

Learning from mistakes

Nobody wants to make a mistake, yet mistakes are a natural part of the development of both individuals and organizations, especially when, like social entrepreneurs, they are attempting new and complex undertakings. So what kinds of mistakes do social entrepreneurs make? More importantly, how do they learn from their experience and turn those mistakes to account? Caroline Hartnell talked to six highly successful social entrepreneurs about this.

As Fabio Rosa (Institute for the Development of Natural Energy and Sustainability, Brazil) points out, social entrepreneurs are often working on big, intractable problems with wide ramifications. As a result they become involved in many areas – ‘public policy, science and technology, market development, social and human psychology’. Naturally, this demands a wide range of capabilities and a complex response. It’s very unlikely they will always get it right first time. ‘The role of mistakes and failures’, says Rosa, ‘is to allow you to improve and perfect your methods. You start out with an ideal, but it doesn’t really happen like that.’

‘The best mousetrap in the world’

So what sorts of things change when the ideal is applied to the actual? Even though their purpose is social, social entrepreneurs need business brains. According to Nick Moon of ApproTEC, Kenya, which develops and markets affordable technology for poor rural people to increase their incomes, ‘what we discovered was that people aren’t going to beat a path to your door just because you have the best mousetrap in the world’. Initially, he feels, ApproTEC concentrated on the technology and didn’t pay sufficient attention to marketing. ‘It’s not enough just to have a good product,’ he argues. ‘You have to be aggressive and brash and borrow as much as you reasonably can from the world of business and apply that in a social setting.’

‘When people stopped buying our cakes . . .’

A mistake that Rick Aubry (Rubicon Programs Inc, USA) mentioned was not realizing that non-profits as well as businesses go through cycles. This was another occasion when a social enterprise needed to be hard-headed as well as tender-hearted. Rubicon had been growing for ten years when the California

economy stalled at the beginning of this decade. ‘Foundations suddenly ran out of money and stopped funding us. When people stopped buying our cakes [one of Rubicon’s social enterprises is a bakery] at the level they’d been buying at, when overnight large customers disappeared, we were very slow in reacting.’ Rubicon faced the classic dilemma of ‘our two competing bottom lines’: ‘Do we keep on everybody and sustain continual losses, or do we lay people off?’ His first reaction was to keep people on no matter what – the wrong decision because it effectively put the whole organization at risk. So they laid people off. ‘It was hard to do,’ he recalls, but it meant that both the bakery and the organization survived. Although Rubicon prides itself on being an organization ‘that thinks like a business . . . we got too soft, and allowed the balance of the social mission and the sustainability mission to get out of whack.’

Nic Frances (Easy Being Green) has also had to lay people off. In his case, it was because they didn’t deliver on a government contract. ‘We thought we were better than the contract, we were going to care for people, we were nicer than that.’ The upshot of allowing the social to take precedence over the economic in this way was that the contract wasn’t renewed so 25 people lost their jobs. Frances’s view is that they took on something they shouldn’t have taken on at all.

‘If it’s free, it’s not valued’

Another important lesson is ‘not to give away things for free’, says Vicky Colbert of Escuela Nueva, which helps improve the availability and quality of basic education in rural areas of Colombia. Initially, she gave the model free to anyone who asked: ‘take it, copy, adapt.’ The result, she says, was that the quality suffered because there was no means of controlling how it was adapted. She reckons that to be successful, you have to have ‘a business model – and I’m learning the word franchising’.

Nic Frances also suggests that if you give things away, you devalue them. Easy Being Green offered free courses on social enterprise to a number of government people but no one signed up. ‘Three months later,’ he says, ‘we advertised it, charged ASD2,500 per person and filled a busload of 22 people.’ The moral for him is that people are used to spending money, ‘so if it’s free, then it’s not valued’.

Colbert also feels she devalued the Escuela Nueva model by piloting it in the poorest schools in the

country – if it was to be useful, it naturally had to be economical. But one side-effect of this was that it was rejected when transferred to urban areas because it was seen as ‘second-rate’. She now feels that piloting it with a high-quality school would have sold it more effectively across the whole range.

Spreading the margarine too thinly

You have to be able to say no, says Jacek Strzemieczny (Centre for Citizenship Education, Poland). There is a temptation to take on too many projects: ‘A few times we took something because it was a great project, and it was a great project, but it was beyond our capacity.’

Taking on too many projects can mean that nothing is done well. As Nick Moon says, ‘The margarine is spread so thinly across the bread that nobody can taste it.’ His view is that you should ‘stick to two or three things that you do really well’. ‘You’ve got to reconcile your vision with your capacity to deliver it and realize where your limitations are.’ Fabio Rosa agrees, ‘You have to be focused.’

Hiring people who ‘share the vision’

However, if errors can flow from not adopting a sufficiently rigorous commercial outlook, the converse can also produce mistakes. ApproTEC initially tended to hire employees who were technically proficient – in, say, marketing or finance – rather than people who were committed to the idea, says Nick Moon. The result: they ended up with employees who weren’t in tune with the values of the organization. ‘You can teach people skills if they don’t have them but you can’t necessarily imbue somebody with that spirit or attitude.’

But Jacek Strzemieczny came up with a counter-example. One of Centre for Citizenship Education’s projects involved producing a large amount of innovative civic education material on the internet, he explained. But they hadn’t thought how to use it and had no contact with experienced internet providers, so the material wasn’t used to best advantage. Now, in similar situations, he would look for partnership with a software provider to supply the technical expertise needed to make such materials more accessible.

In general, he maintains, reluctance to deflect funds away from the social mission can lead to false economies. He was for some time unwilling to employ an office manager because he ‘didn’t want to spend money on someone who is not working on the

project’. But he found that he lost opportunities because he didn’t have the capacity to follow them up. The advantages of developing an organizational structure outweighed the cost disadvantages.

Working with government

Powerful allies like governments can create their own special problems and opportunities. Fabio Rosa’s idea of bringing electricity to remote areas has now been taken up by the Brazilian government, which means that people are less interested in the social enterprise model of electrification. However, if, as seems likely, the government will be unable to reach its target of bringing electricity to all within ten years, Rosa’s organization must be prepared either to put pressure on government or to work with it to achieve the target. You have to be prepared to change your means in order to reach your original ends, he points out.

Where innovations are taken up by government, they can also be vulnerable to political change, says Vicky Colbert. Innovations may not be abandoned outright but they can lose momentum when there is a change of administration. She therefore emphasizes the importance of public-private partnerships. ‘If I had not made an alliance with the Coffee Growers Federation, but left it only in the hands of the government, Escuela Nueva would never have been sustained,’ she says.

Another critical lesson, says Colbert, is the importance of involving beneficiaries in order to create demand. This can help safeguard against what she calls administrative ‘debilitation’. When a programme is scaled up, it can be weakened, and she feels it is more likely to survive if ‘the actors of change are the beneficiaries themselves’. With Escuela Nueva in Colombia, ‘change did not take place at ministerial level, it took place at the local level’.

Getting the assumptions right

The needs of beneficiaries, and the sources of those needs, are by no means always easy to assess, however. In the case of ApproTEC in Africa, while ‘the kind of poverty and social problems we’re trying to address are most visible in urban environments’, says Nick Moon, ‘we actually found that the underlying root of the problems people faced stemmed from lack of opportunity, or perceived lack of opportunity, in rural areas’. ApproTEC had to shift from dealing with the symptoms to dealing with the cause.

Fabio Rosa works with rural electrification systems in isolated areas. Initially, he thought that it would just

be a question of setting up the solar systems, then leaving it to the community to get on with it. 'That wasn't right.' A lot of the systems stopped working, but 'it wasn't a technical problem, it was a problem of sustainability. We had to understand the social arrangements, the economy of each family, then work with social psychology and promote improvements in the model.'

'Not a mistake, but an adjustment'

Often so-called 'mistakes' seem to relate to the overall understanding of the situation rather than to a more specific practical issue. According to Fazle Abed (BRAC, Bangladesh), one of BRAC's cherished original tenets was that they would need to work in a community only for five to ten years, and 'after that poor people would take over and do things themselves'. This was a practical matter as well as a matter of principle: if a small organization is to have a nationwide effect, it can't spend all its time in one area. However, they found that poor people continue to need basic services if the government isn't providing them. 'So basically we have to be there.' The initial idea of withdrawing from an area he describes as 'not a mistake, but an adjustment'.

His remark could be an epigraph for this article. Social entrepreneurs aren't following books of instructions, they're making it up as they go along, and they're often attacking problems that no one has previously succeeded in solving. What's important is not that they make mistakes but that they are able to correct them and learn from them and share their experience with others. @

Alliance would like to thank the following for contributing to this article:

Rick Aubry Rubicon Programs Inc, USA. Numerous innovations to address critical issues of homelessness, poverty and living conditions of disabled. www.rubiconprograms.org

Vicky Colbert Escuela Nueva, Colombia. Contributes to improving quality and availability of basic education in rural areas of Colombia. Many elements now being implemented and adapted in other developing countries. www.volvamos.org

Nic Frances Easy Being Green Pty Ltd, Australia. Makes environmental change simple by offering households

well-researched and affordable packages. www.easybeinggreen.net

Nick Moon ApproTEC, Kenya. Develops and markets affordable technology for poor rural people to increase their incomes. Premier product is the irrigation pump. Also works in Tanzania and Mali. www.approtec.org

Fabio Rosa Institute for the Development of Natural Energy and Sustainability, Brazil. Develops and markets models for rural electrification using renewable energy. www.ideaas.org.br

Jacek Strzemieczny, Centre for Citizenship Education, Poland. Biggest NGO in Poland working for school reform. Introduces innovative civic education curricula. www.ceo.org.pl

The growth capital market in the US

Heiner Baumann With hundreds of billions of dollars given to charities every year by individuals alone (\$180 billion in 2003), foundations with assets larger than most countries' GDP,¹ and a culture that places a high value on ambitious visions and entrepreneurship, one would expect it to be easy to find funding to grow social innovations to scale in the US. It isn't. One of the primary obstacles is lack of access to growth capital.² Without sufficient growth capital, social entrepreneurs are forced to continuously focus on scrambling for funds and cannot put sufficient energy into the other activities that would ultimately make their organizations more compelling to a wide variety of funders.



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Of the roughly half million US non-profits,³ 92 per cent operate with a budget of less than \$1 million a year. Small can be beautiful, but for those with aspirations to reach millions in need and address large-scale social problems, small is inadequate. Over the last 30 years, an estimated 10,000 such high-aspiration social entrepreneurs have started new organizations to 'change the world'. Only 21 of these organizations have reached an annual operating budget of \$20 million or more. The result is that the 3,300 organizations (0.6%) that achieved an operating budget of \$20 million or more are dominated by outfits like the Salvation Army, Boy Scouts of America, and other non-profits that are between 50 and 100 years old.⁴ In the battle for capital, the best social enterprises struggle to compete for resources with the household names and alumni databases of incumbents.

Some contemporary social entrepreneurs whose organizations have been growing rapidly have turned to venture philanthropy firms that specifically support the formation, establishment and growth of social enterprises. As this article will show, the US does have a developing growth capital market for social entrepreneurs, of which these venture philanthropy firms are part, but what this market provides is far from meeting the needs of social entrepreneurs in the US today.

College Summit and its partners in growth

Take Washington DC-based College Summit as an example. Founded in 1995, College Summit prepares low-income students for college application and enrolment. Over the last three years, College Summit has grown at nearly 50 per cent per year in both revenue and number of students served. In 2004, it served