The Business of Social Entrepreneurship

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Cisco Internet Business Solutions Group, Public Sector Practice
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We believe that the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world’s major challenges—including poverty, climate change, resource depletion, globalization, and demographic shifts.

—“A Manifesto for Tomorrow’s Global Business”
Signed by eight major businesses, members of the World Business Council for Sustainable Development’s Tomorrow’s Leaders group, 2007

Source: Cisco IBSG, 2011
Contents

- Trends Reshaping Emerging Markets
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  - Social Entrepreneurship Defined
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Trends Reshaping Emerging Markets
Realization that social problems affect us all, whether directly or indirectly, and limit our potential

Amartya Sen has argued that for economic growth to be achieved, social reforms, such as improvements in education and public health, must precede economic reform.

Source: Cisco IBSG, 2011
Economic Trends

Emerging markets are increasingly the future of innovation, talent, customers, and business

- **Major realignment** of world economic activity. Business opportunities depend on capacity to harness resources globally. Accessing talent is key to success.

- **A billion new consumers**: By 2015, consumers' spending power in emerging economies will increase from $4 trillion to $9 trillion.

- Businesses see potential to **improve the lives of millions** in disadvantaged communities while focusing on expanding in those **dynamic new markets**.

Source: Cisco IBSG, 2011
Business Trends

The nature of how and where work gets done, and by whom, is dynamic

Innovation in products/services and low-cost go-to-market models is key to growth (i.e., nontraditional business models)

Corporate borders are blurring as interlinked “ecosystems” of suppliers, customers, and other industries emerge

Intra-firm linkages are created by mergers and alliances, and by extensive global networks of niche players

Knowledge production is moving from creation by individual specialists to creation by communities of practice

There is exponential growth in computing power and networking capability

Source: Cisco IBSG, 2011
Social Investing Trends

Social sector is moving beyond binary world of pure grant-making and pure market investing . . .

. . . Social entrepreneurship spans a range, offering a portfolio approach

New Methods of Social Investment
- Microfinance Investment
- Social Venture

Financial Return of Principal
- 0% Traditional Donation/NGO Grant
- 50%
- 100%
- 105+% Traditional Market Investment

For Social X: Sources of Funding, www.ned.com/group/seeb/ws/social_entrepreneur_funding/
A Better Way Forward: Social Entrepreneurship
“[Social entrepreneurship is] one of the most hopeful and helpful trends around. These folks aren’t famous, but they are showing that what it really takes to change the world isn’t so much wealth or power, but creativity, determination, and passion.”
—Nicholas Kristof, The New York Times

Source: Cisco IBSG, 2011
## Social Entrepreneurship Defined

<table>
<thead>
<tr>
<th>WHAT is it?</th>
<th>WHY do we need it?</th>
<th>WHO is involved?</th>
<th>WHERE is it happening?</th>
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<tbody>
<tr>
<td>Process by which citizens build or transform institutions to advance solutions to social problems (e.g., poverty, illness, illiteracy, environmental destruction, human rights abuse) in order to make life better for many.*</td>
<td>System change to address intractable social problems in ways that are sustainable and scalable</td>
<td>Work through alliance of NGO/citizen, private, and governmental sectors</td>
<td>Everywhere in the world. The language of social entrepreneurship may be new, but the phenomenon is not.</td>
</tr>
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</table>

*“Social Entrepreneurship, What Everyone Needs to Know,” by David Bornstein, Susan Davis, 2010
Social Entrepreneurship = Social Reform

Success is rooted in empowering others to effect change

Social Entrepreneurs’ Role in Society:

- **Innovate in the “how to” vs. just an idea**
- **Visionaries “see the idea”; social entrepreneurs “see and climb the rungs of the ladder” to go from A to B to C**
- **Architects of social change**
  - Provides system-changing solutions that understand people’s behaviors, mindsets, incentives
- **Build platforms that unleash human potential** and enable people to behave like changemakers in teams and teams of teams

Source: BRAC USA interview, September 2010
Early Social Entrepreneurs

- Terms “social entrepreneur” and “social entrepreneurship” were first used in literature on social change during 1960–70s
- Historically noteworthy people whose work exemplifies “classic” social entrepreneurship include →

Susan B. Anthony (U.S.) 1820-1906
Florence Nightingale (U.K.) 1820-1910
John Muir (U.S.) 1838-1914
Jane Addams (U.S.) 1860-1935
Maria Montessori (Italy) 1870-1952
Jean Monnet (France) 1888-1979

www.ashoka.org/social_entrepreneur
Social Entrepreneurship Gaining Awareness as Mainstream

- Government re-envisioning citizen role in public services; citizen sector increasingly a player—or even a substitute—in service delivery
- Cross-pollination of talent from public, private, citizen sectors
- Young workers expect employers to have social impact; value Corporate Social Responsibility
- Emergence of university study—even majors—in social entrepreneurship
- Updated legal frameworks to assist in registration and cooperation between profit / nonprofit
- Attracting investment financing—evolving beyond traditional charity

Source: Cisco IBSG, 2011
Modern-Day Pioneers

FazleHasan Abed, Bangladesh
- In 1972, former Shell Oil executive founded BRAC, applying business principles for development interventions
- **Focus areas**: Primary education, essential healthcare, agricultural support, human rights, legal services, microfinance, and enterprise development
- Now, world’s largest development organization employs 125,000 people, operates in 10 countries, impacts 138 million people, 70-80% self-funded through social enterprises
- [www.youtube.com/watch?v=5s0yVZIFdMU&feature=related](http://www.youtube.com/watch?v=5s0yVZIFdMU&feature=related)

Muhammad Yunus, Bangladesh
- Founded Grameen Bank in Bangladesh; won 2006 Nobel Peace Prize
- Developed concept of microcredit, reversing conventional banking practice by removing need for collateral and creating banking system based on mutual trust, accountability, participation, and creativity
- GB has 8.3 million borrowers (97% women), 2,500+ branches, and services in 81,000+ villages in the country
- [www.youtube.com/watch?v=0C3XQ3BTd4o](http://www.youtube.com/watch?v=0C3XQ3BTd4o)

## Social Entrepreneurship in Many Sectors

<table>
<thead>
<tr>
<th>Jimmy Wales, USA</th>
<th>ICT</th>
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<tr>
<td>Wikipedia, encyclopedia that “anyone can edit.” <strong>Contains 15 million articles; 7th-most-visited website.</strong> Transformed the way information is produced/shared by leveraging natural human desire to co-create our understanding of our world.</td>
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<tr>
<th>Rebeca Villalobos, Costa Rica</th>
<th>Healthcare</th>
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<tr>
<td>ASEMBIS, a participatory treatment system that’s brought <strong>low-cost, high-tech healthcare to 65% of Costa Rican population.</strong> Started as specialized eye care clinics; then adapted to 13 other specialties (e.g., radiography, general medicine).</td>
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<tr>
<th>Matt Flannery, USA</th>
<th>Financial Services</th>
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<tr>
<td>Kiva’s mission: connect people through lending and alleviate poverty. Combines microfinance with the Internet to create a global community of “connected lenders.” Loans of <strong>$151 million to 385,000+ entrepreneurs in 200 countries.</strong></td>
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<th>Bart Weetjens, Africa</th>
<th>Landmine Removal—Health</th>
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<tr>
<td><strong>APOPO</strong>deploys HeroRATS, rats trained for landmine and tuberculosis detection; managed locally at low cost. To date, <strong>responsible for reopening over 400,000 square meters of suspect land.</strong></td>
<td></td>
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Source: Cisco IBSG, 2011
# Business vs. Social Entrepreneurs

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Business Entrepreneurs</th>
<th>Social Entrepreneurs</th>
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<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>Capture a market securely</td>
<td>Fill a market gap; change the world!</td>
</tr>
<tr>
<td><strong>Objective</strong></td>
<td>Build a business; earn profits</td>
<td>Create sustainable solutions for social change</td>
</tr>
<tr>
<td><strong>Profit motive</strong></td>
<td>Maximize shareholder value; profit as an end</td>
<td>Advance social aims; profit as a means to financial sustainability</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td>Basic business risk</td>
<td>Basic business risk plus social aspect</td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td>Competitive for one company</td>
<td>Collaborative for societal impact</td>
</tr>
<tr>
<td><strong>Link to social problems</strong></td>
<td>Indirect</td>
<td>Direct</td>
</tr>
<tr>
<td><strong>Feedback</strong></td>
<td>Established consumer and market information sources</td>
<td>Need to be creative in obtaining market responses</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>“Win” for one business over others in a market</td>
<td>Exists because no one else adequately solving problem; “win” for society</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>Benefit from robust financial and managerial services</td>
<td>Contend with unpredictable and fragmented financing</td>
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Source: Cisco IBSG, 2011
Social Entrepreneurship: Challenges and Opportunities
Challenges for Social Entrepreneurs

Capital remains main challenge

Financing: misalignment and messaging

Measuring and messaging impact properly

Human capacity

Ecosystem

Weak knowledge-sharing

Lack of ICT infrastructure

Source: Skoll Foundation, Ashoka interviews, 2010
Showing the Way Forward: Companies Collaborating in New Ways

- Investing directly in social entrepreneurs and their organizations:
  - Tie to commercial business operations, working together along value chain—to offer affordable goods / services to disadvantaged communities
  - Through philanthropic / community investment, partnering in ways that mobilize not only corporate funds, but also people and products

- Creating internal climates for social entrepreneurship, e.g., encouraging employees to innovate business models, products, services, and processes that combine profitable business opportunities with social or environmental solutions

Through public policy dialogue, advocacy, and institution building, create strong, enabling environment for social enterprises

Showing the Way Forward: Hybrid Value Chains to Make Markets

Private + citizen sector organizations collaborating to make markets

Hybrid value chains create economic and social value via complementary strengths

**HVCs: Systematic shift in how businesses and CSOs interact**

Housing industry: 1 billion people shut out of formal housing market. For a cement company, potential $1 trillion housing market!

But doesn’t have the know-how to tap into this market

CSOs know how to reach these customers. Consider the following example of Amanco and Ashoka

Hybrid Value Chain Example

- Local citizen groups and Ashoka convince Amanco that small farmers are an opportunity
- Collaboration:
  - Organize farmers into loan groups
  - Promote irrigation technologies
  - Install systems
- New irrigation market = $56 million/year
- Higher yields and incomes for farmers
- Social entrepreneurs help farmers get financing to afford Amanco’s products

Creative Partnerships To Target New Markets

Appealing to a market of 4 billion people living on less than $2 a day requires a radically different approach

- **Electricité de France** reaches people in rural areas without electricity through a range of partnerships. Its **Energy Access** program provides electricity, water, gas, and telephone services that stimulate local economic activity and contribute to wealth creation.

- **Unilever** is integrating **social innovation strategies** into business operations. In India, it teamed with NGOs to create **Shakti**, a rural network that sells products adapted to rural customers in 100K+ villages and employs 31K women.

- **Cemex**, world’s third-largest construction materials firm, works with **Ashoka** fellows to help 30K+ low-income families build their own affordable, decent houses. Participants enter a savings and credit program, get assistance to plan construction work, and benefit from services such as material storage, delivery, and price guarantees for two years.

# New Paradigm Partnerships Between Companies and Social Entrepreneurs

<table>
<thead>
<tr>
<th>Philosophy</th>
<th>New business discipline</th>
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<tr>
<td></td>
<td>Societal opportunity</td>
</tr>
<tr>
<td>Methods</td>
<td>Opportunistic, anticipatory, “out of the box,” transformative, risk-taking</td>
</tr>
<tr>
<td>Purpose</td>
<td>Differentiation, results, and reputation</td>
</tr>
<tr>
<td>Recipients</td>
<td>New social entrepreneurs and innovators</td>
</tr>
<tr>
<td>Reach</td>
<td>Local and global</td>
</tr>
<tr>
<td>Impact</td>
<td>Potentially high, leveraged, and measured</td>
</tr>
<tr>
<td>Relationship management</td>
<td>Strategic partnership, entrepreneurial, mutual learning</td>
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<tr>
<td>Nexus with core competencies</td>
<td>Linked to core business purpose and competence</td>
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What’s at Stake for Companies: Increased Competitiveness

A. Reaching untapped markets can be greatly facilitated by social entrepreneurs, who see innovation/trends early and are embedded in/trusted by local communities.

B. Consumers increasingly expect companies to pay heed to the social impacts of their operations.

C. Attracting top talent is increasingly challenging. Best and brightest seek more than salaries and stock options.

Source: Cisco IBSG, 2011
And Business / Social Entrepreneurs Share Mutual Need To Realize Opportunity

- Social entrepreneurs provide:
  - Social networks and trust-based relationships with target consumers
  - Understanding of community needs and decision-making dynamics
  - Capacity to enable and aggregate demand
  - Knowledge and experience mobilizing communities and other stakeholders in ways that empower everyone
  - Locally appropriate cost structures
  - Motivation to serve clients and get new customers

- Businesses provide:
  - Ability to operate at scale
  - Investment capital
  - Operational capacity (including manufacturing)
  - Expertise in infrastructure and logistics
  - Resources for product development

Strategy and Benefits for ICT* Companies

*Information and communications technology
Opportunity: Unlock Potential of ICT for the Masses

- ICT has potential to improve the lives of many millions of people in disadvantaged communities

- In spite of ICT corporations’ good intentions, deep pockets, and technology, the global ICT market remains largely untapped—5 billion people do not have access to the Internet

- Not about philanthropy: ICT corporations need to revolutionize the way they do business

Strategy: “Top-Down Meets Bottom-Up”

ICT Companies:
- Bring global scale, business acumen and ICT expertise
- Ready access to cheaper capital; business network + strategic advice
- Marketing visibility; know-how to create new technology solutions

Social Entrepreneurs:
- Bring market intelligence, community knowledge, and trust
- Access to new markets and “bottom-up” innovators
- Lower cost structures → “People Software”: to make things work in disadvantaged communities and unlock business opportunities

Together:
- Work with government for support; identify other collaborators/resources
- Solutions & go-to-market proof points
- Sustainable models to scaleup

## Challenge: New Mindset Needed From Top-Down to Bottom-Up

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<thead>
<tr>
<th>Technology Focus</th>
<th>People Focus</th>
<th>Desired Learning</th>
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<tbody>
<tr>
<td>What can ICT / computing do for people?</td>
<td>What do people choose to do with ICT / computing to improve their lives?</td>
<td>ICT awareness and link to economic and social advancement</td>
</tr>
<tr>
<td>How do we teach people to use ICT?</td>
<td>How can people teach ICT corporations about the potential of ICT to improve their lives, and about delivering new products that are relevant?</td>
<td>People as both consumers and producers of ICT: to support / maintain, develop content; identify opportunities to apply ICT to solve problems and innovate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate / ICT-Driven</th>
<th>Local / Demand-Driven</th>
<th>Desired Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imposing developed-world context / ideas for ICT</td>
<td>Seeing where local people are in terms of ICT awareness, capacity</td>
<td>Need proper starting point and people readiness to chart the right path to desired outcome. Even if ICT “can” do something, doesn’t mean it should.</td>
</tr>
<tr>
<td>Making the technology work</td>
<td>Ensuring technology is “owned” by community and sustainable</td>
<td>Build people’s capacity to sustain, scale up, spot opportunity</td>
</tr>
<tr>
<td>Private sector as vendor; primary role in products and services</td>
<td>Private sector as catalyst to build demand</td>
<td>Start where communities are; range of corporate assets can add value and lay foundation for future products and services</td>
</tr>
</tbody>
</table>

A Call for “Peer Partnerships”

- Worthy charity and international aid efforts have not generally helped disadvantaged communities to utilize ICT in large-scale, sustainable ways (need new approach)

- Corporations and governments can learn / adopt practices of “local” organizations with proven record of success

- Such “local” citizen sector organizations / social entrepreneurs have mastered “people software”:
  - The collection of the mindsets, incentives, language, and behaviors that provide the know-how to make things work in disadvantaged communities and unlock business opportunities

“People Software” Is Essential

- Elements of “people software”:
  1. Understanding how communities work and how to work collaboratively with them
  2. Focus on local enterprise, generation of profits, and support to the local economy
  3. A learning loop to iterate solutions that work, scale, and sustain

- Above are critical to introduce and scale technological and social solutions in disadvantaged communities

“People Software” in Action

- **Maternity Care with a Click**: ClickDiagnostics provides health workers with mobile phone and app for real-time data; highest-risk women / children can access better healthcare
- **Linking Isolated Rural Communities to Markets**: ITShed provides a village-owned website to aggregate production, consumption, and villager skill sets at village level to give a greater voice, market power, and information to rural communities
- **E-bookkeeping**: Empowers rural women to manage their own finances with transparency and accountability while saving significant time
- **India’s first centralized online bus ticketing system**: redBus business model adds value to drivers, who pay a premium for the service. Service is easy to use for riders.

Rewards of “Peer Partnerships”

For ICT Companies:

**INNOVATION**
Broaden knowledge network and tap into the “bottom-up” innovation—of social entrepreneurs and their communities worldwide—to develop relevant solutions and go-to-market strategies that scale

**MARKET INTELLIGENCE**
Understanding new markets—how to penetrate and shape market development and identify areas of competitive advantage

**BRAND**
Increased company visibility and credibility in emerging markets

Source: Cisco IBSG, 2011
Rewards of “Peer Partnerships” (cont.)

For Social Entrepreneurs and Their Communities:

**REACH**
Access to people / resources via ICT (previously not possible or feasible) to make informed decisions

**COLLABORATION**
Transforming how and with whom they work to create and improve livelihood opportunities and solve problems better / faster

**IMPACT**
Increased social impact via ICT to scale work more efficiently and effectively

**STRATEGIC PARTNER**
Tapping resources of experienced corporations — business acumen, technical know-how, technology solutions, funding, global network

Source: Cisco IBSG, 2011
In Summary
Takeaways

- 21st-century business opportunities depend on capacity to harness resources globally; accessing talent is key to innovation and success
- The leading global companies will be those that reach new customers in ways that address the world’s major challenges
- Social entrepreneurs / citizen sector play critical role: building platforms to unleash human potential, empowering people to effect change for themselves and society
- Increasingly, international companies, NGOs, development agencies, and governments are collaborating in new ways—finding shared interests, learning from each other through the process, and innovating
- Knowledge production is moving from creation by individual specialists to creation by communities of practice → partnerships are essential!
- To realize ICT’s potential to improve lives and to develop ICT markets → partner ICT corporations + “local” organizations with proven “people software”
- These peer partnerships—a new way forward for increased competitiveness

Source: Cisco IBSG, 2011
“Change starts when someone sees the next step.”

—William Drayton

Source: Cisco IBSG, 2011
Key Support Organization Profiles

Ashoka: Funds organizations from launch to maturity
Invests in social entrepreneurs worldwide who have innovative, sustainable, and replicable solutions to society’s most pressing social problems. [http://www.ashoka.org; founded 1980](http://www.ashoka.org)

Echoing Green: Funds startups
Identifies and funds promising social entrepreneurs to help them launch innovative social-change organizations around the world. [http://www.echoinggreen.org; founded 1987](http://www.echoinggreen.org)

Acumen Fund: Funds later-stage organizations
Venture fund that uses entrepreneurial approaches to solve problems of global poverty. Investments focus on delivering affordable, critical goods and services—such as health, water, housing, and energy—through innovative, market-oriented approaches. [http://www.acumenfund.org; founded 2001](http://www.acumenfund.org)

Draper Richards Foundation: Funds startups
Partners with visionary social entrepreneurs to transform the social sector. Uses a venture capital model of investment to support nonprofits that generate large sustainable impact. [http://www.draperrichards.org; founded 2002](http://www.draperrichards.org)

Source: Cisco IBSG, 2011
Key Support Organization Profiles (cont.)

New Profit: Funds later-stage organizations
Provides support to innovative social entrepreneurs and their organizations, and pursues a set of social innovation strategies to improve the environment in which all social entrepreneurs operate. http://www.newprofit.com; founded 1998

Schwab Foundation: Funds later-stage organizations
Provides platforms at the national, regional, and global levels for leading social innovators that highlight social entrepreneurship as a key element for change. www.schwabfound.org; founded 1998

Skoll Foundation: Funds later-stage organizations
Mission is to drive large-scale change by investing in, connecting, and celebrating social entrepreneurs and other innovators dedicated to solving the world’s most pressing problems. www.skollfoundation.org; founded 1999

Source: Cisco IBSG, 2011
The Public Sector: Help and Be Helped

Government has critical role in supporting and recognizing social entrepreneurship as a legitimate field of endeavor

Often, social entrepreneurs find themselves shunning collaboration with governments for reasons ranging from corruption to inefficiency and indifference on the part of government officials

Improve fiscal and legislative environment for social entrepreneurs, e.g., review tax laws, eliminate burdensome regulations, arbitrary decision making, and other practices/requirements that hamper them

Source: Cisco IBSG, 2011
Growing Involvement of Social Enterprise in Public Sector

- PwC interviewed 100 CXOs of social enterprise and private sector to understand how to maximize positive impact of third sector on public service delivery, and examine views toward partnerships as one means to deliver (February / March 2009). Of all respondents:
  - 70% confident third-sector involvement in public service will grow over next 3-5 years and that during recession, third sector even more active in public-service delivery
  - 90% believe policy changes to improve procurement and commissioning are important / very important
  - 87% of private sector believe social enterprises / private-firm partnerships important to growth of third sector
  - Belief that social / private enterprise partnerships lead to benefits for end user—innovation (76%), customer focus (66%), and value for money in delivery of public services (58%)

Prepared by Cisco IBSG Economics Practice; Source: *PriceWaterhouseCoopers, PwC Forward Thinking: “New Partnerships for Public Services: Can Collaboration Between Social and Private Enterprise Deliver?”*