

Lecture 2: Overview of mission of Social Entrepreneurship

Prof. Wong Hung

Social Innovation → Social Change → Social Impact

Social
Innovation

- Build or transform Institutions

Social
Change

- Advance solutions to social problems

Social
Impact

- Sustain and expand the changes

A Social Business in Dhaka: Grameen Shakti

- As in other developing countries, the rural market is incredibly tough to serve and villagers are very poor. So how is Grameen Shakti selling them 'expensive solar'?



Mr. Majid needed: a 25W solar system to light his grocery cart and power his cassette player. They then coupled tailored solutions with finance providing him with a loan he could afford to repay because he doubled his monthly income by working after dusk and attracting more customers with popular Bangla music.

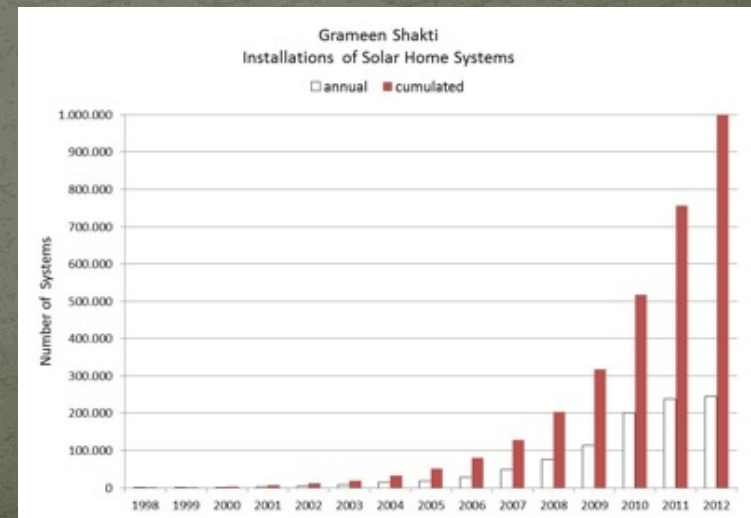
-- Adequate Level and Affordable Technology

Bring your product and service to the poor

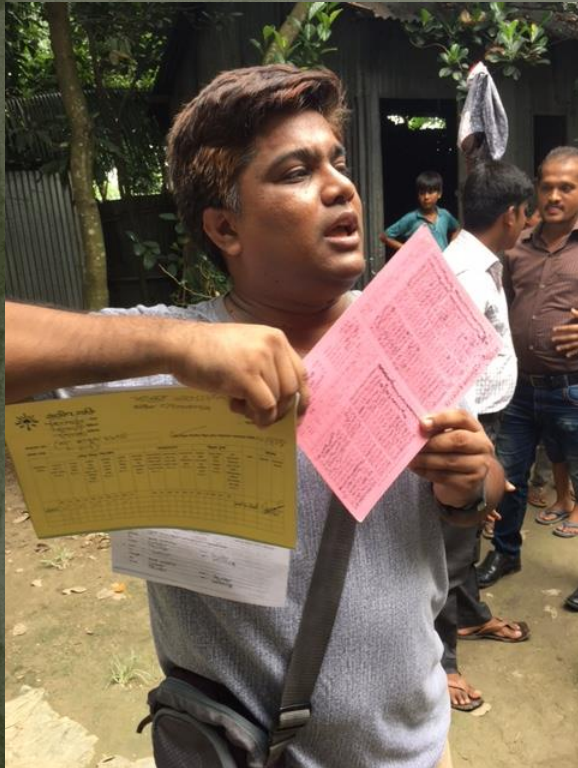


Serving village customers on the delta means traveling bumpy mud paths and crossing rivers—on foot, by bike, boat and by rickshaw. It can take hours during the rainy season to reach a few customers.

Shakti meets this challenge by creating rural supply chains and after sales service. Its engineers and technicians live, work and are trained on the job in the villages. They become part of the community, keep in close contact with their customers and make sure the solar systems are running. If there is a problem, Shakti is onsite to solve it—even in times of disaster.



My TRIP



MNO-MNO18101 - (j) - Shaheedul Alam



Box 1: The Heart of Social Entrepreneurship

Social entrepreneurship at its essence is a process by which individuals “build or transform institutions to advance solutions to social problems” (p. 1).

Bill Drayton, founder of Ashoka, learned through his travels in India that powerful examples of social change share two things in common: —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 (p. 19).

Social entrepreneurs are the idea champions: people who advance change, working within, between and beyond established organizations. The social entrepreneur also helps others discover their own power to change by helping them envision a new possibility and recognize how it can be broken down into doable steps that build momentum for change (p. 25).

Qualities of a Social Entrepreneur

- is a process – involving a long-term commitment and continual set-backs.
- To overcome apathy, habit, incomprehension, and disbelief while facing heated resistance (p. 21);
- To shift behavior, mobilize political will, and continually improve their ideas (p. 23);
- To listen, recruit and persuade (p. 24);
- Encourage a sense of accountability, and a sense of ownership for the change (p. 25).
- Comfortable with uncertainty
- High need for autonomy (p. 26).
- Capacity to derive joy and celebrate small successes

- Successful social entrepreneurship involves well established **behaviors which can be acquired.**
- While some people appear to be born with more entrepreneurial inclination than others, **most people can learn to behave like entrepreneurs**

Historical Perspective on Social Entrepreneurship

- St. Francis or Gandhi advanced important social changes through work that is analogous to what social entrepreneurs today are doing.
- Social entrepreneurship as a movement developed in response to major global forces that have shifted the patterns of life around the world, creating more opportunities for people to cause change.
- Social entrepreneurship today is a response by the global citizenry to changes that have happened, and are happening, on a GLOBAL scale.

Social Changes → Freedom → New Opportunities → New Problems

- Large-scale changes over the past half-century, such as the collapse of authoritarian and communist regimes, resulted in newfound freedoms for many across the globe.
- These freedoms have led to greater wealth, longer life spans and better communications around the world, but they have also created new problems.
- For example, mass rural-to-urban migration has in some countries resulted in mega shantytowns that are violent and unhealthy; or, people who have been involuntarily dispersed by change struggle to pick up their lives again and suffer in poverty

Redesigning Economics to Redesign the World

The present system is like an impersonal sucking machine which thrives on continuously sucking juice from the bottom to the top. The higher you are in the system, the more juice you are able to suck.

It is not because bad people are running the machine; just that the machine is built that way. The system was not designed to have any moral responsibilities. At least that is not in practice. (Yunus, 2015, p.13)

I have been proposing and practising a new kind of business which is based on selflessness, replacing selfishness, of human beings.

This type of business runs parallel to the selfishness-driven business that rules the world. Conventional business is personal-profit seeking business. The new business is personal-profit forsaking business.

Owner can take back his investment money, but nothing beyond that. (Yunus, 2015,p.13)

Grameen Bank

vs.

Conventional Banks

- To bring economic and social change to the poor.
 - Based on trust
 - Looks at what the borrower can have
 - Located in rural areas
 - The bank goes to the customer
 - Flexible payment scheme
 - Most owners and borrowers are poor women
 - Loans are for productive activity, not consumption
- To make profit
 - Based on collateral
 - Looks at what the borrower already has
 - Located in urban areas
 - Customers have to go to the bank
 - Strict payment scheme
 - Most owners and borrowers are wealthy men
 - Loans could be used for consumption or other activities.

Pioneering Social Entrepreneur– Muhammad Yunus

- The Grameen Bank embarked in 1976
- More than 8.4 million borrowers in 2014
- 94% are women
- Only rural bank is owned entirely by its borrowers
- It proved for the first time the poor, and especially the women among them, were not only bankable but usually more bankable than the rich.
- More than 200 million people, mostly women, now have access to microcredits around the world.
- Studies show that they have brought a host of positive impact to their families and their communities



From Education to Social Business

Village Hut: Day learning centre to pre-school kids/ 16 Decisions 100% children of Grameen families go to school

Scholarships for primary secondary school, colleges. Go to college needed money. Education loan from Grameen Bank

New Entrepreneuers (NU): College graduates were no jobs. Redirect their mind from hunting for jobs to creating jobs for themselves and others



Solutions creates new problems

Nobin Udyokta



- Did not pick up any speed because parents were reluctant to let their sons or daughters take more loan while they still had the unpaid education loans
- Bank staff were very slow in giving them fresh loans because they still had outstanding loan to clear

Design Lab



- Idea of SB was catching up in 2013
- Need a platform to bring entrepreneurs to present social business designs in front of experienced business executives and social activists to seek their advice

New Problems create New Opportunities

- Design Lab to attract social business investors started in slow motion.
- But by end of April 2014, 68 NUs presented their business plans in the design labs.
- In Jan 2017, 12,275 NUs presented and 12,195 approved. 10,195 funded.
- Amount approved for investment 17.42 million USD
- Average amount invested per project 1537USD
- Average no. of NU per upojela: 55

Relationship between investor and NU

- The entrepreneur may have some or no shares in his business. He can be the managing partner or a paid manager of the business owned by the investor.
- The investor will be monitoring the performance of the manager/managing partner, but will not get involved in the actual running of the business.
- As the business makes profit, the investor receives his dividend. When he has received enough dividends to equal the amount of equity he has invested, he stops taking further dividend.
- It is time for him to move on to the next investment with the money he got back.

Investor: creating entrepreneur

- But his objective will not be achieved until he establishes the entrepreneur as the owner, because his intention was to transform a job-seeker into a job-giver. This was his objective.
- If his intention had been merely to create job for a young unemployed person, his objective would have been achieved right at the start. Even if he holds on to ownership of the business, the business would already be a successful social business.
- But his objective was bigger than just providing employment; it was to transform a job-seeker into a job-giver, which is, creating an entrepreneur. This he does by selling the shares to the entrepreneur following social business guidelines.

Yunus:

All human beings are entrepreneurs, with no exception. Not only did I promote that position, I became a firm believer in it.

Microcredit was born out of this firm belief.

The current NU programme has its roots in the same firm belief.

All human beings have their basic creative power. That, backed up by social business framework, is all it needs for the success of turning unemployed into entrepreneurs.

Box 2: Difference of Social Entrepreneurship from Government

Unlike governments, who work from the top down (離地), social entrepreneurs address problems from the bottom up. The social entrepreneur's efforts often begin with an interaction with a problem on the ground level (落地), which leads to a question that eventually grows into an organization through trial and error.

Governments often implement ideas before testing and adapting them as they go, and they often lack the nuanced understanding of ground-level details that is the key to success in social entrepreneurship.

Additionally, governments are bound by protocol, rules and procedures; social entrepreneurs have far more flexibility. A social entrepreneur has the luxury of trying seemingly crazy ideas and getting rid of ideas that do not work, whereas a government gets bogged down in hashing out the details prior to implementation without the chance to learn from mistakes.

Difference of Social Entrepreneurship from Government

- Social entrepreneurs can stay working on a problem until they solve it. Governments are under pressure for quick, tangible results.
- Government, however, benefits from its access to a wide array of resources and recognized legitimacy. To address social problems at the proper scale, we must combine the creativity and agility of social entrepreneurs with the resources and legitimacy of governments.

Social Entrepreneurs and Citizen Democracies

- The work of social entrepreneurs strengthens established and emerging democracies.
 - Democracy, like social entrepreneurship, is an iterative process.
 - Citizens of democracies and social entrepreneurs build and continually adapt institutions designed to meet society's needs.
- In predemocratic contexts, social entrepreneurs help citizens realize their ability to shape change, which reinforces their power as citizens.
- Democracies flourish when large numbers of citizens acquire the capacity to shape civic life. Social entrepreneurship is a process by which citizens organize to do just that (p. 41).
- As the field social entrepreneurship continues to expand, it may help redefine the concept of citizenship, creating a world of citizens who are actively involved in creating and shaping their countries' institutions.

Discussion Question 1:

- Prior to the introduction, Bornstein and Davis include a note on terms in which they explain that they prefer the terms “social”, “social-purpose”, and “citizen-sector organizations” to “nonprofit” and “nongovernmental organization.” Why is this distinction important? How might this distinction influence people’s (or a governments, philanthropists, individuals donors) attitudes toward such organizations?

Discussion Question 2:

- At the very beginning of the book, in the introduction, Bornstein and Davis introduce to us the question that all changemakers attempt to answer: “how can people adapt rapidly, on an ongoing basis, to an ever changing array of unforeseeable and increasingly critical problems?” (p. xviii).
- Using this question as a springboard, think of a few starting points as to how we might begin to answer this question.

Discussion Question 3:

- In discussing the relationship between democracy and social entrepreneurship, Bornstein and Davis mention the idea of required national service (p. 45).
- What do you think of this idea? How might it impact the field of social entrepreneurship?

Challenges faced by social entrepreneurs

- One major challenge is **FINANCING**, and in particular, obtaining **GROWTH CAPITAL**.
- Most social entrepreneurs have less trouble financing a new idea than financing the growth of their organization.
 - *Government funding* is less than ideal because of the difficulty involved in complying with government reporting requirements.
 - The current preferred funding source for most social entrepreneurs is *philanthropy*, but with so much fragmentation and little standardization, this method can be time consuming and not conducive to building great institutions.

Financing and Growth capital

- *Impact investors*, investors who seek financial goals as well as social impact, are an important source of capital for social enterprises, but markets for impact investing are still young and undeveloped.
- Many social entrepreneurs are also exploring *earned revenues, through social enterprises*, as a way to finance large scale change.

Box 4: Financing Social Ventures

Social entrepreneurs finance social organizations from a variety of sources. They often start with people close to them – family, friends, classmates and professional contacts.

Social entrepreneurs also turn to corporations, public foundations, social venture competitions, impact investors and Web-based intermediaries. Web-based intermediaries such as Kiva have made it possible for social entrepreneurs to receive small donations from many individuals, i.e. micro-contributors. The Obama campaign proved that this approach can be highly effective.

Fellowships and prize programs directed specifically at social entrepreneurs are another source of funding. Though the organizations are not numerous they comprise the current key pipelines of support and recognition.

Fellowships and Prize -- HK local examples:

Social Innovation and Entrepreneurship Development Fund
(HKSAR Government) (SIE Fund (<http://www.sie.gov.hk/en/>))

Good Seed (PolyU) (<http://goodseed.hk/2015/11/17/programme-overview-2/>)

SI CEO Competition for Tertiary Students
(<http://www.youth.gov.hk/en/special/siceo/index.htm>)

Impact Incubator (HKCSS)
(<https://www.socialinnovation.org.hk/en/about>)

Achieving Social and Financial Objectives

- Social entrepreneurs are increasingly seeing strong results through complementary nonprofit, business, and hybrid enterprises.
- The term “**BLENDED VALUE**” refers to the commingling of **social and financial objectives**, and an increasing number of organizations are working in this gray area, using a combination of business methods and philanthropy.
- Social enterprise, a combination of business and philanthropy, is a promising strategy because it **allows a social organization to benefit from the strategies of traditional business entrepreneurs**.
- These developments bring challenges. As the line between sectors blurs, a new form of financing will be necessary.
- **Blended value or impact investors, investors who cross the lines between philanthropy, business and the public sector**, will be increasingly important.

Cultivating Talent

- Another challenge is attracting talent.
- Social entrepreneurs must recruit talent without the ability to offer compensation that is comparable to business.
- Instead, social organizations rely on attracting people by promising meaningful work.
- The social sector also lacks a structured system to nurture talent; when combined with financial inhibitors, this makes retaining talent difficult.
- More people have chosen social organizations over other opportunities following the economic downturn, probably because comparable salaries in the private sector have dropped.
- Social entrepreneurs in the near future will have to determine the tipping point in compensation in order to redirect talent from other sectors

Impact Measurements

- Another challenge is deciding how to measure their organization's results and evaluate their impact.
- The organizations that outperform the others by a large margin closely and effectively monitor their results.
- How an organization measures its success is important.
- An after school program may measure its success based on the number of students enrolled, but that does not mean the program is making any impact on these students.
- Effective measurement of results and impact requires a combination of data and storytelling tailored appropriately to the organization's work and its goals.

Impact Measurements

- In an environment where mediocrity often trumps excellence (p. 62), and where money is not distributed competitively, it is important for organizations to measure results accurately so that we may begin to distinguish – and provide appropriate funding for – those programs that are achieving change.
- Efforts have been made to calculate a “social return on investment (SROI)”, similar to return on investment calculated by businesses, by groups such as the Roberts Enterprise Development Fund in the 1990s and, more recently, the Global Impact Investing Network. Another example is the Pulse reporting system (see p. 65). More such efforts to create standards and rating agencies would help the process of accurately identifying successful organizations.
- SROI local example see HKI-SIA (<https://www.hkisia.org/about-sroi.html>)

Scaling Impact vs. Scaling the Organization

- When measuring growth and success, it is important to distinguish between the scale of an organization and the scale of its impact.
- The size of an organization is less important than the reach of its work; successful organizations will focus time and energy on effecting change beyond their immediate reach. Similarly, sustainability must be considered in terms of ideas in-stead of the organization itself.
- A field is truly sustainable when its institutions can be readily renewed and improved upon because the organizations' ideas have lasting power.

Recombination of knowledge

- Over specialization, and the divisions between fields and social groups, can be another hindrance to social change. Society is comprised of specialized fields that rarely overlap, people move vertically throughout their career paths, and many people live in homogenous communities.
- All of these factors result in significant blind spots within society while tending to reinforce pre-existing beliefs. In order to achieve innovation and change, society needs a recombination of knowledge.
- Social entrepreneurs are the — creative combiners who can help with this. They can carve out space in society to foster whole solutions and bring people together who would not coalesce naturally. When it comes to solving social problems, the integration of labor, rather than the —division of labour, is likely the way forward (p. 74)

Sustain and Expand the Changes

- Fostering an innovating society will require a shift in mindsets that are commonly held across society, and social entrepreneurs will play a key role in helping enact these shifts.
- Members of society hold many preexisting beliefs, and follow established patterns of behavior that are no longer suitable to today's global society and that hinder advancement of certain groups based on their perceived deficits (e.g. the poor, the disabled).

Social entrepreneurs shift mindsets :

- by helping society to see trapped potential, and to appreciate the interconnectedness of our world.
- shift society's viewpoint from "me" to "us" and eventually to "all of us". Building a stronger sense of connection builds empathy, and with empathy comes a stronger base for structural changes.
- about what can be done on an individual basis. Expose how we systematically undervalue people with perceived deficits and simultaneously show how to bring out group's agency for change.

Box 5: What is venture philanthropy

- While societies need new and innovative models to tackle societal issues, social enterprises and social purpose organisations (SPOs) lack stable funding, capacity and partnerships to take up their own, ever-increasing challenges. This is where **venture philanthropy** and **social investment** come in. Venture philanthropy (VP) and social investment (SI) address the growing need for support and flexible funding. Through **three core practices**, VP/SI offers an effective, high-engagement and long-term approach to supporting SPOs in generating social impact.



What is venture philanthropy

- **Tailored financing**
 - to support a social purpose organisation (SPO), choosing from the range of financial instruments available (grant, debt, equity, and hybrid financial instruments). The choice of the financial instrument(s) will depend on the risk/return/impact profile of the VPO/SI and on the needs and characteristics of the SPO.
- **Organisational support**
 - to strengthen the SPO's organisational resilience and financial sustainability, by, for instance, developing skills or improving structures and processes.
- **Impact measurement and management**
 - Impact measurement helps pinpoint what works and what doesn't, so you can manage your impact better. This is why we talk about impact 'management' rather than 'measurement' or 'assessment'.

THE END