Some claim that microfinance is creating a debt trap for the poor. Others believe the interest rates being charged are still too high (typically over 20 percent per annum). In addition, some unscrupulous players are simply cheating poor borrowers.

Recognizing the need for a modified approach, BASIX was set up in Hyderabad in 1996 by the social entrepreneur and visionary Vijay Mahajan. BASIX is a livelihood

promotion institution with three essential legs to its business: financial services, agricultural/business development services, and institutional development services.

Unlike most of its peers, BASIX wraps micro-lending with an array of services to enhance the sustainability of the businesses that it funds. BASIX also offers a variety of loan products in order to cover the agricultural sector as well. Services that BASIX offers include advisory for agricultural yield enhancement, value chain growth, improving access to suppliers and customers, formation of federations and cooperatives, and accounting and management systems. Such a variety of offerings does call into question the ability for an organization to scale. However, in 2010, BASIX had over 1.5 million customers in sixteen states in India making it the fourth-largest microfinance institution in India and among the top ten in the world.

Over the years, BASIX has developed vertical knowledge in cotton, groundnuts, dairy, soybean, pulses, and vegetables, and has applied similar models to enhance livelihood in these sectors. While its approach takes longer to realize returns, the BASIX model fosters the creation of high-margin, high-growth businesses with exceptional loyalty—the kinds of customers any institution would yearn for. The effort involved is high, but it is certainly a powerful new approach to microfinance where everyone can win.

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Lesson 34

FORMS AND SOURCES OF FUNDING FOR SOCIAL ENTERPRISES - I

TOPIC 136-138

Topic 136: Grant Funding

Although early-stage finance is critical to the growth of most ventures, it is even more important for social ventures as they face the challenges of balancing their social and commercial objectives. It is important to note that funding sources differ dramatically by social enterprise subsector. For example, health care related social enterprises account for a disproportionate share of the sector's fee-for-service revenue.

Grant funding is offered by charitable, philanthropic, and government bodies who do not expect a financial return but are instead investing in the social outcome that the social enterprise promises. Philanthropic grants provide social ventures with flexibility to invest in human capital without pushing them to pursue short-term financial objectives, and that receiving a philanthropic grant provides a signal that is interpreted differently by debt and equity financiers.

A number of foundations, including Ashoka and the Skoll Foundation, provide seedstage and growth-stage grants to social ventures. The Draper Richards Foundation for Social Entrepreneurship, for example, provides early-stage grants of $300,000 over three years to social entrepreneurs. Additionally, some investment funds are aimed at specific disadvantaged regions or populations. For example, the Acumen Fund, a nonprofit global venture fund based in New York, focuses on locations in India, Pakistan, and East Africa. Yasmina Zaidman, a spokeswoman at Acumen, says that the fund's social investors or donors are not interested in reaping financial rewards. Instead, she says, "they are looking to invest in philanthropic ventures; the return they're looking for is the social impact."

Topic 137: Impact Investing: Commercial and Philanthropic

Impact investing can be defined as "investments intended to create positive impact beyond financial return" (JP Morgan Global Research, 2010). The difference with philanthropy lies in the fact that philanthropy has traditionally focused on gifts made by individuals and organizations to benefit society and the environment, whereas impact investing requires a minimum of return of principal. Altruism, externalities (e.g., climate change), and information asymmetries all create opportunities for impact investors to make a difference. The opportunities for the field include a growing interest among capital providers who seek diversification and a new approach to money management that enables them to also "make a difference"; a greater recognition of the need for effective solutions to social and environmental challenges (e.g., new investment opportunities) and early successes in the fields of microfinance, community development, and clean tech.

Impact investors approach the question of financial return and impact very differently, ie, they make a distinction in terms of commercial and philanthropic investment. The authors of an impact investing report by the Monitor Institute (2009) coined the terms "financial-first" and "impact-first" investment to describe this distinction:

1 Financial-first investors seek to optimize financial returns with a floor for social or environmental impact. This group tends to consist of commercial investors who search for subsectors that offer market-rate returns while yielding some social or environmental good. These investors may be driven by fiduciary requirements, as in the case of pension plans.

2 Impact-first investors seek to optimize social or environmental returns with a financial floor. This group uses social or environmental good as a primary objective and may accept a range of returns, from principal to market rate. This group is able to take a lower than market rate of return in order to seed new investment funds that may be perceived as higher risk or to reach tougher social or environmental goals that cannot be achieved in combination with market rates of return.

When one looks across the universe of impact investors, it is important to keep this distinction in mind in order to understand the investment opportunities specific impact investors will pursue. However, investors may also make both financial-first and impact-first investments.

Topic 138: Hybrid Transactions, Public Private Partnership

In some cases, investors with diverse goals can co-invest in hybrid transactions. These hybrid structures enable social entrepreneurs to customize their capital structures while also reflecting the preferences of specific investors regarding risk, return, and impact. For example, development finance banks such as the IFC (International Finance Corporation) may co-invest with private investors and philanthropists. Such structures can even attract agnostic, commercial capital into impact investment opportunities. The negotiations among these parties can slow deal closings and increase costs. Nevertheless, it is through these risk-sharing mechanisms that hybrid structures can create additional value for social entrepreneurs by improving the terms and increasing the amount of available capital.

While the bulk of non-grant investment into social enterprises will be in the form of impact-first and financial-first structures, there are a range of tools, that investors can use to generate impact across their publicly traded as well as private market investments. These include;

- **Active ownership strategies:** As a long-term owner and fiduciary of holdings in publicly traded securities, an investor has the ability to influence corporate behavior and further her or his desired impact through proxy voting, shareholder

resolutions, and informal shareholder engagement with the corporate management of the companies held in a portfolio.

- **Screening:** Screening is the practice of buying and selling publicly traded securities based on the evaluation of impact criteria that reflect personal or institutional values.

Guarantees: Guarantees are another important tool impact investors use to mitigate the credit risk created by an organization when it receives a loan from a bank or other lending institution. Investors can use their assets as collateral to provide security (guarantee) to an organization based on this collateral. Unlike other impact investments, a guarantee may not require upfront deployment of cash by the impact investor.

Lesson 35

FORMS AND SOURCES OF FUNDING FOR SOCIAL ENTERPRISES - II

TOPIC 139-141

Topic 139: Financial Institutions

To get off the ground, social entrepreneurs frequently rely on personal resources ("bootstrapping"), friends/family money and grants. Once they validated earliest, riskiest assumptions and gained some traction, they may approach mainstream financial institutions such as banks.

Lately, deregulation of financial institutions, liberalization of financial markets, and globalization of financial services have lowered barriers to entry for new financial institutions, increased competition among both old and new financial institutions, and led to saturation of traditional financial markets. In order to remain profitable, and even more importantly, to continue to grow, mainstream commercial banks have increasingly tried to provide core financial services (savings, credit, and transfer/payment facilities) to those they previously considered unbankable.

Banks can provide commercial as well as low-interest rate loans to social enterprises. Because of the regulatory requirements of the Community Reinvestment Act, commercial banks in the United States are required to lend into low-income communities. Sectors of particular interest to banks are community development, health care, and education.

Many community development financial institutions such as the Nonprofit Finance Fund pool together various sources of funding, such as donations from wealthy individuals, foundations, financial institutions, and corporations. These funds differ from regular investment funds as they generally anticipate lower than market-rate returns. Their larger motive tends to be advancing social causes.

In addition to looking to be paid back, commercial banks are also normally deeply interested in making connections to a social venture's board of directors and what's known as the "community halo effect", ie, by being connected with people doing good/pursuing a social mission the bank forms a perception of doing good as well as find new clients from amongst members of the board.

Topic 140: Angels and Venture Capitalists

Angel investors are affluent individuals who invest their own money into early stage startup ventures and in return, they receive equity or convertible debt. They are known as "angels" because they often invest in risky, unproven business ventures for which other sources of funds—such as bank loans are not available. Whereas venture capital (VC) investors are employed by a risk capital company where they invest other people's money in high-risk startups. The potential for the startup to grow

rapidly offsets the potential risk for failure, thus incentivizing venture capitalists to invest.

For-profit social enterprises can seek out cash infusions from angel investors or venture capitalists (VCs) that have a social bent. These investors typically want market-rate returns in exchange for their financial support. They are partial to entrepreneurs with plans to do good in the world—and they are usually willing to wait a little longer than traditional angels or VCs to reap returns. For example, the Investors' Circle, a network of angel investors and VCs, says it invests "patient" capital in companies that address social and environmental issues. Of course, any entrepreneur who works with an angel or a VC gets more than money. Angels and VCs work closely with entrepreneurs to shape the company, sometimes taking board seats or management positions. However, this is seen by some as a downside of VCs.

Topic 141: Corporate Social Responsibility (CSR)

CSR is generally understood as being the way through which a corporation achieves a balance of economic, environmental and social obligations ("Triple-Bottom-Line-Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

Although CSR programs have generally been most common among large corporations, small businesses also participate in CSR through smaller-scale programs, such as donating to local charities and sponsoring local events.

For social entrepreneurs, corporations can be good partners if the impact goals are aligned. Corporations support social entrepreneurs through grants from their corporate foundations or through their operating divisions, which may see a social enterprise as an opportunity to innovate or to reach a new market. For example, Muhammad Yunus of the Grameen microfinance bank entered into a partnership with Groupe Danone, the French food giant, to produce healthier yogurt in Bangladesh. The business was structured as a social business in which Grameen and Danone agreed to reinvest all of the profits back into the yogurt operations after their initial investment was repaid (Yunus, 2007).

The common between the Social Entrepreneurship and the actions of Corporate Social Responsibility is that both are oriented to the society in general and in particular to the creation of social value, and both are core principles for sustainability.

Lesson 36

MEASURING THE IMPACT OF SOCIAL ENTERPRISES - I

TOPIC 142-145

Topic 142: Introduction and Challenges in Measuring the Impact

One of the most challenging and potentially frustrating aspects of a social entrepreneur's work can be measuring and also communicating the positive social impact. For example, how should we measure the "return on investment" of better health, cleaner air and water, families having nourishing food on their tables, or children receiving education they would not have had access to otherwise? As expressed by Stannard-Stockton (2007),

> [C]alculating the "good" done is tough. First because knowing what "good" means is hard, secondly because relating "good" to dollars is like translating a symphony into organic chemistry, and third because identifying cause and effect is tough (did your grant create more jobs, or did the economy just happen to get better?).

As is discussed earlier, the social impact investing industry is growing rapidly. Within this rapidly expanding marketplace, funders, investors, and other stakeholders want to know the kinds of returns they can expect to get and are getting for their investments and donations (Merchant & Van der Stede, 2007; Saul, 2004). Yet, often, organizations are powerless to give them more than moving stories and anecdotes (Saul, 2004). It is observed that current approaches to measuring social impact have not yet reached maturity primarily because of two factors.

i. The general lack of maturity in social program evaluation. The field of social program evaluation—the process of collecting social impact and social outcome data—and the methods of calculating the costs of social program delivery are not very well developed. Many important benefits that occur as a result of social programs are not monetized and the dollar values of outcomes do not consistently capture the full range of societal benefits or costs, thus resulting in a variety of errors in the final answers.
ii. The variety of purposes that organizations have for conducting these analyses. At present, there is a lack of consensus about how one should use cost-related impact data to make certain investment decisions.

One of the main benefits of learning how to calculate a firm's social impact is a clear picture of the measurable results of the organization's work. Another benefit lies in being able to make a stronger case to your stakeholders that your organization is achieving its mission. Finally, when social entrepreneurs learn how to measure their firm's social impact, they can identify themselves and the organization with the cutting edge of the industry.

Topic 143: Steps to Measure Social Impact I: Defining Social Value Proposition

SVP is a brief description of the social venture's organization, the value it provides, and the impact it can have on individuals and society. It should also articulate why your customers and those that benefit from your offering will want to buy the venture's product or service offering(s) over alternative or substitute offerings from other organizations (including the government). This first step involves beginning a conversation with the social venture's stakeholders. Stakeholders will differ by type of organization, but here are the most common ones:

- constituents or beneficiaries of your work
- board members
- key leadership of your organization
- key partners
- affiliates or chapter leaders
- government officials
- individual donors
- institutional funders.

With all of these various stakeholders, the types of questions the social entrepreneur will want to ask include:

- How would you define success for the work we do?
- What outcomes do you value most about our work?
- Do you think we were successful last year? If so, why? Or if not, why not?
- What's the ultimate impact that you value from our work? For example, in five years' time, how will the world look different if we are successful?
- What do you think the project needs to accomplish over the next one to three years to achieve this longer term impact?
- What data or evidence would you need to see that would convince you that our work has been successful?

Many of these questions will not only assist the social entrepreneur in determining the venture's SVP but also assist in crafting the organization's theory of change (as discussed earlier) and logic model.

Topic 144: Steps to Measure Social Impact II: Quantifying Social Value

The real problem in measuring social impact may not only be measurement per se, but how the measurements may be used to quantify the performance and impact of social enterprise, and to promote a positive impact. Many consider it very difficult to quantify socio-economic, environmental and social effects. As Emerson (2003, p.40) points out, 'for many of those active in the social sector, it has been accepted that most elements of social value stand beyond measurement and quantification'. Yet it is necessary to make major efforts in this direction and to develop useful and

meaningful measurements which capture the impact of SE and reflect the objectives pursued.

Therefore, after having a discussion with stakeholders, the social entrepreneur should identify social indicators that are mentioned most frequently across all types of stakeholders. Social entrepreneur should choose indicators which allow to 'tell the story' of their work and its Social Value, as well as those which measure its size, shape or distance travelled. The social entrepreneur can then choose the top three or four measurable social indicators that are aligned with the conversation and interests of the stakeholder. Once named, these indicators can then be tracked over time. For example, a solar panel retailer might believe that deriving energy from solar power is cleaner and less harmful for the environment and thus might define its social indicators as:

- number of solar panels installed per fiscal year
- percentage of panels installed that replace other forms of energy
- savings in air emissions (in dollars, or in particulates per 1,000?) related to non-solar power energy generation per sale.

Put simply, organizations can quantify social value in terms of:

- Inputs – Resources of all kinds
- Activities – What the organization does
- Outputs – The direct result of an activity
- Outcomes – The longer term change it wants to see in people, communities, or areas it affects
- Expected Impact – The values it holds

Topic 145: Case Study: KickStart's Impact

In 1991, Martin Fisher and Nick Moon founded ApproTEC, which in 2005 became KickStart. Their model was based on a five-step process to develop, launch, and promote simple money-making tools that poor entrepreneurs could use to create their own profitable businesses.

KickStart's early efforts focused on building and food-processing technologies. But in Africa, 80 percent of the poor are small-scale farmers. They depend on unreliable rain to grow their crops and have, at most, two harvests per year. KickStart realized that irrigation would allow people to move from subsistence farming to commercial agriculture provided they had two valuable assets: a small plot of land and basic farming skills. In 1998, KickStart developed a line of manually operated Money-Maker Irrigation Pumps that allow farmers to easily pull water from a river, pond, or shallow well (up to 25 feet deep), pressurize it through a hosepipe (even up a hill), and irrigate up to 2 acres of land. The pumps are easy to transport and install, and retail at between $35 and $95.They are easy to operate.

KickStart continued to expand across Kenya, proving that their model was scalable. In 2000, KickStart expanded into Tanzania, and in 2004 into Mali. Other organizations have distributed their pumps across Africa and today, thousands are in use in Uganda, Malawi, Zambia, Sudan, and Rwanda.

By using donor funds as smart subsidies, KickStart is building a permanent solution to poverty. It has set three measures of success for itself:

i. Do the people whom it has helped out of poverty, stay out of poverty?
ii. Can more people avail themselves of the solution, without additional investment from KickStart?
iii. Is KickStart becoming more self-sufficient as an organization?

The following data are taken from an impact report as of January 1, 2011:

- Pumps sold: 166,500
- Enterprises created: 106,700
- People moved out of poverty: 533,700
- New profits and wages generated annually: $107 million
- Bang for buck ratio (dollars earned by farmers for each donor dollar spent): 1:15
- Cost to KickStart to get one family out of poverty forever: $300
- Cost per person moved out of poverty: $60

KickStart says:

> We could base our claims of success on the number of pumps we've sold to date. But this tells us nothing about whether we are meeting our mission—helping people get out of poverty. To know this we have to measure how much more money the buyers of our technologies earn as a result of owning them.

Lesson 37

MEASURING THE IMPACT OF SOCIAL ENTERPRISES - II

TOPIC 146-148

Topic 146: Steps to Measure Social Impact III: Monetizing Social Values

The last step in measuring social impact is monetizing the social value of the social indicators chosen in Step 2. There are various reasons for monetizing;

- it not only increases the credibility of the social venture and its mission, but also establishes metrics that can be used to evaluate a venture's effectiveness in achieving the desired social impact
- it attracts a broader range of investors to the firm in facilitating planning and communication with socially minded investors and stimulating short-term and long-term capital flow.

Following are the approaches that can be used to monetize a social venture's social impact.

i. Cost-effectiveness analysis (CEA) involves the calculation of a ratio of cost to a non-monetary benefit or outcome (e.g., cost per child cured of malaria). It is used when monetizing the impact or benefits of a program is not possible or not desirable. The benefit of using this method is that it is relatively straightforward, given that it does not require the conversion of the impact or outcome of the given program into monetary units. However, a drawback of the method is that it can account for only one area of program impact at any given time.

ii. Social Return On Investment (SROI) is a method for measuring environmental and social value not currently reflected in financial statements, in comparison to funds invested. This measurement includes the qualitative and quantitative impact of making a social investment. The SROI methodology continues to be refined.

iii. Benefit–Cost Ratio captures the best estimate of the collective benefit to poor individuals that a social venture create per dollar cost to the organization. This ratio serves to translate the outcomes of diverse programs into a single, monetized value that measures poverty alleviation on a continued basis.

iv. The Best Available Charitable Option (BACO) ratio serves to ascertain the prospective merit of an individual investment opportunity when compared to making a charitable grant. A simple example to illustrate the logic of BACO: By making an investment into "X," it would cost a funder less than $0.02 to protect one individual from malaria for one year, in comparison to $0.84 through a BACO. Hence, it is seen that the

funder's investment in the fight against malaria is more cost-effective than the BACO.

v. Cost per Impact: The Center for High Impact Philanthropy (CHIP) provides independent analysis and decision-making tools to make sure that philanthropic funds are achieving the greatest impact (see www.impact.upenn.edu). Its "cost per impact" measure is promoted as a measure critical to high-impact giving.

vi. Investment Bubble Chart: Certain nonprofits use a bubble chart to display comparative information regarding multiple organizations or programs. The purpose of the bubble chart (similar to such displays used by investment managers in the for-profit world) is to illustrate a set of reporting metrics at the organizational or program level that are common across the programs of a nonprofit or a segment of a foundation portfolio (e.g., number of people reached with bed nets vs. percentage of bed nets utilized).

Topic 147: Cost-Benefit Analysis as an Approach to Monetize Social Value

Cost-benefit analysis (CBA) is an activity everyone completes *implicitly* everyday throughout their lives. Whenever making a decision, people consider the consequences and impacts of their choices by identifying the advantages and disadvantages. So, while one may not have had formal training in cost-benefit analysis, everyone can intuitively understand the framework used in this analysis technique.

Put simply, cost–benefit analysis monetizes the benefits or outcomes of a program along with its costs in order to compare them and observe which are greater. However, it is one of the most challenging approaches, since it requires the ability to place a dollar value on the impact of a particular program. As a result of this, it tends to provide in accounting terms the net benefits to society as a whole that occur as a result of the initiative.

> As the name suggests, it is an analysis of the costs that a certain project or activity may bring for those executing it. This can include a large number of things such as the cost of training for employees, the cost of new materials or the cost of renting a venue where the activity will be taking place. The possible benefits in the future are also considered within the analysis and are seen as monetary values. This aspect of the analysis is more complicated to analyze than the costs as it can be very unpredictable. When a social venture leads a new activity, it is easy for them to add up the costs of materials, labour, etc. However,

there is no way to determine if the activity will definitely bring benefits and what types they may be.

To calculate the net benefit, one simply minus the cost from benefits. However, it is worth remembering that when conducting a formal *social* cost-benefit analysis one needs to quantify all consequences of an initiative – considering both tangible and intangible impacts. Tangible impacts are those that can be effectively observed and measured. For example, tangible impacts capture the inflows and outflows of money associated with construction of a road. Intangible impacts cannot be directly observed and measured, such as increased road safety or women's mobility from the road construction.

Once done, CBA answers the question of whether or not it is worthwhile to undertake a program by providing the net benefits to key stakeholders and society (benefits less costs). It also provides the decision maker with the ability to compare different initiatives and see which one has the greatest merit (i.e., which has the largest net benefit). It is widely used across the public, private, and nonprofit sectors to evaluate a series of investment decisions.

Topic 148: Case Study: GBGB's Cost-Benefit Analysis

Let us take as an example of a cost–benefit analysis a hypothetical organization called Give Back Get Back (GBGB). This social venture promotes and facilitates volunteerism among New York City's youth population with the goals of:

- supplying volunteer services for New York's pressing community needs
- reducing the number of "at-risk" youth by providing meaningful opportunities for civic development
- growing "volunteers for life"

GBGB's business is to deliver youth volunteer resources to a wide variety of social ventures that rely on volunteer labor and contributions to provide returns to the community. By pooling and matching volunteers with the right program, and empowering them to give back to their community, GBGB will increase the number of volunteers and increase the amount of volunteering in the youth population overall in New York City.

Although GBGB will be a nonprofit organization, several revenue streams and secondary and tertiary income streams will be established to support the fiscal requirements of the organization. This include advertising on GBGB's website, government grants, and membership fee among others.

GBGB will strive to keep its costs at a bare minimum through a variety of innovative methods. Office space will be employed to have a physical presence in low-income areas that subsidize real estate expenses for nonprofit organizations. Marketing and advertising will rely on in-kind donations from local business partners. Computer and phone hardware and software will be gathered through charity drives and donation solicitations. All operational and logistical functions will rely on virtual communication and participation, mainly over the internet or via phone calls, to reduce travel and logistical expenses (fleets of cars, gasoline costs, etc.).

Figure below shows the Cost-benefit analysis for GBGB.

Cost-Benefit Analysis							
	Max number of years = 3						
GBGB promotes and facilitates volunteerism among NYC's youth population with the goals of: (1) supplying volunteer services for community needs; (2) reducing the number of "at risk" youth by providing opportunities for civic development and (3) growing "volunteers for life."							
		Intangible Benefits					
Discount rate	**4%**	Number of prosecutions averted	**10**				
Number of years	**4**	Average prosecution cost	**$ 570.09**				
Number of volunteers per week	**10**	Average public defender cost	**$ 322.02**				
Hours volunteered per week	**10**						
Hours volunteered per year	**520**	Number of incarcerations averted	**3**				
NYC Minimum wage	**$ 7.25**	Average annual juvenile incarceration (3 yrs)					
Cost of supervision per year	**$ 30,000.00**	and probation (1 yr)	**$ 5,482.88**				
Other program costs per year	**$ 10,000.00**						
Initial set-up costs	**$ 10,000.00**						
			0	**1**	**2**	**2**	
Benefits per year (C10*C12) – cost savings to orgs				$ 37,700	$ 37,700	$ 37,700	
Benefit of Court costs averted (G9*(G10+G11) – cost savings to society				$ 8,921	$ 8,921	$ 8,921	
Benefit of Cost of incarceration averted (G13*G15) – cost savings to society				$ 16,449	$ 16,449	$ 16,449	
Costs per year C17; C15+C16)			$ (10,000.00)	$ (40,000.00)	$ (40,000.00)	$ (40,000.00)	
Net per year (benefits – costs)			$ (10,000.00)	$ 23,069.74	$ 23,069.74	$ 23,069.74	
Discounted benefits				$ 60,644	$ 58,312	$ 56,069	
Discounted costs				$ (38,462)	$ (36,982)	$ (35,560)	
Benefit/Cost ratio =			$ 1.48	(Discounted savings/costs)			
NPV =			$70,904.56				
IRR =			229%				

Lesson 38

SCALING THE SOCIAL VENTURE - I

TOPIC 149-154

Topic 149: Introduction

In the business entrepreneurship world, growth is referred to as "scaling" or "scaling up." The purpose for scaling is to maximize profit by capturing additional market share or reaching new markets. While the spread of mission accomplishment is the focus of scaling in social entrepreneurship (rather than the relative growth of the social enterprise itself, which is equally legitimate!). Scaling social ventures have both advantages and challenges, and social entrepreneurs need to know how to leverage the advantages and meet the challenges effectively.

Growth is what is expected of social entrepreneurs. Social venture philanthropists, such as Ashoka, Echoing Green, and the Acumen Fund among others, demand that the ventures in which they invest maximize their social return on investment. Foundations want their grant dollars to achieve as much social mission as possible. e. A surging movement is underway that advocates the double bottom line (profits + social impact) or the triple bottom line (profits + social impact + positive environmental impact) among for-profit ventures. The emerging paradigm for social ventures, be they nonprofit, for-profit, or hybrid, is that they will strive to expand.

This does not mean, however, that all social ventures must, can, or even should become gazelles (David Birch's term for high-growth, high-impact ventures), but it does suggest that they ought to be actively seeking opportunities to extend the reach of their missions—locally, regionally, nationally, and, in some cases, globally.

When considering scaling social ventures, the following questions should be addressed:

i. Does the service or product offered by the organization have a significant impact on the problem it aims to solve? If the answer is "yes",
ii. Would it be possible to have the same effect on a larger scale, by including different beneficiaries or clients, as well as people (e.g. local communities) who benefit indirectly from social enterprises' activities – potentially in different geographic locations? (OECD 2016)

Topic 150: Challenges to Growth

Challenges to growth might be thought of as being of two major types: internal to the social venture and external to it. Arthur Brooks (2009), citing Betty Henderson Wingfield, discusses six internal challenges that social ventures experience during the scaling process:

1 Staff and board members of the social venture may not share the lead entrepreneur's vision for growth. Growth involves change. While social entrepreneurs are change agents, the rest of the organization may fear change or see it as only being necessary in a crisis.

2 More specifically, in some organizations, particularly those organized as nonprofits, market-based growth may not be comfortable. It may be viewed by some as detracting from the social mission, rather than building capacity to expand mission achievement.

3 Nonprofit social ventures, unlike most for-profits, are legally controlled by their boards of directors. When the lead entrepreneur's vision for growth is not in sync with that of the board, the latter can block growth.

4 Social entrepreneurship takes place on a very public stage, unlike commercial entrepreneurship. Social ventures have multiple stakeholders, including the community. If the community in which a social venture is operating concludes that the venture is using public resources in a way that is wasteful or lacking in integrity, it may not hesitate to withdraw its support, making growth very difficult, if not impossible.

5 As discussed earlier, social ventures are held to a very high standard of accountability. If they cannot clearly demonstrate that they are achieving their missions in a measurable way, they will have trouble sustaining themselves at present levels, let alone attracting the investment required for scaling.

6 Successful growth requires adequate and appropriate human resources. The necessary skill sets must be put in place, through either hiring new employees or replacing those who are not capable. Again, organizational culture can get in the way of this. As an example, there are numerous large, established non-profit organizations that offer a pleasant, accepting work environment. No one is ever fired and very few leave of their own volition. This means that unproductive employees are not replaced, outmoded skill sets are often not updated. This tends to create an organization that not only lacks the capability to grow but is hostile to growth and change as well.

None of this is to suggest, however, that growth and change are impossible. However, social entrepreneurs must understand that when they seek to scale their ventures they are likely to encounter some challenges, therefore, they must plan and act accordingly. Simply put, they must try to anticipate these challenges and build their growth strategies in such a way that the resistance will be minimized or precluded.

Topic 151: Growth Strategies I: Capacity Building

For a social venture to grow, ie, increase its impact, it is important to prepare the social venture in question by ensuring that it has the proper capacity to implement and sustain the growth. In their compelling report *Scaling capacities: Supports for*

growing impact, LaFrance et al. (2006) identify and examine seven capacities necessary for scaling in social entrepreneurship: mission, structure, model, culture, data, resources, and leadership and governance. We will consider all these one by one;

Mission: As is emphasized throughout this course, mission is the driver of all social ventures. In preparation for growth, a venture should revisit its mission to ensure that it is up to date, clear, and understandable to all stakeholders. Then, the venture should use its mission to guide it in making growth decisions. Growth should support the mission, not detract from it, causing mission drift.

Structure: The organizational structure of the venture, and the way in which it is managed, will play a role in how, and how successfully, it will grow. At issue here is often the trade-off between flexibility and control (LaFrance et al., 2006). On the one hand, the social entrepreneur wants to be flexible enough to give her or his organization and its staff the leeway to take advantage of windows of opportunity and the power to innovate in the field. On the other, she or he wants to ensure the consistency and quality of the service(s) provided.

Model: First, modeling what works in one's social venture can be an important prelude to scaling. This involves documenting how the venture works—its opportunity, its business model, its operations—in a clear and systematic way. Once a model is established it can more readily be replicated, not just by the founder and core management team but by outsiders as well. A sound business model is essential to the sustainability and growth of any venture. If a reliable stream of cash flow cannot be maintained, the venture will not survive, and if excess revenue (over costs) cannot be generated, there are no resources for growth.

Culture: Another important capacity of a social venture that is poised for successful growth is an organizational culture that supports the social mission. This is a culture that shares common values, assumptions, norms, and behaviors. This unified culture underlies all aspects of the venture's work and is supported by rituals designed to further cement the bond among the members of the organization (LaFrance et al., 2006). When the culture is strong and unified behind the social mission, the venture is more likely to be able to scale successfully without damaging the mission or the organization.

Data: A good system for gathering and analyzing data is an essential capacity for growth. Data may be used in four major ways (LaFrance et al., 2006): to identify and document new needs on the part of target beneficiaries; to document the success of the social venture, justifying the scaling of its impact; to be used for purposes of marketing the social venture to attract support for growth; and to ascertain weaknesses in the venture's programs or services that can be addressed thereby better preparing the venture for successful scaling.

Resources: An absolutely essential capacity for scaling is having the necessary resources. There are numerous costs associated with growth, but most fall into two

categories: costs of expansion and costs of professionalization (LaFrance et al., 2006). The costs of expansion include those for the acquisition of additional space and equipment as well as additional personnel. The costs of professionalization derive from the need to pay for more highly skilled human resources.

Leadership and governance: The final important scaling capacity has to do with the social venture's leadership capability and governance apparatus. Strong leadership from the venture's founder and management team, in tandem with a strong board of directors, makes appropriate growth that is right for the venture at a particular point in time possible.

Topic 152: Growth Strategies II: Dissemination

The simplest and fastest way to scale a social venture is via dissemination. This strategy involves making a social venture's services and intellectual property (e.g., tools, processes, and frameworks) widely available to people and organizations around the world who want to use them. This hand-off of information and knowledge often takes place through face-to-face training workshops, webinars, teleconferences, demonstration sites, how-to manuals and handbooks, procedural templates, and models. The focus is on expanding the reach or impact of the venture virtually, in light of the fact that there is no actual physical expansion out from the headquarters. This approach is also relatively inexpensive because it does not necessarily involve acquiring additional facilities, equipment, and human capital. As the use of the Internet and new telecommunications technologies becomes more sophisticated and widespread, social ventures that use dissemination as their growth strategy will be able to further reduce costs by replacing face-to-face training and consultation with long-distance electronic forms of interaction.

An example of a social venture that has grown largely through dissemination is KaBOOM! This nonprofit organization facilitates the construction of playgrounds for children living in economically and socially disadvantaged neighborhoods. It does this by organizing the community to find and deliver volunteer labor and supervisory skills and donated supplies, and then KaBOOM! coordinates the use of these resources in building a playground. The KaBOOM! model involves partnerships between private corporations, governments, other nonprofit entities, and private residents (Wei-Skillern et al., 2007). KaBOOM! generates over 90 percent of its cost of operations from earned income derived through dissemination activities—educating communities in how to initiate and manage a playground-building project, providing handbooks, offering demonstrations, spreading awareness of the importance of playgrounds to the health and well-being of children, etc.—for which it charges fees for service, licensing fees, product costs, or cause-related marketing fees.

Dissemination is not the scaling strategy of choice for every social venture. However, for those concerned about cost, speed of adoption, maximizing mission accomplishment, and/or fostering relationships with social sector players, it can be a

very efficient and effective way of doing business. The downside is clearly the lack of control over the quality of the product or service that this strategy yields. Another impediment to the use of this strategy is when the social entrepreneur is in possession of intellectual property (IP) that she or he is especially concerned about protecting. The social entrepreneur may worry that licensing and nondisclosure agreements are not enough to keep others from widely disseminating her or his IP and destroying the venture's competitive advantage, particularly if it is a for-profit social venture.

Topic 153: Growth Strategies III: Branching

One such scaling strategy that tends to be more expensive is branching. This approach achieves growth by creating multiple offices in locations other than the headquarters. These offices are owned, staffed, and controlled by the headquarters. The branching strategy is attractive to some social entrepreneurs because it maximizes control. Thus, entrepreneurs worried about consistent quality of service and/or protection of IP will find it particularly appealing. The trade-off is that branching is the most expensive form of social venture growth. It requires buying or leasing additional facilities, buying or leasing office equipment, hiring and training additional staff, and managing from a distance. It is not a particularly efficient approach to growth (Wei-Skillern et al., 2007).

While long-distance management costs have been mitigated somewhat by new communications technologies, such as tele- and videoconferencing, and more horizontal management structures, the remaining costs of branching are not as easily lessened. In addition, the more far-flung the branches, the more difficult it is to coordinate staff schedules.

A seldom considered "cost" of branching lies in the message it sometimes sends to local people, institutions, and partners in the venues where branches are located. In essence, it says, "We don't trust you to do our work in your community well." It is the antithesis of the dissemination strategy, which implies trust and openness. While branching brings control and its benefits to the home office, it can engender a negative atmosphere that interferes with local social capital building that helps to achieve mission. Employing locals to staff and manage a branch can help with this problem, but it does not alter the fact that ultimate control resides elsewhere.

Topic 154: Growth Strategies IV: Affiliation

Affiliation shares common characteristics with branching: there is typically a "home office" and several (sometimes many) outlying offices scattered across the country and/or around the world. All of these offices share a mission and a brand (Wei-Skillern et al., 2007). However, the connection between the home office and the affiliates is usually more relaxed. The affiliates are locally managed and staffed and are typically financially self-supporting. In some organizations (Habitat for Humanity is a good example), affiliates make regular donations to the home office (Wei-Skillern et al., 2007). This approach to scaling is substantially less expensive to implement

because the self-sufficiency of local affiliates precludes the need for major facility, resource, and staffing investments by the home office or headquarters (Wei-Skillern et al., 2007). In the struggle between control and cost, affiliation represents a compromise between dissemination and branching. Through affiliation, a social venture can grow while keeping costs down and maintaining a modicum of control. Affiliation is less threatening to local communities than branching because the degree of outside control is reduced.

Dress for Success represents an example of affiliation. The mission of Dress for Success is to provide women who cannot afford to buy a suit to wear to job interviews or to a job itself with a donated suit. Since launching in New York City in 1996, Dress for Success has expanded to cities around the world by affiliation. Affiliates are independent nonprofits, but they are required to have uniform facilities and programs that emanate from the headquarters (Dees, Anderson, & Wei-Skillern, 2004). Despite this variation in level of control among affiliation models, it remains true that affiliates are considerably more autonomous than branches.

Lesson 39

SCALING THE SOCIAL VENTURE -II

TOPIC 155-157

Topic 155: Growth Strategies V: Social Franchising

As discussed in earlier modules, that in social entrepreneurship there are hybrid legal structures and hybrid financing approaches; therefore it should come as no surprise that there is a hybrid scaling strategy as well. Social franchising, an increasingly popular vehicle for growth, has been described by some as a hybrid of branching and affiliation (Wei-Skillern et al., 2007).

Like commercial franchising, social franchising involves a parent venture, the franchisor, and affiliated ventures, the franchisees. While the franchises are independently owned and operated, franchisees must pay a franchising fee and royalties to the franchisor. In return, the franchisees receive a brand, product, or service specifications, and operating assistance and support (Wei-Skillern et al., 2007). This approach to franchising is called "package franchising" and was developed by Howard Johnson in the 1930s (Cohen, 2010). In social franchising the fees and royalties tend to be lower than for commercial franchises. In many social franchising models, royalties are not required at all (Cohen, 2010). One major challenge in this regard is establishing the value of what the franchisor brings to the relationship. Because social return on investment (SROI) is more difficult to measure than financial return on investment (ROI), which is a work in progress.

A major part of the attraction of the social franchising model is the fact that it permits scaling at a faster rate and a lower cost than does branching, and it still allows for a measure of control over quality and the brand (Wei-Skillern et al., 2007). This is a compromise that many social entrepreneurs are quite happy to live with. Social franchisors also enjoy the fact that this is a relatively risk-free mechanism for scaling (Tracey & Jarvis, 2007). For their part, franchisees get a tested business model and a relationship that mitigates their own risk (Tracey & Jarvis, 2007).

An example of a successful social franchising effort is Green Star Services Delivery Network in Pakistan. Green Star was created by Population Services International and Social Marketing Pakistan to provide family planning services and contraceptive products to low-income women in urban areas. Green Star acts as the franchisor that has linked together thousands of privately owned pharmacies and clinics in cities across Pakistan under the Green Star brand (McBride & Ahmed, 2001). Another example is celebrity chef Jamie Oliver's Fifteen restaurants, which hire unemployed youth as apprentices and teach them kitchen skills. The first Fifteen opened in London and the concept has been spread by social franchising to Cornwall, UK, Amsterdam, and Melbourne, Australia.

Topic 156: Scaling Enhancer I: Marketing

While they cannot technically be considered scaling strategies, there are two important sets of activities that, when employed strategically, can enhance growth - marketing and networking.

While marketing is automatically considered a major factor in any commercial venture's scaling efforts, it is less commonly thought of as a growth technique in social entrepreneurship, and when it is, the emphasis of marketing efforts is on attracting more philanthropic dollars to nonprofit ventures. This is rather surprising given the realities. For for-profit social ventures, growth in markets, and profits, are closely tied to the ability to accomplish social mission—the double bottom line. Nonprofit social ventures must also concern themselves with marketing, especially in light of the fact that more than 50 percent of the cash income of NGOs worldwide is derived from earned income activities (Wei-Skillern et al., 2007). Marketing is a way of heightening awareness of the social venture and its mission, and of driving customers/beneficiaries to its door.

Marketing 101 tells us that every social venture, no matter its legal or financing structure, should include a marketing plan in its business plan. That marketing plan should consist of a market analysis, a competitive analysis, and a marketing strategy.

i. The market analysis should identify who the customers of the venture are—their demographics, behavior patterns, and lifestyle characteristics. It is often useful to break down that mass market into a more refined set of market segments.
ii. The second phase of the marketing plan is the competitive analysis. Here, the social venture identifies its competition and how it is unique relative to them. This distinguishing feature of the product or service of the venture is the social value proposition.
iii. Cause-related marketing can be a very effective marketing strategy for a social venture, particularly one with a nonprofit structure, to raise money for expanding its reach. The (RED)™ campaign, which raises money for the Global Fund for HIV/AIDS, Tuberculosis and Malaria prevention, is a highly successful example of this. (RED)™ has entered into numerous cause-related marketing agreements with commercial businesses, among them Apple Computers, Belvidere Vodka, Converse, Hallmark, Nike, and The Gap. Under a licensing agreement with (RED)™ each company makes a product that features the color red—a label, a T-shirt, a laptop computer, and so forth. When the products are sold, a portion of the proceeds goes to the Global Fund. The commercial businesses are trading on the "good name" of the (RED)™ campaign and people's emotional reaction to its mission. The campaign, for its part, is getting access to a wider donor base and the scaling opportunities that this affords.

Topic 157: Scaling Enhancer II: Networking

While, arguably, the strategies for scaling discussed earlier in this chapter—dissemination, branching, affiliation, and social franchising—all involve some level of networking, networking in general is not always thought of as a formal path to growth in social entrepreneurship. Yet networking, or social capital building, is an excellent way to expand the reach of a social venture and to marshal the resources required for future growth.

When considering networking as a scaling tactic, a social entrepreneur should take into account three important concerns:

i. With whom should I build alliances? Social ventures need to see their market ecosystems as being "in play" and ripe for making friendships that increase the number of customers they reach, expand the resources available, lower the costs of inputs, and turn competitors into collaborators (the concept of co-opetition noted earlier in the course)
ii. Why is networking necessary and beneficial under the circumstances? Wei-Skillern et al. (2007) identify four reasons to network: resource scarcity, growing competition for resources, a growing societal appetite for greater efficiency, and increasing demand for documented performance.
iii. How should I approach successful alliance building? Ultimately, networks involve the coming together of distinct individuals and organizations. Successful networks are therefore about successful relationships. Such relationships require that attention be paid to several factors. As is the case with virtually every aspect of social entrepreneurship, shared mission, vision and values are key to successful networks. Successful networks, or partnerships, also need effective leadership.

Finally, it is important to recognize that the number and types of networks required by a social venture vary with the latter's stage in its life cycle. The pre-venture and start-up stages are the periods when the most networking takes place.

Lesson 40

ECOPRENEURSHIP: INTEGRATING SUSTAINABILITY AND ENVIRONMENT IN SOCIAL ENTREPRENEURSHIP

TOPIC 158-161

Topic 158: Introduction

In this module, let us approach the topic of social entrepreneurship (SE) from the angle of environmental or sustainable entrepreneurship. Does it make sense to have such a focus? At first sight ecological entrepreneurship, often also referred to as 'ecopreneurship' (Isaak, 1997: 80), seems to be a mere subset of SE. Accordingly one could argue that, where SE generally aims at the identification and exploitation of opportunities for the creation of public goods, ecopreneurship simply narrows the focus to one particular type of public good – namely the protection of the environment. If this warrants a unique research domain one could also argue for similar efforts to be undertaken in other domains of SE – such as poverty relief, health or education. While such an argument is not baseless, it is nonetheless suggested that it is still worthwhile to consider the differences between what is referred to in the literature as 'social entrepreneurship' and 'ecopreneurship'. The motivation for this is not to erect a barrier between fields, but rather to help both domains learn from each other by pointing out the unique elements of each approach.

Isaak (1997: 80) defines ecopreneurship as 'system-transforming, socially-committed environmental businesses characterized by breakthrough innovation'.

The focus is thus strongly placed on ecological-purpose business ventures unlike SEs which may be non profit, for profit or a hybrid of both. some scholars have also studied corporate ecopreneurship in large firms and in a public or nonprofit context, but, none of these authors refers to the efficient management of ecological NGOs or the greening of SMEs as ecopreneurship. Among the publications on ecopreneurship, several recurring topics can be identified that are also studied by scholars of SE. Authors have addressed the question of opportunity identification and exploitation, the motivation of ecopreneurs, and the role networks play in supporting ecopreneurship.

One could safely conclude that SE and ecopreneurship have both similarities and their own unique characteristics. With the looming global climate crisis, especially in the Pakistan context, it is worthwhile to examine these similarities and uniquenesses in detail, which we shall do in the next module.

Source: Mair, J., Robinson, J. & Hockerts, K. (eds) (2006). Social Entrepreneurship. Palgrave MacMillan. P. 209.

Topic 159: Comparing Social and Eco Entrepreneurship

Comparing the social and ecological entrepreneurship literature, it becomes evident that more has been published on the first than on the second topic. However, it is interesting to note that nearly all of the latter are in scholarly journals applying rigorous academic research methods, whereas the majority of what has been published to date on SE was published in news magazines. In this context it is also interesting to note that there are a number of real world social entrepreneurs who identify themselves with that label while there are hardly any self-proclaimed ecopreneurs. The term seems to be used in academic circles only. The phenomenon that ecopreneurs do not like to be singled out as such is also known to SE researchers. However, the reason for such reticence could not be more different. Social entrepreneurs rebelling against being labeled as such usually are concerned about the perceived proximity of the expression 'entrepreneur' to terms such as 'capitalist' or 'industrialist'. Such persons see their mission as furthering the public good through philanthropic means. Research on ecopreneurs on the other hand suggests that they often take offence at being identified as 'green' or 'ecological', a label they feel may turn out to be a burden when looking for investors and customers (Randelovic, O'Rourke and Orsato, 2002).

Here then lies also the main difference between social entrepreneur and ecopreneur. The second is strongly motivated by the ambition to be like any other (business) entrepreneur. More recently the label 'cleantech venturing' has emerged as a means to avoid the dreaded 'e-word'. In consequence cleantech venturing has become a considerable niche within the venture capital market: in 2005, the Cleantech Venture Network served over 900 affiliate investors. They report to have tracked more than US$4.5 billion invested in cleantech ventures since 2002 (Cleantech, 2005).

In this sizeable success lies one of the most interesting leads for SE research. What should social entrepreneurs make of the fact that some green ventures have succeeded in breaking through the glass ceiling of the venture capital world? Could there be models of social private equity that would be profitable both from an economic and a social point of view? A case study of 'Green Works' in the next module attempts to answer these questions.

Topic 160: Green-Works: A Model For Combining Social And Ecological Entrepreneurship

Research into the strategies adopted and the challenges faced by Green-Works, a UK nonprofit company, suggests a model for combining social and ecological entrepreneurship.

Set up by its CEO Colin Crooks in 2000, Green-Works is a nonprofit organization. It operates a business model that is unique in the UK: companies with office furniture that is surplus to demand because of relocation or refurbishment sign up to Green-Works' membership scheme. Green-Works then collects the furniture and the items are refurbished by a team of people drawn from disadvantaged sectors of the

community. Landfill dumping and the use of virgin materials in creating new furniture is avoided and community benefits are secured both via the employment and training of disadvantaged people and through the provision of cheap but high quality furniture, largely to nonprofit organizations. The corporates benefit from a one-stop furniture disposal service that also helps them fulfil their CSR mandates. Green-Works runs one outlet itself and franchises its operation across the country with a variety of partners, all of which are nonprofit and have expertise in the employment and training of disadvantaged people. Amies (2000) describes this model as social franchising. Green Works model is characterized by three elements:

An entrepreneurial organization: Green Works is a young organization driven by commitment and enthusiasm to prove that waste is an opportunity rather than a problem: an opportunity to save valuable resources and an opportunity to create jobs.

Balancing the triple bottom line: for Green Works, the mission was reducing the UK's landfill burden by a quantifiable amount whilst aiming (and nowadays succeeding) to recycle 100 per cent of its donations. Every piece of furniture it receives is tracked individually, from initial donor to end consumer. Triple bottom line reporting is used, along with the Global Reporting Initiative's environmental measurement system, to assess the impact of its actions. This assiduousness in tracking and measurement is considered by Green Works to be pivotal in its ability to attract donors for whom the CSR agenda is becoming increasingly important. Initial cash-flow problems were rapidly overcome, primarily by charging the donor organizations a modest premium over the cost of landfill. In doing this Green-Works has subverted the traditional social enterprise model, whereby customers are charged below cost price.

Creating networks: Pivotal to Green-Works' success is its embeddedness within a series of networks created by the CEO and the management. An early example of the development of such networks took place when the CEO seized the opportunity proffered by a bank planning what was then the biggest corporate move in UK history. This allowed Crooks to secure two benefits through networks: assets (the furniture) and status in the form of credibility. A third benefit of networking, ie, information (in this case about local markets), together with a further injection of assets (expertise in employing and training people from disadvantaged backgrounds and warehousing facilities) were secured again through Crooks' inveterate networking. He already knew of an East End charity that was looking for opportunities to invest in the creation of jobs with a low skills base and joined forces with them. A further web of partnerships encompasses the well-chosen board including a raft of highly relevant skills, it is comprised of journalists, fellow social entrepreneurs, local government contacts and volunteers.

Green Works case study demonstrates; Firstly it demonstrates a strong link between entrepreneurialism and environmentalism. The entrepreneurial flair of the CEO, who sees waste as an opportunity rather than a problem, enables his successful pursuit of a

triptych of environmental, social and economic goals. Secondly, Green-Works' business model demonstrates that economic sustainability is possible for social and ecological enterprises. Thirdly, the research reveals the value of network level strategy for enabling a variety of organizations to achieve their objectives in terms of the triple bottom line.

Topic 161: SEKEM: Sustainable Economic, Social and Cultural Development

Well into the first decade of the new millennium, we still cannot escape being confronted with social, environmental, political and economic problems on a scale that seems overwhelming. Important decisions need to be made about how to address these socio-economic challenges at a global level. This includes issues such as global warming, elimination of poverty, and allocation of funds to education, economic development and technological innovation. The aim is to balance economic growth and social development for all with the ability of the natural environment to sustain human life on this planet. To achieve this, international organizations are striving to define frameworks that enable local actions to result in a form of global sustainable development. Increasingly, there is a belief that the social entrepreneurs are transforming social dilemmas in developing countries into manageable problems, which they solve in innovative and entrepreneurial ways.

SEKEM is one such initiative whose founder is recognized as outstanding social entrepreneur by the Schwab Foundation. On 15 December 2003, Dr Ibrahim Abouleish was the first social entrepreneur to receive the Right Livelihood Award, which has honoured many great people and organizations since its inception in 1980 (Seelos and Mair, 2004). Widely known as the Alternative Nobel Prize, it is traditionally awarded in Stockholm the day before the Nobel Prize ceremony. From the 2003 press release:

> Sekem (Egypt) shows how a modern business can combine profitability and engagement in world markets with a humane and spiritual approach to people and respect for the natural environment. The Jury sees in Sekem a business model for the 21st century in which commercial success is integrated with and promotes the social and cultural development of society through the 'economics of love'. (Right Livelihood Awards, 2003).

The award honoured the fruits of the 26-year mission of Abouleish and his family to build hope for the poor masses of his home country, Egypt. Abouleish had visited Egypt in 1975, after many years abroad, to show his Austrian wife and their two children the beauty of his home country. However, the picture was grim. The many social problems, widespread poverty and lack of hope left him in shock about the sad fate of his countrymen. Abouleish decided to find solutions for many of these problems and to contribute to the holistic development of Egypt's society.

To give his vision structure, he started an initiative and named it Sekem – meaning 'vitality from the sun'. He wanted to prove that development was not necessarily

dependent on donations, abundant resources, strategic plans or the application of sophisticated economic models. Abouleish's determination, coupled with a healthy element of stubbornness, led him to prove his point in a drastic way. He bought a piece of desert land in the poorest of surroundings as the starting point of his initiative. Using imagination and creativity and the support of people he had inspired with his vision, he built and acquired the resources that he needed in order to succeed – for example, a water source, buildings, roads, electricity – and transformed the desert soil into fertile land with the help of organic dung from cows that he had received as a donation from Germany. Throughout the 1980s and 1990s, Sekem developed into a modern business conglomerate based on organic agriculture and bio-pharmaceuticals. It also runs a modern and well-equipped medical centre, a kindergarten, primary and secondary schools, an academy, an orchestra and a university. Furthermore, Sekem has established many partner organizations and a network of many thousands of farmers to enable a wide variety of commercial, social and cultural activities that embrace the poorest sectors of Egyptian society.

Lesson 41

ETHICAL AND LEGAL ISSUES RELATED TO SOCIAL ENTREPRENEURSHIP - I (PROPERTY ISSUES OF PATENT, TRADEMARK, COPYRIGHT)

TOPIC 162-165

Topic 162: Ethics

Whenever you think about the behavior you expect of yourself, in both your professional and personal life, you are engaging in a philosophical dialogue with yourself to establish the standards of behavior you choose to uphold—that is, your ethics. You may decide you should always tell the truth to family, friends, customers, clients, and stakeholders, and if that is not possible, you should have very good reasons why you cannot. You may also choose never to defraud or mislead your business partners.

Being successful as an entrepreneur may therefore consist of much more than simply pursuing a mission and growing a venture. Success may also mean treating employees, customers/beneficiaries, and the community at large with honesty and respect. Success may come from the sense of pride felt when engaging in honest transactions—not just because the law demands it, but because we demand it of ourselves. Thus, entrepreneurial ethics guides the conduct by which entrepreneurs and their ventures abide by the law and respect the rights of their stakeholders, particularly their customers, clients, employees, and the surrounding community and environment.

Nearly all systems of moral, ethical, spiritual, and/or religious beliefs stress the building blocks of engaging others with respect, empathy, and honesty. These foundational beliefs, in turn, prepare us for the codes of ethical behavior that serve as ideal guides for business. Still, we need not subscribe to any particular faith to hold that ethical behavior in business is necessary. Just by virtue of being human, we all share obligations to one another, and principal among these is the requirement that we treat others with fairness and dignity, including in our commercial transactions.

Ethical conduct by entrepreneurs is not only the right way to behave, but it also burnishes our own professional reputation as entrepreneurial leaders of integrity. Integrity—that is, unity between what we say and what we do—is a highly valued trait. But it is more than just consistency of character. Acting with integrity means we adhere strongly to a system of ethical values. Such values often serve as the foundation for the creation of ethical codes, or codes of conduct. A code of ethics acts to guide conduct and may be derived from a variety of sources. It could be a personal, internal code of conduct, or an official code adopted by an enterprise. Or it could be an external code based on one's profession (e.g., doctors(PMDC's), Lawyers, and others have professional codes of ethics), or a more broadly applicable external code such as that of the Business for Social Responsibility.

Being a professional of integrity means consistently striving to be the best person and professional that you can be in all your interactions with others. Integrity in entrepreneurship brings many advantages, not the least of which is that it is a critical factor in allowing social ventures and society to function properly. It is also a fundamental basis for developing and maintaining trust, which is vital to all contractual and informal commitments between social ventures and all their key stakeholders.

Research on the performance of the World's Most Ethical Companies (WMEC) indicates a positive association between ethical conduct and successful long-term financial performance. These businesses often outperform their market expectations, both in periods of market growth and decline. The WMEC list of companies shows an average annual excess return of more than 8 percent higher than expected profitability.

Topic 163: Introduction to Ethical and Legal Issues in Social Entrepreneurship

Many people confuse ethical and legal compliance. However, these concepts are not interchangeable and call for different standards of behavior. The law is needed to establish and maintain a functioning society. Without it, our society would be in chaos. Compliance with legal standards is mandatory. If we violate these standards, we are subject to punishment as established by the law. Therefore, compliance generally refers to the extent to which a company conducts its business operations in accordance with applicable regulations, statutes, and laws. Yet this represents only a baseline minimum. Ethical observance builds on this baseline and reveals the principles of an individual business leader or a specific organization. Ethical acts are generally considered voluntary and personal—often based on our individual perception of what is right and wrong.

Some professions, such as medicine and the law, have traditional and established codes of ethics. The Hippocratic Oath, for example, is embraced by most professionals in healthcare today as an appropriate standard always owed to patients by physicians, nurses, and others in the field. Businesses are different in not having a mutually shared standard of ethics. This is changing, however, as evidenced by the array of codes of conduct and mission statements many companies, especially social ventures have adopted over the years. These beliefs have many points in common, and their shared content may eventually produce a code universally claimed by business practitioners. What central point might constitute such a code? Essentially, a commitment to treat with honesty and integrity customers, clients, employees, and others affiliated with a business.

The law is typically indebted to tradition and precedent, and compelling reasons are needed to support any change. Ethical reasoning often is more topical and reflects the changes in consciousness that individuals and society undergo. Often, ethical thought precedes and sets the stage for changes in the law. Behaving ethically requires that we

meet the mandatory standards of the law, but that is not enough. For example, an action may be legal that we personally consider unacceptable (eg, legal price hike in the time of need, in an emergency). Entrepreneurs today need to focus not only on complying with the letter of the law but also on going above and beyond that basic mandatory requirement to consider their stakeholders and do what is right.

Unlike working in a large corporate environment with an established structure, entrepreneurs often create and operate a new business venture by their own rules. The pressure to create a new venture, within constraints and limitations, inspires entrepreneurs to find innovative ways to meet potential market demands. At the same time, the challenge to meet these expectations can create temptations and ethical and legal pressures as entrepreneurs make a variety of decisions. Common areas rife with potential legal issues include contracts, torts, employment, intellectual property, conflicts of interest, fraud, and antitrust/competition law as depicted below.



Topic 164: Intellectual Property

There are multiple reasons why an entrepreneur should be aware of intellectual property rights under the law. For example, if a new startup business comes up with a unique invention, it is important to protect that intellectual property. Without such protection, any competitor can legally, even if not ethically, copy the invention, put their own name or company brand on it, and sell it as if it were their own. That would severely curtail the entrepreneur's ability to make money off a product that they invented. Intellectual property (IP) rights are created by national law and protect small businesses from problems such as this. IP law also helps establish brand awareness and secure secondary revenue streams.

Intellectual property (IP) is the output or result of the creative work of one or more individuals to turn a unique idea into a practical and value-added product/service; this manifestation of original ideas is legally protected. IP applies to anything that is the

exclusive right of a firm, will help differentiate that organization, and will contribute to a sustained competitive advantage. This creative work can result in a product idea, a new invention, an innovative pivot, or an improvement in an existing product or service. IP can take the form of a patent, a copyright, a trademark, or a variation thereof called a trademark secret.

To develop a sustained competitive advantage, an entrepreneur is responsible to protect, provide the needed safeguards, and continually grow a firm's IP. These responsibilities include understanding, differentiating between, and dealing with the different types and technical aspects of a firm's IP. It also means that the entrepreneur should be concerned with the nontechnical aspect of IP, which is to develop a culture of creativity that enables the organization to deliver a continuous stream of new IP.

Intellectual Property Organization of Pakistan (IPO-Pakistan) was established as an autonomous body on April 8, 2005. It is under the administrative control of the Commerce Division.

Copyrights is also a protected IP. A copyright grants the creator of a work the exclusive right to reproduction of the work for a specified period of time (usually the life of the author plus seventy years). According to the Pakistan Copyright Ordinance 1962, 'Copyright is a legal instrument that provides the creator of a work of art or literature, or a work that conveys information or ideas, the right to control how the work is used. The intent of copyright is to advance the progress of knowledge by giving an author of a work an economic incentive to create new works'. Copyright include literary works, artistic works, cinematographic works and record works.

Topic 165: Patent

A patent is grant of exclusive rights for an invention to make, use and sell the invention for a limited period of 20 years. The patent grant excludes others from making, using, or selling the invention. Patent protection does not start until the actual grant of a patent.

A patent owner has the right to decide who may or may not use the patented invention for the period in which the invention is protected. The patent owner may give permission, or license, to other parties to use the invention on mutually agreed terms. The owner may also sell the right to the invention to someone else. Once a patent expires, the protection ends and invention enters the public domain, that is, the owner no longer holds exclusive right to the invention which becomes available to commercial exploitation by others.

The patent system is desirable in the public interest that industrial techniques should be improved. The monopoly rights are granted in lieu of disclosure of the invention i.e advancement in technology. In order to encourage improvements and to encourage also the disclosure of improvements in preference to their use in secret. Any person devising any improvement in a manufactured article or in machinery or methods for making it, may upon disclosure of his improvement at the Patent Office demand to be

given a monopoly in the use of it for a limited period. After that period, it passes into the public domain.

Patentable Inventions in Pakistan

In order to be patentable an invention should have the following characteristics:

- The invention should be process or product
- The invention should be novel or new
- It involves an inventive step
- It is capable of industrial application

Patent applications are examined under the Patents Ordinance, 2000 and Rules there under for both technical and legal merits. These characteristics are briefly explained below:

Exceptions & Non-Patentable Inventions in Pakistan

Following shall not be regarded as invention within the meaning of the Patent ordinance, 2000

- a discovery, scientific theory, law of nature or mathematical method;
- a literary, dramatic, musical or artistic work or any other creation of purely aesthetic character whatsoever;
- a scheme, rule or method for performing a mental act, playing a game or doing business;
- the presentation of information, computer software; and
- that exist in nature or if isolated there from.

The Patents Office was established under the provision of Section 55 of the Patents & Designs Act, 1911, in year 1948 as an attached department of Ministry of Industries & Production, Government of Pakistan. This Act of 1911 was amended in compliance of TRIPS agreement and promulgated as the Patents Ordinance 2000. Since April, 2005 the Patents Office currently is a part of Intellectual Property Organization of Pakistan.

Lesson 42

ETHICAL AND LEGAL ISSUES RELATED TO SOCIAL ENTREPRENEURSHIP - II (PROPERTY ISSUES OF PATENT, TRADEMARK, COPYRIGHT)

TOPIC 166-169

Topic 166: Trademark

A trademark is a registration that provides the owner the ability to use a name, symbol, jingle, or character in conjunction with a specific product or service, and prevents others from using those same symbols to sell their products.

In Pakistan, a Trademark is a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others. A service mark is a word, phrase, symbol, and / or design that identifies and distinguishes the source of a service rather than goods. Trade Marks Registry (TMR) is premier body of Intellectual Property Organization of Pakistan (IPO-Pakistan) working for the registration of trade and services marks under the Trademarks Ordinance, 2001. It is a federal government body and its jurisdiction for trade and services marks lies within the geographical boundary of Pakistan. It works as a civil court and its decisions are appealable at the provincial high courts. The Trademarks Registry is headed by a Registrar and its office is located in Karachi and also Regional Office situated in Lahore.

A trademark can be protected for an unlimited number of ten-year renewable terms as long as it is still in use.

For social entrepreneurs, on a basic level, having a trademark allows their customers to find them, their social venture. However, the role of trademark in the social enterprise is not only to identify/communicate the product or service they are offering but also to communicate how they are contributing to improving society.

Creating a trade mark is no easy task as there are really no hard and fast rules as to what makes a successful trade mark. However there are some things social entrepreneurs should keep in mind:

- Firstly, your trade mark has to meet all the legal requirements for trade mark registration in the jurisdiction you are intending to register it in
- Secondly, your trade mark must be distinctive enough to be protectable and registrable with the relevant intellectual property office
- Thirdly, your trademark should not create any confusion about your products or services

Topic 167: Contracts, Tort

Every entrepreneur enters into contracts, usually on a regular basis, and thus should have an understanding of basic contract concepts. Likewise, most businesses are likely to have some involvement with tort law: that area of law that protects the rights of people not to be harmed physically, financially, or in any other way, such as a breach of privacy. Some areas of the business world involve a combination of tort law and contract law, such as litigation involving the wrongful termination of an employee.

Contracts can be formal or informal agreements. Ideally, you should use written contracts whenever you enter into a substantial transaction with another party. Oral agreements are enforceable in most situations; however, proving their terms can be difficult. If you are in the midst of a startup, chances are you are moving quickly. Perhaps you don't have the time, or the money, to hire a lawyer to prepare a formal written contract. In that event, you should at least follow-up with all parties via traditional mail or email to document the key terms of your agreement. That way, if a dispute arises, you'll have documentation to fall back on.

Torts are a potential area of risk for entrepreneurs. Financial liability often results from the assumption of and exposure to risk; therefore, this is an important issue for entrepreneurs to manage. This is especially true for the concept of vicarious liability, which is the area of the law that imposes responsibility upon one person for the failure of another, with whom the person has a special relationship (e.g., employer and employee) to exercise reasonable care. Most employers understand they run a risk that their employees may commit a tort, and that they are responsible when employees cause harm to others (customers or coworkers) while on duty, working on company property, and using company equipment. However, many employers are not aware that employers can actually be liable for harm caused by an employee if that employee caused harm within the scope of their job duties. For example, if an employer asks an employee to drop something off at FedEx or UPS after work hours, and that employee negligently causes an auto accident, even if the employee is driving their personal vehicle and not a company car, the employer could be liable for damages. It is an all-too-common situation that could have serious liability consequences for an entrepreneurial business if adequate insurance is not procured.

Topic 168: Conflict of Interest

A conflict of interest occurs when an individual (or company) has interests in multiple areas (financial investments, work obligations, personal relationships), and the interests may conflict with each other. Employees, for example, have an interest in producing expected work for their employer. A conscious or deliberate attempt to avoid, ignore, or marginalize that which is rightfully due an employer by addressing other interests would be a conflict of interest. This could be as simple as using company time or resources to work on a personal project that has not been sanctioned and will not add value to the company. It could also mean using the tangible and intellectual resources of a company on something that will benefit your private

interests instead of your employer's. This action is unethical since you are not giving the employer what they are due, which are your time, talents, and services in exchange for agreed-upon compensation.

In Pakistan state legislation on the 'conflict of interest' is limited to the public sector. For example, according to the Punjab Prevention of Conflict of Interest Act 2019, a public office holder shall inform, in advance, the higher authority in writing with reason along with the copy to the Commission and recuse himself from any discussion, decision, debate or vote on any matter in respect of which he may be in a conflict of interest, whereas, "conflict of interest" means any interest of a personal nature of a public officer holder in a decision pertaining to an official matter which leads to an unlawful financial benefit or an avoidance of liability to the public office holder or his family. However, various organizations, can/do have their 'conflict of interest' policies.

Topic 169: Fraud

Ethical entrepreneurs consistently strive to apply ethics-based concepts in practice, including truthfulness and full disclosure. These two concepts are not only part of an ethical approach to doing business but are also underlying requirements of several areas of law including fraud. A business that makes/sells a product or service has responsibility for fully disclosing the truth about its products/services.

The underlying facts, reality, and evidence behind something are the truthfulness of a matter. An individual who is being truthful is exercising the capability of being factual about a subject matter, dealing with reality, and aware of evidence. Truthful individuals earn a level of credibility and reliability over time because what they say and what they do are in alignment. A corollary of truthfulness is fairness, which means to be impartial, unbiased, and in compliance with rules and standards of right and wrong behavior. Fairness deals with doing what is right, just, and equitable. From the standpoint of application, the quality of being truthful forms the foundation for fairness.

Disclosure describes sharing the needed facts and details about a subject in a transparent and truthful way. This information should be adequate, timely, and relevant to allow the recipient to understand the purpose and intent behind a product/service and to make a good decision about the value of that product/service. Any deliberate attempt to hide, change, or bend the truth is an unethical and irresponsible action subject to criminal investigation.

Fraud in Pakistan, is a crime, and is covered (specifically) under section 420 in the Pakistan Penal Code. There are many kinds of fraud that take place, eg, financial fraud, corporate fraud, banking fraud and cyber fraud, and each type has its own circumstances and legal remedies.

Lesson 43

LEGAL STRUCTURE/FORMS OF SOCIAL ENTREPRENEURSHIP IN PAKISTAN

TOPIC 170-173

Topic 170: Current State of Social Entrepreneurship Organizations in Pakistan

Social enterprise activity in Pakistan is growing. According to one estimate, there are currently around 448,000 social enterprises in operation, approximately 53% of multi-sector enterprises are in education, 30% in health and social care, 11% in agriculture and fisheries, 9% in energy and clean technology, 3% in forestry, and 2% in transportation (Hussain 2022).

However, only a limited amount of research exists on social enterprise in Pakistan, none of which seeks to analyze the legal structure/forms of social entrepreneurship in the country. In 2016, British Council conducted a research to quantify social enterprise activity in Pakistan. They surveyed 143 social enterprises and found, among other things:

There is no specific 'social enterprise' legal registration form for social enterprises in Pakistan. Under the current legal framework, options for registration for social enterprises fall between two broad categories: for-profit and non-profit, and take various forms, which we shall discuss separately in the next two modules.

As per the survey (British Council 2016), 135 of the 143 surveyed social enterprises provided their legal status. 28% of these listed themselves as 'not yet registered', 26% listed themselves as some form of non-profit, and 41% listed themselves as some type of for profit organization. After 'not yet registered', the most common form is 'partnership' - a for-profit form chosen by 19% of respondents.

In a global perspective, recognizing the importance of social entrepreneurship, many countries have taken concrete steps to establish an enabling environment for the growth of social enterprise. A few of these countries are the United Kingdom (created a separate legal entity i.e. the community interest company), Italy (social cooperative), Portugal (social solidarity co-operative), Spain (social initiative cooperative), Greece (social co-operative with limited liability), the United States of America (the low profit limited liability company) and India (section 25 company).

If Pakistan is to take advantage of this emerging new field to address its ever increasing social, economic and environmental problems, it has to improve its legal environment, which is murky due to ambiguous analytical and ethical jurisprudence, having no clear and concrete legal framework to facilitate the social entrepreneurship.

Topic 171: Options for Registration of Social Enterprises: For Profit

As mentioned in the previous module, in a British Council (2016) survey, 135 of the 143 surveyed social enterprises provided their legal status. 41% listed themselves as some type of for profit organization - and the most common form of this for-profit is 'partnership' - chosen by 19% of respondents.

In Pakistan, for social enterprises, various forms of registration as a for-profit entity are as following;

Sole Proprietorship: A sole proprietorship is a type of business that is owned and run by one individual and in which there is no legal distinction between the owner and the business. Sole proprietor business can be registered online with the Federal Board of Revenue (FBR).

Association of persons/Partnership: An association of two or more persons engaged in a business enterprise in which the profits and losses are shared proportionally. A partnership firm is registered with the registrar of firms in your respective district or city. The process of registration is governed by the Partnership Act, 1932.

Private Limited Company: A type of company that offers limited liability, or legal protection for its shareholders but that places certain restrictions on its ownership. Any two or more persons, associated for lawful purpose may, by complying with the requirements of the Companies Act 2017, form a private company.

Public Limited Company: A Public Limited Company is the standard legal designation of a company which has offered shares to the general public and has limited liability. A Public Limited Company's stock can be acquired by anyone. Any three or more persons, associated for lawful purpose may, by complying with the requirements of the Companies Act 2017, form a public company.

Currently, these social enterprises, registered under different laws and authorities, may be under varied levels of government, such as federal, provincial or districts. For example, a partnership is generally registered at the district level while a sole proprietorship under the Federal Board of Revenue. Further, different forms of social activity have different types of incorporation requirements and renewal conditions. This has not only increased the lack of clarity around social activities in the country but also led to increased transactions costs at the time of incorporation and renewal.

Topic 172: Options for Registration of Social Enterprises: Not for Profit

The legal framework for not for profit sector may be divided into several categories. Some laws deal with the registration, internal governance and accountability of organizations. Other laws govern how these organizations are financed and managed. Still other laws govern the reporting relationship between the State and NPOs with respect to their operations (ICNL, 2014). There are between 10-14 laws relating to non-profit sector in Pakistan.

For social entrepreneurship, specifically, following are the popular options;

Trust: A trust is a fiduciary relationship in which one party, known as a trustor, gives another party, the trustee, the right to hold title to property or assets for the benefit of a third party, the beneficiary. In finance, it can also be a type of closed-end collective investment fund built as a public limited company. Social enterprises can register themselves under the Trust Act 1882/The Punjab Trust Act 2020.

Society: A group of people formed as a separate organization and which has as a stated purpose, some charitable or benevolent purpose, either in regards to the public at-large or in regards to the common interests of the members, and which operates as nearly as possible at cost. A social enterprise can register as a society under The Societies Registration Act 1860.

Section 42 Not-for-profit Company: An organization formed for the purpose of serving a purpose of public or mutual benefit other than the pursuit or accumulation of profits. Usually formed for promoting commerce, art, science, religion, sports, social services, charity or any other useful object. The Companies Act 2017, Rules and Regulations, Associations with charitable & not for profit objects (licensing & corporate governance) Regulations, 2018 cover the social enterprises.

The Pakistan Centre for Philanthropy (PCP) is the first and the only certification agency authorized by the Federal Board of Revenue (FBR), Government of Pakistan to undertake performance evaluation of not for profits in Pakistan.

It is worth noting, however, that the social enterprise sector need to be differentiated from the Non-Profit Organization (NPOs), as the sector generates the taxable income.

Topic 173: Profile of Some Prominent Pakistani Social Enterprises in Terms of their Legal Status

Ali and Darko (2015) provide an overview of the legal status of some prominent social enterprises in Pakistan as following.

Table 1

Name	Year Founded	Reach/ 'Impact' (as measured by organisation)	Impact Sector	Core Intended Impact	Business Model	Geographic Location of Operations	Head Office Location
Akhuwat	2001	PKR 17,988,930,342 distributed to 1,012,764 families in loans with 99.91% recovery rate [26]	Microfinance	Provide interest-free microfinance and a range of other social goods and services to BoP	Non-profit	Nationwide	Lahore
Ghonsla	2008	Over 150,000 ft^2 of insulation installed across 300+ buildings, including homes, schools, offices, clinics and places of worship[27]	Sustainable Housing	Offering insulation in rural areas to improve quality of life, help cut energy costs and promote resource conservation	For-profit	KPK, expanding to urban regions	Chitral (KPK)
Hashoo Foundation	1988	4 schools, 2 health centres, 4 honey-bee farming project sites, 2 agri/dairy farming project sites, 10 skill-development projects, 3youth development centres, 3 regional offices, etc.[28]	Supporting rural micro entrepreneurs	Three-pronged focus: economic development through capacity-building programmes for rural micro-entrepreneurs; human capital development through schools and youth development centres, etc.; social protection through refugee rehabilitation, flood intervention, health programmes, etc.	Non-profit	Various regions, including mostly remote villages in Sindh, KPK and Punjab	Lahore
Kashf Foundation	1996	230,810 female clients, cumulative disbursement Rs. 36.25 billion 477,588 covered under	Microfinance. Education, Women's empowerment	Offering female micro-entrepreneurs access to microcredit, life insurance, health insurance,	Non-profit	Extensive branch network across Punjab, KPK	Lahore

		life insurance and 95,339 under health insurance plans (June 2014[29])		advocacy through gender-justice workshops, etc.			
Pharmagen Water	2007	16 shops, estimated 40,000 consumers reached; first ISO 9001:2000 certified social business enterprise in Pakistan[30]	Drinking Water	Provide clean, safe drinking water to BoP through local distribution networks	For-profit	Extensive network of local shops in relatively remote areas of Punjab	Lahore
Punjab Vocational Training Council (PVTC)	1998	222 institutes that provide training programmes for 54 trades with 73% employability rate for graduates[31]	Vocational Training	Arm marginalised youth with vocational skills to start their own enterprise or attain gainful employment	Non-profit	Extensive branch network across Punjab	Lahore
Rabtt	2012	12 Summer camps, 1300 students, 150+ mentors[32]	Education	Offering personality and skill/talent development opportunities to students, especially in public schools in Pakistan	Non-profit	Punjab, with a few collaborative and spin-off projects in other regions.	Lahore
Saibaan	2000	Low-income housing development, youth engagement and community-building projects across several districts of AJK, KPK and Islamabad[33]	Community Development	Helping government-provision affordable housing communities build capacity, local governance structures	Non-profit	AJK (Azad Jammu and Kashmir), KPK (Khyber PakhtunKhwah), Islamabad (Punjab). Past projects in Lahore (Punjab), Karachi and Hyderabad (Sindh)	Mansehra (KPK)
Sun Volts	2010		Renewable Energy	Making solar energy accessible in rural areas for domestic, agricultural and industrial uses	For-profit	Various regions	Lahore
TurrLahore	2015		Tourism	Promote tourism and create a tourism ecosystem/ economy in the historic Inner Walled City of Lahore	For-profit	Lahore	Lahore
Youth Engagement Services (YES) Network	2001	Over 200,000 youth have undergone training programmes, 1500 teams of students have designed and implement business ideas through YES programmes[34]	Youth Engagement	Offer youngsters the opportunity to start their own business	Non-profit	Mostly Punjab, with a few programmes in other regions	Lahore

Lesson 44

SOCIAL ENTREPRENEURSHIP RELEVANT POLICIES AND STATE BODIES IN PAKISTAN

TOPIC 170-173

Topic 174: Policies, Strategies and Agencies

As discussed in previous modules, there is currently no legislation in Pakistan directly mentioning or supporting social enterprises. However, social enterprises are impacted by existing wider legislation. There is a Centre for Social Entrepreneurship in Planning Commission of Pakistan, established by the Planning Commission, but it is in its early stages and has not yet created any policies or procedures for the promotion of social enterprises. Table 2 sets out key policies, strategies and agencies which impacts upon social enterprises.

Table 2: Social enterprise relevant policies and state bodies

Policy/body area	Policy/agency name	Detail of relevance to social enterprise
Strategy	Higher Education Medium Term Development Framework II	Emphasises the importance of teaching entrepreneurship at institutions of higher education. It talks about building stronger leadership, communities and economies through entrepreneurship.
	Framework for Economic Growth 2011	Formulated by the Planning Commission, the framework emphasises 'software' aspects of growth, focusing on productivity by harnessing creativity, innovation and the engagement of youth, cluster development and innovation councils.
	Sindh Strategy for Sustainable Development	Presents a 10-year sustainable development agenda that includes the development of the small and medium sized enterprise (SME) sector.
	National Youth Policy 2008	Formulated by the former Ministry of Youth Affairs, the policy focuses on harnessing the demographic dividend by enabling the income generation prospects for the youth including through skill development, entrepreneurship, microfinance.
Enterprise and NGO	Securities and Exchange Commission of Pakistan (SECP)	Private companies and NGOs are registered with the SECP, a regulatory body that is also responsible for tracking the operations and transactions of NGOs as any dubious activities which are then covered by Anti-Terrorism legislation.
	Entrepreneurship Development Policy (Draft) 2012	Draft document prepared by the Higher Education Commission that focuses on unleashing the potential of SMEs, by supporting student business ideas, innovation and research, encouraging social entrepreneurship, improving access to finance, access to enterprise education and creating an enabling policy environment.
	Certification Incentive Programme for SMEs 2014	A programme designed for SMEs to enhance their competitiveness through improved quality and productivity in line with international benchmarks, and to create awareness for adopting international certifications.
	Small and Medium Enterprise Development Authority	Established in 1998, formulated SME policy in 2007 – no explicit mention of social enterprise. It is a semi-government body that supports small and medium enterprises and also helps them build capacity.
	Companies Ordinance, 1984 – section 42	The primary legislation for the registration of both private and public limited companies as well as SECP regulated not-for-profit entities.
	Partnership Act, 1932	Regulates Partnership entities and associations of persons that are owned and operated by two or more entrepreneurs. This is a fairly simple legal form to register and is the go-to option for many social entrepreneurs. The downside is that partners are personally liable.
	Societies Registration Act, 1860. Cooperative Societies Act, 1925	The legislation under which non-profit social work entities are often registered and regulated. Some social enterprises have opted to register under this legal form. It can lead to tax exemption through the issuance of a certificate from the Federal Bureau of Revenue and is swifter to register in comparison with other non-profit legal forms.[3]

Investment/ Finance	Foreign Contributions Act (2015)	Legislation aimed at tightening monitoring of foreign funds to non-profit organisations as the government was unable account for up to 65% of funding. This influences (slows) but doesn't specifically reference social enterprise.
	State Bank of Pakistan	The federal regulator of financial institutions and banks in the country, which are a source of potential finance for social entrepreneurs. It is also responsible for monitoring portals for online payments that form the key piece in many social enterprises' business model.
	Prime Minister's Youth Loan Scheme	Introduced by Prime Minister Nawaz Sharif in 2013 to facilitate young, often unemployed youths and engage them in entrepreneurial activities. The loan amount goes up to 2 million rupees (£14,500) with a fixed interest rate of 6%. This scheme has a 50% quota for women borrowers.
Social enterprise	Centre for Social Entrepreneurship in Planning Commission of Pakistan	Set up by the Planning Commission in 2015 to promote innovation and enterprise development for addressing social issues. The Centre aims to serve as a special purpose vehicle for instilling innovation and jump starting social entrepreneurship in Pakistan. They are currently in early stages of development. However, this is the government's first distinct entity for the promotion of social entrepreneurship in the country.
Skills development/ youth	Higher Education Commission, Offices of Research, Innovation and Commercialisation at universities	Offices of Research, Innovation and Commercialisation were established in Higher Education Institutions by notice of the Higher Education Commission in January 2011. These entities are responsible for the promotion of innovation and entrepreneurship on university campuses.
	Technical Education and Vocational Training Authority (TEVTA)	An entity for youth skills' development and employment, established in 1999. The TEVTA Act 10 of 2010 regulates TEVTA.
	Punjab Youth Policy	Envisaged the setting up of a Youth Venture Capital Fund to support young entrepreneurs.

Topic 175: Summary Outlook of Social Entrepreneurship Pakistan

As per the British Council (2016) research, trends in job creation and turnover suggest that the social entrepreneurship sector is set to expand and deliver increasing economic impact. Social enterprises predominantly expect to grow, increasing both their turnover and their staff numbers.

Social enterprises in Pakistan are run by people who are on average young and many ventures are newly established. There are also a range of larger, more established social enterprises with significant staff numbers and turnover, indicating that social enterprise in Pakistan has a number of representatives already achieving scale. Over 50% of social enterprises are seeking to develop new products and services, indicating that there is also considerable impetus for innovation.

There appears to be a significant trend in terms of the role of women in social enterprise in Pakistan. Social enterprises are far more likely to be run by women than mainstream businesses and have four times as many female staff as their mainstream counterparts. Female-led social enterprises are also more likely to recruit women than their male-led counterparts – understanding this better may help wider gender equality agendas.

Older social enterprise leaders (45 years and above) are less likely to be female. They are also more likely to lead internationally focused and have more beneficiaries than average. They rely more on donations and see a lack of awareness as a key barrier. This is in contrast with younger social enterprise leaders, who tend to have earlier stage ventures, more women as leaders and staff, and are less concerned about awareness of social enterprise.

It is worth noting that a number of social enterprises currently operating in Pakistan provide health and education services. 28% of the social enterprises surveyed work in health and 49% work in education. A number of entrepreneurs surveyed in these sectors pointed to the gap left by the government in this area in relation to why they started doing something about it, and survey findings indicate that there is potential for social enterprises to work with government to support the delivery of public services.

The survey findings revealed that financial constraints are a barrier in the growth plans. Data on sources of financing indicates a lack of access to grants and returnable capital, indicating that there is a lack of appropriate capital and a potential role for various actors in ensuring early stage support and help with investment-readiness for social enterprises as well as the availability of concessional and 'impact' focused investment.

The survey findings also emphasized the need for a clear and social entrepreneurship specific legal and policy framework if the country is to benefit from this emerging field. Social entrepreneurs, too, need to achieve and maintain triple bottom line (social, economic and environmental impact). Also, more research is needed to highlight the impact of social entrepreneurial activities, and to organize the sector on a more scientific and technical basis in Pakistan.

Lesson 45

FUTURE OF SOCIAL ENTREPRENEURSHIP

TOPIC 176-179

Topic 176: Latest Ideas, Innovations and Trends

The future for social entrepreneurship is replete with possibilities and innovations to solve many of society's most intractable problems. What is of particular importance is the recognition of the ever-evolving nature of the attention curve for businesses addressing social ills.

Consider the Figure 1 below, which uses the Gartner Hype Cycle to depict the changing views on social entrepreneurial approaches

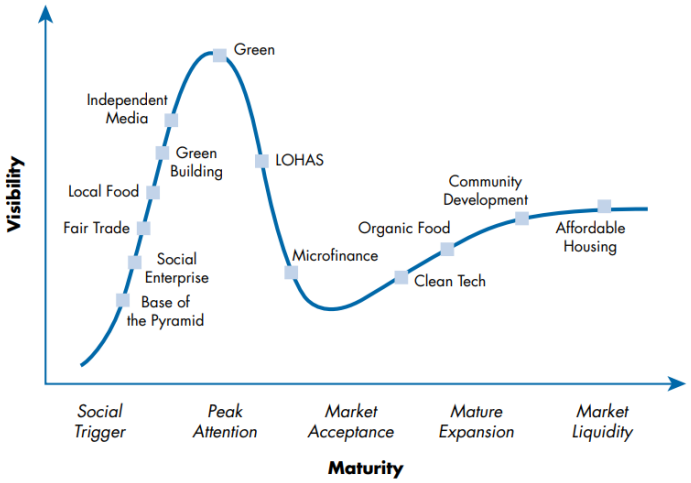


Figure 1: Attention curve

The initiating event is a social trigger, which occurs when some new opportunity is discovered to create both social and financial value. New social businesses are created and some level of acceptance of their purpose finds its way into society. This initial success may or may not be based in a new technology. The social trigger allows for others to observe a different perspective and, as a result, see how to do things differently in order to apply them to various existing and/or unaddressed problems. Attention follows and an emerging market sector is created. Typically, this attention follows a curve upward until a level of peak attention is reached. The most common recent example is the way everything has gone "green." After initial acceptance the sector generally experiences a down cycle representing a time at which social entrepreneurs must show their mettle. While significant attention often brings a flow of new money and new entrants, the new ideas have to actually work or they disappear. It is here that the concepts of bricolage and catalytic innovation dominate. Survival of this stage results in market acceptance. The idea proves itself to be either sustainable or unsustainable. If the concept proves itself, a more mature period of

expansion and development occurs, usually supported by outside smart money. Finally, the acceptance of the idea becomes so commonplace that market liquidity develops as a viable and commonplace investment opportunity.

Topic 177: Youth Social Entrepreneurship

In a discussion on future of social entrepreneurship, the role of youth cannot be less emphasized. Pakistan currently has the largest percentage of young people ever recorded in history. More than 64 percent of the country's population is below the age of 30 while 29 percent is between 15 to 29 years, and the country is experiencing a 'youth bulge', which can be an asset or liability for the country.

A view that casts youth as social capital enhances their wealth, and the importance of protecting society's investment in them and their future payoff represents a shift in thinking world over. Observers have been quick to point out that the future prosperity of any nation is dependent upon the quality of its workforce. Youth are a critical dimension of this current and projected workforce.

Numerous studies show that today's young people are highly motivated to generate positive social change (Lewis, 2016; Punadi and Rizal, 2017). Social entrepreneurship may have great potential to mobilize youth to engage in efforts to achieve major social objectives, including employment creation, poverty reduction, inclusion and integration. Dedicated to serving the common good, social enterprises established by young people can directly contribute to the achievement of a number of Sustainable Development Goals (Holt and Littlewood, 2014).

Young people have significant social assets, including first-hand knowledge of their communities, and that they are naturally disposed and uniquely positioned to provide innovative solutions to social problems. However, ageism and institutional bottlenecks limit opportunities for young people to launch and develop their own social enterprises, which means that young people's chances of success are often linked to external factors over which they have little or no control. Start-up incubators and accelerators provide support to deal with these factors.

The period between idea formation and positive revenue growth is critical as this is the time when nascent enterprises tend to be most vulnerable to failure. Entrepreneurship ecosystems must include mechanisms that provide targeted support during this period. Start-up incubators constitute an important building block within an enabling entrepreneurship ecosystem, as they provide support for the creation of enterprises, help bring them to market, and facilitate their successful commercialization. Start-up incubators are very popular with young people. They are typically located in or near a university or science park and provide office space, access to research and information, practical resources and facilities, networking opportunities, links to sources of finance, technical support, and business and legal services (Phan, Siegel and Wright, 2005).

Start-up accelerators provide focused guidance and other forms of highly targeted support to start-up enterprises over a relatively short period; this differs from incubators, which provide support over a much longer period. The selection process for an accelerator program can be highly competitive. The focus is on working with entrepreneurial teams rather than lone entrepreneurs, and accelerators normally take up equity in the start-ups selected for acceleration (Malek, Maine and McCarthy, 2014).

The Ashoka Youth Venture program has sustained an ecosystem that supports youth as changemakers. Drawing from the same "theory of change" Ashoka used to introduce the world to the concept of social entrepreneurship, Youth Venture seeks to provide young people with the skills they need to succeed in today's rapidly changing world. Research has shown that support structures such as this have a positive impact on young social entrepreneurs.

Topic 178: Higher Education Institutions and Social Entrepreneurship

How do we build stronger, more resilient, and socially engaged communities around the world? How do we foster more inclusive, equitable and sustainable development? These are the challenges that underpin the Sustainable Development Goals (SDGs), which seek to end poverty, ensure quality education for all, advance gender equality, protect life on land and make significant progress in a host of other crucial areas.

If the global community is to make meaningful progress on these ambitious SDGs, it cannot rely on traditional philanthropy, government interventions and development aid alone. It has to develop innovative and financially sustainable solutions that build economic growth and deliver the changes that our planet and its people need. Higher Education Institutions (HEIs) and social enterprises can play an important role in support of SDGs ambitions.

Universities are the anchors, shapers and innovators of communities and countries. HEIs help to build an informed citizenry, more tolerant societies and more participative communities. They generate and nurture the skills, research and innovation that spur economic development and shape the future.

Social enterprises are businesses which trade for a social purpose, re-invest surpluses into their social objective, and make themselves accountable for their actions, rather than simply maximizing profits for owners and shareholders. They create jobs, generate their own revenue and deliver beneficial social impact.

Research has shown the range of HEI activity in the social enterprise sector, including;

- Partnerships between HEIs and social enterprise are common with three in every four institutions (75 per cent) engaged in some level of activity.

- HEIs commonly support their students to gain an awareness of social enterprise, and to develop as social entrepreneurs. Typical approaches include student engagement through placements with an active partnership, and support for student led social enterprise.
- HEI approaches to partnership working include the provision of access to facilities such as incubation space, embedding social enterprise into curriculum delivery, the provision of placement students and interns, and the direct purchase of products or services.
- Social enterprise is a key mechanism to enhance student employability.
- For those HEIs not working with social enterprise, the main barrier is a lack of knowledge and experience regarding approaches to engagement, which has to be changed considering the important role that partnerships between HEIs and SEs can and do play in terms of making progress on SDGs.

Topic 179: Key Challenges Going Forward in Social Entrepreneurship

Scholars have identified and written about key challenges in social entrepreneurship in various contexts. for example, Tracey and Phillips (2007) have identified three key challenges inherent in social entrepreneurship: managing accountability, managing the double (increasingly, triple) bottom line, and managing identity.

Kickul & Lyons (2012) discuss the challenges in terms of maintaining the innovation streak and resourcefulness or funding. According to them, the social entrepreneur tackles social problems (such as hunger or poverty) and measures success in terms of the accomplishment of social value. Using innovation and resourcefulness, the social entrepreneur ultimately seeks to better the human condition (Dees, Emerson, & Economy, 2001), and in some cases may also engage in creating economic value.

As a result, the social entrepreneur leverages the innovative aspects of entrepreneurship but applies it for the common good rather than for individual gain. Effective social change and its long-term impact must rely on new approaches and methods. Christensen, Baumann, Ruggles, and Sadtler (2006) assert that social-sector organizations must develop fundamentally new approaches that are scalable and sustainable, with the ability to influence system-changing solutions. Therefore, maintaining the innovation streak is a key challenge for the social entrepreneurs.

Next comes the funding. Social entrepreneurs' environments are typically resource constrained and often present new challenges without providing new resources (Baker & Nelson, 2005), therefore, they tend to engage in bricolage behavior. Bricolage behavior is a set of actions driven by the search for existing and often scarce resources that can be combined and/or recombined to create novel and interesting solutions that affect their respective markets. The degree to which social entrepreneurs engage in bricolage behavior may determine their success in developing catalytic innovations for the marketplace.

Various scholars researching and writing from the developing countries context, have identified a larger set of challenges including;

i. Innovation, which is a costly part of any new business, is difficult to pay for.
ii. Recruiting and mobilizing people to work in an underpaid environment since the financial "profits" from a social enterprise can never be very high.
iii. Since developing country social enterprises often have to create their own infrastructure and business linkages, and the support systems that large businesses take for granted are not available to social enterprises, the barriers to entry are very high.
iv. Social enterprises don't fit into the well-understood institutional terrain that governments and the private sector can easily deal with.
v. There is a lack of financing sources available to help social enterprises with their capital or credit requirements.