

# Social entrepreneurship an overview

**Pamela Hartigan and Jeroo Billimoria**

We'd like to jump headlong into the discussion on social entrepreneurship by asking you, the reader, five questions:

- ▶ Do you regularly take at least three weeks' holiday a year?
- ▶ Do you give any thought to what you will do when you retire, looking longingly at the time when you will no longer have to be in the office from nine to five – or often much later?
- ▶ Does the thought of not having a regular monthly pay cheque drive you to the medicine cabinet in search of a tranquillizer?
- ▶ Do you need to feel that your friends and co-workers approve of what you are doing?
- ▶ Do you spend any less than 24 hours a day obsessing over new ways to transform society?

If you have answered 'yes' to at least two of those questions, chances are that you are not a social entrepreneur.

But before you put down this issue of *Alliance* because you have decided it obviously has nothing to do with you, we want to assure you that very few people are social entrepreneurs. Indeed, a world populated by social entrepreneurs alone would be as unbalanced as one filled only with public servants or corporate sector representatives. What is important is to be able to recognize social entrepreneurs, and the vital innovative and transformative role that they play, and ensure that they are fully supported by other sectors.

This issue of *Alliance* will explore what it means to be a social entrepreneur from the point of view of its leading proponents and practitioners. Persistent challenges for social entrepreneurship will be examined, including how best to scale up innovations and assess impact without losing the vision, as well as how to work effectively with other major stakeholders and potential supporters, including governments, business, multilateral and bilateral organizations, foundations and high net worth individuals. What is the role of education and the media in social entrepreneurship? What systems and services must be created to provide the kind of financial and other supports social entrepreneurs need?

Prior to delving into these issues, we need to define what we are talking about, for as social entrepreneurship has become a generalized 'buzzword', it is suffering from the 'five blind men and the elephant' syndrome (see box opposite). Because it is a relatively new field, people tend to base their definitions of social entrepreneurship on subjective and relatively limited experience rather than on a broad base of empirically derived knowledge and, to a certain extent, that's what we're doing. In that sense, we, too, suffer from the 'elephant syndrome'. Nevertheless, and in all humility, we would suggest the following description of a social entrepreneur – and conversely,

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the next couple of years we will make the change.' He will stay on as chairman for the time being – 'it's not a big deal.'

Fazle Abed doesn't appear to have too many anxieties about the culture of the organization changing when he does finally manage to leave. Having a long-term BRAC employee taking over the running of the organization will clearly help. 'We have worked so hard on the BRAC culture,' he says. 'The way we operate is very entrepreneurial, we question everything, we're continually learning to do things better. I hope that we will have the same culture in the organization when I am no longer there.'

Transmission of the unique BRAC culture throughout the whole organization is based partly on an extraordinary system of staff reporting. All

BRAC's 31,000 staff members report upwards once a month. 'Groups of field workers meet with their immediate supervisor, and those supervisors then meet with their supervisors . . . and so it percolates upwards.' This may be time-consuming but it's very important, says Abed. 'Other people in the organization get to understand what's happening in the field; field workers know that what they say is going to percolate up. As a result, no one feels that decision-making is being done in isolation at the top; everybody knows their own views and assessment of the situation will feed into decisions.'

Decisions are in any case taken 'at the lowest possible level rather than at the highest possible level. So if somebody makes a mistake, they can say they have made a mistake, but they must please report it back.' @

offer our ideas on where confusion over its definition might partly lie.

### What a social entrepreneur is . . .

A social entrepreneur identifies practical solutions to social problems by combining innovation, resourcefulness and opportunity. Committed to producing social value, these entrepreneurs identify new processes, services and products, or unique ways of combining proven practice with innovation to address complex social problems. Whether the focus of their work is on enterprise development, health, education, environment, labour conditions or human rights, social entrepreneurs are people who seize on the problems created by change as opportunities to transform societies.

The organizations set up by social entrepreneurs defy pigeonholing. They cannot be lumped easily into the non-profit or for-profit worlds that we cling to. Increasingly, social entrepreneurs are setting up their organizations as for-profit entities, though most are still constituted as not-for-profits. The point is that the legal form chosen for the entity is simply a strategic decision based on how best to achieve the mission. They don't shun existing economic models, but most social entrepreneurs are pragmatic about the limitations of market economics and persistent about finding ways to use markets to empower the poor. Most experiment with and perfect business models that allow the poor to have access to the wide variety of technologies that the more fortunate among us take for granted – from information communications technology and health care to ways of ensuring good housing, clean water, access to energy, decent wages, relevant education and so on.

Social entrepreneurs undertake both public and private sector functions simultaneously. On the one hand, they work with people that governments have been unable to reach effectively with basic public goods and services. On the other, they address market

Guest editors for the special *Alliance* feature on 'Social entrepreneurship – its promise and its challenges'



Pamela Hartigan is the Managing Director and a Board Member of the Schwab Foundation for Social Entrepreneurship, a Geneva-based organization dedicated to improving the state of the world through social entrepreneurship. She can be contacted at Pamela.Hartigan@schwabfound.org



Jeroo Billimoria is a social entrepreneur, and founder of numerous transformational initiatives including Childline India and Child Helpline International. She can be contacted at jeroo@childhelplineinternational.org

failures by providing access to private goods and services to markets where business does not operate because the risks are too great and the financial rewards too few. With little market reward or assistance, social entrepreneurs are reshaping the architecture for building sustainable and peaceful societies.

Social entrepreneurs are the ultimate scenario planners of our time. They see desirable futures in present conditions, and act to bring them about, generally in spite of efforts to persuade them to the contrary. They are disrupters and activists who challenge the notion of incremental, continuous improvement. Social entrepreneurs don't believe in more of the same, and they appear to relish what keeps the rest of us awake at night – uncertainty and risk.

### . . . and what a social entrepreneur is not

Social entrepreneurs aren't just founders of social enterprises. While some social enterprises are created by social entrepreneurs, not all of them are. The term social enterprise emerged recently with reference to non-profit organizations seeking new and different ways to generate the funds they need to operate. Now social enterprises are being created by governments to catalyse community renewal and provide excluded groups with income-generating opportunities. The vast majority of social enterprises focus on the delivery of goods and services. Social transformation and system change are not their primary drivers, as with social entrepreneurs.

This may seem like a superfluous distinction but it isn't. There is a marked difference between a social entrepreneur and a manager of a social enterprise. While the latter is essential for the smooth running of the operation, the former is a mover and a shaker, the motor of social transformation.

Nor are they business entrepreneurs. However, the two are sometimes confused, so it's useful to draw some distinctions. For a start, social entrepreneurs are committed to social value creation, so finance is a means to an end for them, never the end in itself. Personal reward, risk and cost become secondary concerns; and they typically take little for themselves. They display innovation, resourcefulness and practicality just like business entrepreneurs, but their products, services, clients and business methods are dictated by the needs of underserved markets and stakeholders. They are often more comfortable with the unconventional than with the conventional in

#### FIVE BLIND MEN AND THE ELEPHANT – AN INDIAN FOLK TALE

Five blind men wanted to find out what an elephant was. They had one brought to them. Surrounding the elephant, each blind man reached up to touch it. The first blind man grabbed the elephant's trunk. He said, 'Aha! So an elephant is like a snake.' The second blind man, holding one of the elephant's legs, said, 'Oh, no, it's like a tree trunk.' The third grabbed the elephant's ear and said, 'How can you say that? An elephant is clearly like a fan.' The fourth, clutching the animal's tail, said, 'No, no, no! The elephant is like a rope.' The fifth, climbing up the side of the elephant, said, 'You're all wrong! The elephant resembles a small hill.'

reaching beyond the limits of the marketplace to serve the needy.

By virtue of their social mission, social entrepreneurs are often thrown into the same pot with other organizations in the citizen sector, those referred to by the misnomer 'NGO'. But here again a distinction needs to be made. Social entrepreneurs are practical and focused on outcomes rather than process, while many in the citizen sector are wedded to the latter. Moreover, social entrepreneurs tend to shun ideological positions as they prevent one from spotting the opportunities for transformational social change. Nor do they embrace charitable models that aim to alleviate suffering and address social issues without changing the conditions that gave rise to that suffering. Social entrepreneurs seek transformation of the status quo.

To get some idea of what these distinctions mean in practice, if you were to combine a Mother Teresa with a Richard Branson, you'd be getting close to a social entrepreneur – a Fazle Abed, for example, or one of the other accomplished social entrepreneurs featured in this issue.

### The benefits of working with social entrepreneurs

The greatest challenge for social entrepreneurs lies in persuading all other actors to reinforce and support them. Neither governments, businesses, multilateral and bilateral institutions, foundations, philanthropists, and academia nor the civil sector have yet caught up with this emerging field, and they too often stand in its way.

Yet all these groups stand to gain tremendously from stimulating and supporting social entrepreneurship. And social entrepreneurs need them. In fact, social entrepreneurs will be the first to say that alone they cannot undertake their critical work of social and economic change. They need the support of imaginative, compassionate and talented people from all sectors who can help social entrepreneurship live up to its promise.



### The public sector

Government has a critical role to play in supporting social entrepreneurs, as we will see in the article by Sheela Patel of SPARC in India (see p24). However, with few exceptions, governments and government bodies have yet to recognize social entrepreneurship as a legitimate field of endeavour. This recognition is crucial if governments are to provide a better fiscal and legislative environment for social entrepreneurs, including the review of tax laws and the elimination of burdensome regulations, arbitrary decision-making and other requirements and practices that hamper them. More often than not, social entrepreneurs find themselves shunning collaboration with governments for reasons ranging from corruption to inefficiency and indifference on the part of government bureaucrats. Where government-social entrepreneur collaboration has been effective, the benefits have been manifold for both, but such examples are rare.

### Companies

Increasingly, companies are beginning to appreciate the merits of working with social entrepreneurs, mainly for three reasons, all related to competitiveness.

- ▶ From a financial perspective, reaching untapped markets can be greatly facilitated by working with social entrepreneurs who have spent decades designing, implementing and refining innovative ways of bringing previously excluded groups into the marketplace.
- ▶ Increasingly, companies are discovering that consumers expect them to pay some heed to the social effects of their operation. Companies are discovering that they can 'outsource' the social innovation element to social entrepreneurs in the same way they have done with product innovation and business entrepreneurs.
- ▶ From a human resources perspective, the ability to attract top talent is a major challenge for companies. But the best and brightest today are looking for more than impressive salaries and stock options. They want something that gives meaning to their work and their lives. Supporting social entrepreneurs in different ways shows that companies care about more than the bottom line.

### Foundations and philanthropists

These are best placed to support social innovators, as they are free of the voting booth and the financial

bottom line, the forces that dominate the decisions of government and business respectively. But too many foundations and philanthropists seem content to fund demonstration projects that they hope will produce dramatic results in a very limited time. This is unrealistic, misplaced and costly. As so many successful social entrepreneurs can vouch, it often takes years before their idea takes shape into a viable and scalable solution. Even then, the approach must be constantly modified to respond to unforeseen obstacles or dynamics along the way. This issue's article on 'Learning from mistakes' (see p35) highlights how every obstacle encountered by the social entrepreneur means modifying the idea or the way it is implemented.

A social entrepreneur continuously adapts. As Ela Bhatt Mirai Chatterjee, founder member of the ground-breaking Self-Employed Women's Association (SEWA) in India, put it, 'The biggest thing we have learned after 30 years of existence is that there are no definite victories or defeats. The most important thing is to keep on going.' Foundations need to rethink their focus on supporting demonstration projects. They can have much greater impact by scaling up demonstrably successful social innovations initiated and implemented by social entrepreneurs. The wheel does not need to be reinvented, just adapted to travel in new terrain.

### **Multilateral and bilateral development organizations**

It is evident that multilateral and bilateral development organizations, to a greater or lesser degree, have all increased their collaboration with non-state actors, including social entrepreneurs. Much of this change has occurred in the last decade in response to general calls for reform to make these organizations better equipped to respond to the challenges of the 21st century. In particular, strong criticism has been made of those multilateral institutions responsible for finance, development and trade for their failure to consult civil society and interest groups on their policies. Some institutions have responded by devoting time and energy to dialogue with non-state actors. But more needs to be done.

We are in an interesting phase of new thinking and experimentation, and these institutions have a vital and catalytic role. They should make it a priority to

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spot and legitimize social entrepreneurs who have the capacity to imagine and the ability to implement what they imagine through disciplined innovation. In this issue, Andrea Coleman of Riders for Health (see p25) and Victoria Hale of OneWorld Health (see p27) describe their ups and downs working with UN organizations to illustrate the benefits and difficulties inherent in such partnerships.

### **Academia**

Finally, the academic sector has a key role to play in fostering social entrepreneurship and advancing knowledge about it (see Rowena Young's article on p30). Important strides have been made, particularly at university level, but we have barely begun to instill entrepreneurial thinking in younger students. And while we all know that entrepreneurship is not something to be learned out of a book, it must be cultivated. The entrepreneurial mindset has been described in terms of the following characteristics: commitment and determination; leadership; obsession with opportunity; tolerance of risk, ambiguity and uncertainty; creativity; self-reliance; ability to adapt; and motivation to excel. Primary and secondary schools across the globe should be supported in their efforts to develop a curriculum that instills these characteristics in future global citizens, whether they become social entrepreneurs or not.

### **Summing up**

Perhaps the most important qualities of social entrepreneurs are courage and resilience. Their courage allows them to champion a cause and to take risks others wouldn't dare to take. Their resilience enables them to endure the obstacles and setbacks along the way to achieving transformational social change for as many as possible, as soon as possible.

We cannot expect the systems and structures that created the problems we face to come up with solutions to those problems. Too many of us have lived within those systems for too long, blinding us to other possibilities. As historian Barbara Tuckman noted, men and woman '...will not believe what does not fit in with their plans or suit their prearrangements'. Social entrepreneurs, with their hybrid approaches derived from inspired pragmatism, can work with any and all sectors, offering new and very different approaches to what many of us say we want to do – change the world. @