

## Week 1

### Introduction to Social Entrepreneurship

- Social Entrepreneurship: creates innovative solutions to immediate social problems & mobilizes the ideas, capabilities, resources, social arrangements required for sustainable social transformations.
- Social Entrepreneur: The person engaging in social entrepreneurship.
- Social Enterprise: The venture run by the social entrepreneur

#### What is Social?

- The organization of people, into an interdependent group that lives and works together cooperatively – namely a community or society
- It puts society ahead of the individual.

Traditional View	Social View
<ul style="list-style-type: none"> <li>• “Laissez-faire”- government, the representative of society should get it hands off private business pursuit.</li> <li>• Caveat emptor – it is the society’s responsibilities to protect itself from dishonest business practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing interest in sustainable business and corporate social responsibilities</li> <li>• Society and economy are closely linked</li> </ul>

#### What is Entrepreneurship?

- Key aspects of entrepreneurship:
  - Seek out opportunities to innovate in order to add value to lives of their customers.
  - Pursue strategy of growth in order to expand their business’s market reach and profits.
  - Strategic in managing the enterprise
  - Build networks with investors, suppliers and customers to achieve business goals.
  - May not be risk takers, but definitely risk managers

#### Change

- Transactional vs. long term, deep social change
- Treats the symptoms vs. treat the root cause of the problem
- Change must be transformative & sustainable
- Social Entrepreneurs play the role of change agents, by:
  - Adopting a mission to create & sustain social value (not just private value)
  - Recognizing & persistently pursuing new opportunities to serve that mission
  - Engaging in a process of continuous innovation, adaptation, & learning
  - Acting boldly without being limited by resources currently in hand
  - Exhibiting a heightened sense of accountability to the communities served & for the outcomes created

#### Entrepreneurial Orientation

- Proactive - being the first mover as a source of growth
- Risk Taker - the ability to assume at risk´
- Innovator - innovation in new products and new processes

## Social Entrepreneurship vs. Conventional (Commercial) Entrepreneurship

	Social Entrepreneurship	Conventional Entrepreneurship
Definition	<ul style="list-style-type: none"> <li>Enables or enacts a vision based on new ideas to create successful innovations</li> </ul>	Applies business principles to solve social problems
Primary Motive	<ul style="list-style-type: none"> <li>Economic:                             <ul style="list-style-type: none"> <li>Focus on profits (for the enterprise's owners)</li> <li>Serves shareholders</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Social change; well-being:                             <ul style="list-style-type: none"> <li>Focus on social mission achievement</li> <li>Serves stakeholders (e.g. the beneficiaries, the community at large)</li> </ul> </li> </ul>
Predominant Organizational Form	<ul style="list-style-type: none"> <li>Profit oriented</li> </ul>	<ul style="list-style-type: none"> <li>Profit and/or nonprofit oriented:                             <ul style="list-style-type: none"> <li>The pursuit of economic value as a tool for achieving social mission</li> </ul> </li> </ul>

Social Entrepreneurship	Conventional Entrepreneurship
<ul style="list-style-type: none"> <li>Recognizing &amp; pursuing opportunities</li> <li>Continuously innovating, learning &amp; adapting</li> <li>Not being limited by current resources</li> <li>Creating &amp; sustaining social value</li> <li>Higher level of accountability to multiple constituencies for the impacts achieved</li> </ul>	<ul style="list-style-type: none"> <li>Recognizing &amp; pursuing opportunities</li> <li>Continuously innovating, learning &amp; adapting</li> <li>Not being limited by current resources</li> </ul>

## Corporate Social Responsibility

- CSR refers to a concept whereby companies integrate social & environmental concerns in their business operations and in their interaction with stakeholders on voluntary basis.

## CSR vs. Social Entrepreneurship

- Two elements differ SE from CSR:
  - Corporations with CSR projects' primary goal – profit maximization. CSR is not necessarily entrepreneurial nor innovative. Despite CSR practices & philanthropical contribution of business, the potential “harm” of businesses could not be overlooked (Economic costs and Social costs).
  - Social Enterprises- social mission has primacy & profits are means to reach this mission

## Social Enterprise Spectrum

- Social purpose business ventures are hybrid enterprises straddling the boundary between the for-profit business world and social mission-driven public and non-profit organizations. Thus, they do not fit completely in either sphere.
- The SE spectrum ranges from:

- Traditional nonprofit
- Non-profit with income generating activities
- Social enterprise
- Socially responsible businesses
- Corporation practicing social responsibility
- Traditional for profit

	Purely Philanthropic	Hybrids	Purely-Commercial
General motives, methods, & goals	<ul style="list-style-type: none"> <li>• Appeal to goodwill</li> <li>• Mission driven</li> <li>• Social value creation</li> </ul>	<ul style="list-style-type: none"> <li>• Mixed motives</li> <li>• Balance of mission and market</li> <li>• Social and economic value</li> </ul>	<ul style="list-style-type: none"> <li>• Appeal to self-interest</li> <li>• Market driven</li> <li>• Economic value creation</li> </ul>
<b>Stakeholders:</b>			
Beneficiaries	Pay nothing	Subsidized rates and/or mix of full payers and those who pay nothing	Pay full market rates
Capital	Donations and grants	Below market capital and/or mix of full payers and those who pay nothing	Market capital rate
Workforce	Volunteers	Below market wages and/or mix of volunteers and fully paid staff	Market rate compensation
Suppliers	Make in-kind donations	Special discounts and/or mix of in-kind and full price	Charge market prices

### Three Main Building Blocks of SE

- Sociality:
  - Social & environmental focus
  - Creation of public goods & positive externalities
  - e.g. welfare & health services; education & training; economic development; environmental etc.
- Socially innovative solutions:
  - e.g. employment practices; supply chain management; energy usage & recycling etc.
  - Creative in creating non-financial impacts
- Market Orientation:
  - Operates in commercial markets and generates profits to reinvest in their social mission

## Week 2

### Social Entrepreneurship Context

#### Context of Social Entrepreneurship

- Context refers to those elements outside of the control of the entrepreneur that will affect outcome of opportunity and influence success or failure.
- Important to identify & understand roles of various stakeholders in the economic system
- SE is equally vulnerable to changes in the external context, including interest rates, macroeconomic activity, government, government regulations, industry activity, labor markets, & sociopolitical environment.
- The philanthropic market is highly susceptible to economic condition.

#### Government Regulations

- Specific types of laws & regulations that affect daily operation.
- Laws regulating the tax-exempt status
- Tax policies that influence the amount of giving to the sector
- Specific social policies affect social issues such as education, the environment, health, & housing

#### The “Industry” Context

- Compete for philanthropic dollars, government grants & contracts, volunteers, community mindshare, political attention, clients or customers, and talents.

#### The “Consumer” Context

- Tend to be less powerful
- Hence, market selection mechanism is relatively less intense

#### “Inhospitable” Context

- During harsh economic times, social needs tend to intensify
- Despite adverse funding environment, many new SE may be established to serve these needs
- Success in terms of making an impact by raising awareness & attention to the issue
- Entrepreneurial effort + innovative approach

#### Key Stakeholders in Economic System

Stakeholders	Distinct Role in Economic System	Dominant Institutional Goal	Dominant Logic of Action
Governments	Centralized mechanism through which the infrastructure of the economic system is created and enforced (and public goods provisioned)	Defend public interest	Regulation
Charity	Distributed mechanism through economic outcomes are made more equitable despite uneven resource endowments	Support disadvantaged populations	Goodwill
Commercial Entrepreneurship	Distributed mechanism through neglected opportunities for profit	Appropriate value for	Innovation

	are explored	stakeholders	
Social Entrepreneurship	Distributed mechanism through neglected positive externalities are internalized in the economic system	Deliver sustainable solution	Empowerment

### Changing Context & Emergence of SE

- There is intense competition for scarce funds due to:
  - Decreased government funding for social sectors
  - Private donations & grants have not made up the difference
- New generation of leaders with managerial skills and entrepreneurial talent is growing and becoming increasingly engaged in the social sector
- Growing concern regarding the effectiveness & efficiency of traditional social sector approaches.
- Increasing demand for greater organizational accountability for social impacts.
- An increased receptiveness towards new modes of operation in the social sector.

### Performance Measurement in SE Context

- Impact & performance are extremely difficult to measure in the social sector
  - Even if methods are devised to measure performance, the true impacts often take a long time to manifest themselves.
- Many non-profit organizations and SEs that are inefficient and ineffective in delivering their services often continue for some time
  - As long as donor recognizes the continuing need
- The discipline of market applies less to SE
  - CE often exits or is replaced if the financial measures of progress are not met.
  - Funders & board members focus on organization's social mission, less emphasis on accountability & high performance
  - Tend to be greater forgiveness factor or margin for error
- In sum, market forces neither reward high performance nor punish poor performance as much or as readily as CE.

### Monitor Context for Opportunity

- Monitoring the context can enable a SE to identify opportunities that might otherwise be overlooked, e.g.
  - Political attention brought upon certain social issues
  - Emerging trends in the philanthropic capital markets
- SE who are astute enough identify these shifts with valuable opportunities for
  - New programs
  - Fund-raising
  - Potential partnership
- Organizational survival may not always seem to depend on responsiveness to the context.
- However, SE that monitors the context closely can
  - Develop strategies to minimize the impact of adverse environmental changes
  - Capitalize on opportunities that might arise from favorable trends
- This proactive management approach will best enable SE to achieve the greatest social impact.

## Week 3

### Social Entrepreneurship: A Leadership Perspective

#### Social Entrepreneurs

- Social entrepreneurs are described as:
  - Value driven & charismatic individuals with an interest to make a social change.
  - Instead of striving for success for self-interest, they are motivated to bring benefit to a larger group & society.
  - Leaders, who rarely act alone, they lead followers to achieve social value in collective manner

#### Characteristics of Social Entrepreneurs

- Typically, social entrepreneurs:
  - Have had instilled into them strong beliefs about what is right and wrong
  - Have learned empathy for those who are less fortunate
  - Have strong sense of justice
  - Tend to be altruistic, morally outraged by injustice, & sensitive to issues of equity

#### Leadership Characteristics of Social Entrepreneurs

- Social entrepreneurs lead:
  - With a vision to reshape public attitudes (social problem is typically complex).
  - With personal credibility, to tap into critical resources & build networks.
  - To generate followers' commitment by framing it in terms of important social values which give a sense of collective purpose among SE & followers.

#### Charismatic Leaders

- Charismatic leaders are passionate, driven individuals who are able to paint a compelling vision of the future, generate high levels of excitement and initiative, and build strong emotional attachments among followers.
- As the charismatic leader, the social entrepreneurs:
  - Being the role model, set exemplary behavior in achieving the social mission
  - Demonstrate capability in articulating a clear vision of addressing a specific social problem
  - Foster higher trust leader-follower relationship; all followers are empowered in working toward to achieve the social mission

#### Psychological Attributes of Social Entrepreneurs

##### Entrepreneurial Traits

- Have businesslike thinking & act similarly to high achievers:
  - Innovativeness: develop new ideas to meet specific challenges
  - Proactiveness: take advantage of opportunities around them
  - Risk-Taking Propensity: entrepreneurship is high with uncertainty; high tolerance towards dynamic and ambiguous situations
  - Achievement Orientation: goal- oriented; ambitious; determined; relentlessly pursue new opportunities
  - Independence: autonomy; high sense of control

### Socially-Oriented Traits

- Have deep commitment to a social cause:
  - Community Awareness & Social Concern: see the value of social rewards & are willing to devote their talents & energies to accumulate these rewards
  - Prosocial Personality: moving people to act in a way benefiting other people than themselves. [is associated with helping, social responsibility, care orientation, consideration of others, and sympathy]
- 1. Empathy: the ability of a person put oneself in another's shoes → SE intention formation
- 2. Sense of Social Responsibility: sense of obligations to assist those in distress → inner conviction to help outweighs the costs of doing so

### Types of Social Entrepreneurs

- Personal Achiever:
  - Innovates autonomously
  - Look to start social ventures
- Super-Salesman:
  - Innovates through service to others;
  - Usually found in fundraising & development,
  - Innovating in the way they identify & serve donors
- Real Manager:
  - An entrepreneur from within an established organization;
  - Take established social enterprises to new heights
- Expert Idea Generator:
  - Relies on expertise and creativity for innovations;
  - Make it possible to meet social missions in new & innovative ways

### What Motivates Social Entrepreneurs?

1. How the individual entrepreneur was raised & socialized:
    - Influences of family, friends, religious leaders, & teachers
    - may also reflect personality characteristics that heighten the individual's sensitivity to a particular social problem.
  2. Background: Previous experience as entrepreneur:
    - Self-efficacy & confidence to proceed
    - Established network of resource providers
  3. Content: Provides the setting in which SE's background interacts with the social sector
    - Exposed to social problems
    - Exercise their altruism & focus their anger at social injustice
    - Recognizing opportunity for adding social value
- 
- Motivating Factors: Internal Motivation
    - Comes from personal values that foster empathy for the plights of others
    - From self- confidence born of relevant experience
  - Intentions: External Motivation
    - Comes from an encounter with a social problem
    - From support of others who share concern regarding the problem
  - Produce behaviors that result in creation of social venture:
    - Give the social entrepreneur the drive to act

## Distinguishing Conventional & Social Entrepreneurs

- Conventional Entrepreneur
  - Drive: Wealth Time horizon: Short, medium
  - Scope of business: Local, regional, international
  - Inspiration: Market opportunity
- Social Entrepreneur:
  - Drive: Greater purpose, sense of mission
  - Time horizon: Long
  - Scope of business: Global
  - Inspiration: Societal need and market opportunity



## Week 4

### Social Entrepreneurship Process

- SE is about a process that involves the interaction of the individual entrepreneur, the enterprise and the context.
- Process is a flow of activity

#### Timmons Model

- By late entrepreneurship educator Jeffrey Timmons, who envisions that entrepreneurship is a balancing act of:
  - Business opportunity
  - Team that is assembled to do the work
  - Resources required to pursue the opportunity
- An ongoing process to keep enterprise remains healthy & survives.

#### PCDO Framework

- People:
  - The human capital, collective skill set;
  - Include entrepreneur, management team, employees, external partners, & financial investors;
  - Combine team & resources from Timmons model
- Context:
  - Elements of the environment & ecosystem;
  - Beyond direct control of entrepreneur;
  - Include political, legal, cultural & economic elements
- Deal:
  - Transactions among multiple parties;
  - Defines who in a venture gives what, who gets what, & when those deliveries & receipts will take place.
- Opportunity:
  - The opportunity to add value to customers' lives by meeting their need

#### Entrepreneurship Process

- Can the above Entrepreneurship frameworks be applied to SE?
  - Complex “deal making”, system of transactions must be systematic & therefore synergistic → ultimate goal of social transformation is to be achieved.
  - Simple business transactions will not accomplish the deep change desired
  - “Social” aspect in SE add social value + accountability in activities

#### The CASE Model

- Building a case in terms of output, outcome & impact.
- Focus on the process of creating social opportunity; ideas are generated from unmet social needs
- Two-stage model:
  - Stage 1: Generating promising ideas
  - Stage 2: Developing promising ideas into attractive opportunities
- Opportunity will not be attractive unless a case can be made for its viability both:
  - As a feasible business model
  - As a strategy to achieve real social impact.

## The SE Framework

- A modification of PCDO framework:
  - The SE framework captures the synergy of opportunity, people & capital necessary to fulfill the Social Value Proposition.
  - SVP are the reasons why beneficiaries choose the venture's over competitors; its mission
  - CASE model considers the process by which the idea that underlies the opportunity is created, while SE framework assumes this.
- Captures the best of CASE Model & SE framework
- Synergies interaction of elements of any SE endeavor:
  - The idea for meeting a societal need
  - An opportunity-driven, mission-based vehicle for fulfilling the identified need
  - These two synergies stages make transformational impact possible.

## Business Model

- Typical business model needs to answer the following questions:
  - How does the company make money?
  - What is the customer value provided by the company?
  - How does the company create that value?
- Can these 3 elements in conventional business model be applied in social entrepreneurship?

## Why is SE's Business Model Different?

- Pursuing different objectives
  - Severe social problems are reasons why SE start to develop solutions & create business models to solve them.
- Pursuing different entrepreneurial opportunities
  - Others see insolvable problem, SE envision solutions
- Taking different approaches to enact opportunities
  - Meaningful interaction with different economic actors in developing & implementing decentralized solutions

## Distinct Features of Business Model for SE

- What is the customer value provided by the company? (Value Proposition)
  - Create social value
  - Cater to basic humanitarian & environmental problems
  - Solving the root cause of a problem
  - Provide systematic solutions for complex social problems
  - Induce social change
- How does the company create that value? (Value Architecture)
  - Apply innovative resource mobilization strategies (partnerships, co-creation, volunteer support)
  - Active participation of the beneficiaries to design or create the product
- How does the company make money? (Revenue Model)
  - Employing various sources of money
  - Revenue-generating business models that benefit social value creation
  - Price differentiation

## Principles of SE Business Models

- Addressing the root cause of a societal problem:
  - To create systematic & durable change
  - Aids as instant relief does not solve the underlying problem; might even cause dependencies & prevent self-initiatives
  - To develop internal structures, allow communities to support themselves
- Empowerment of beneficiaries:
  - Instead of collecting donations & distribute them among the poor,
  - Offer micro-credits to give the poor opportunity to free themselves from poverty
  - Eventually, the poor have the ideas, motivations & skills to secure livelihood
- Co-creation:
  - Engages partners & beneficiaries in the creation of products
  - Help overcome restrictions caused by resource limitation
  - Evoke sense of responsibility, beneficiaries take ownerships of the project
  - Increase acceptance of the intervention, hence guarantee sustainability of the value proposition
- Price differentiation & cross- subsidization:
  - Cater to needs of people who are not able to afford the regular price
  - If provide free service to all, the company can't deliver its service in sustainable manner;
  - If only service who can afford, fail to fulfill its social mission

## Week 5

# Social Entrepreneurship Process – Strategic Plan to Initiate Social Venture

### Importance of Strategic Plan

- Taking a long-range view of the social venture
- Develop vision to guide operations
- Should be ongoing throughout the life cycle of new social venture

### Why Should SE Embrace Planning?

- The probability for success and sustainability increases
- Managerial leaders can more effectively adapt to change
- Planning helps
  - Provide a meaningful context and direction for employee and volunteer work
  - Align controls to key social and economic objectives

### Content of SE's Strategic Plan

- Social or Environmental Innovation:
  - Needs/problems it seeks to address;
  - Feasibility of the innovation;
  - Drivers of the business model
- Social or Environmental Impact:
  - Organizational outcomes & long-term impact;
  - Social return on investment (SROI);
  - Triple bottom-line impact (social, economic &/or environmental)
- Sustainability/Scale:
  - How to make a substantial contribution toward the solution & sustain for long period of time

### Core Questions to Consider Before Writing a Plan

- New Social Venture Idea:
  - The big idea/your solution (the service or product);
  - What social innovation(s) is this venture leveraging?
  - Who is your customer?
- Social Venture (Sustainability) Model:
  - Potential sources of revenue and initial funding?
  - Cash needs for the first year?
  - Initial financial projections?
  - Plan to scale and grow the venture?
- Market Analysis:
  - Present competition & new entrants?
  - Competitive advantage?
  - Is this advantage sustainable?
  - Critical success factors?
  - Critical risks?
  - Marketing plan?
- Management:
  - Current team's qualifications?
  - Initial management & governance structure?
  - Key hires?

- Key partnerships?
- Operations & Social Impact Measurement:
  - How does this business work?
  - Articulate milestones & longer-term goals

### Steps to Develop a Social Venture Business Plan

1. What is the social problem your social venture would like to solve?
  - Prevalence, relevance, radicalness, urgency
  - Accessibility of social opportunity
2. What is your vision and mission?
  - An image of the change the SE seeks to create through the business.
3. What is your theory of change? i.e. your social impact theory
  - Which actions will lead to the results?
  - The preconditions, pathways, and interventions necessary for an initiative's success.
4. What is your business model?
  - Is there an earned revenue stream?
  - How to sustain itself financially beyond just donations and philanthropic support?
  - Go-to-market (GTM) strategy, o Cost-effectively deliver its value solution to customers
  - Partner(s) identification
5. Who is your competition?
  - Who is providing similar value to its customers?
  - Conduct a competitor analysis
6. Who is on your team and your operational plan?
  - Background, experience, leadership, and expertise (current composition & future needs)
  - Team composition will change over time.
  - An operational plan details daily operation
  - The overall business milestones
7. What is your growth strategy (how do you plan to scale and replicate your operations)?
  - Where the social venture may be after several years of operation?
  - How to continue to create value as the social venture grows?
8. How will you assess and measure your social impact?
  - No standard measures of success
  - Impact data remain quite challenging & costly for to collect and share.
  - Communicate the value of their social impact to the community
9. What is your financial plan?
  - The amount of start-up capital the firm needs
  - How the funding will be used?
  - What sources are available to provide initial seed capital?

## Week 6

### Identifying and Assessing the Social Business Opportunity

#### Sources of Social Ideas

- Systematic or Intentional Search
  - Deliberate effort to find an idea through research
  - Careful monitor of PEST arenas
- Personal Experiences
  - At work or at home
  - E.g. a mother with learning disability child
- Accidental Discovery
  - Something that is identified in the course of seeking something else
- Awareness Generated
  - By media, personal & professional networks, etc.
- Hobbies
  - Activities people enjoy engaging with during their free time

#### Recognizing Social Opportunities

- Opportunity Recognition involves movement from an idea to an opportunity.
- Key characteristics of a business opportunity:
  - The ability to add value for the customer by solving a customer problem or fulfilling a customer need
  - The ability to capture a market & generate profits. At least break even & better still, generate excess revenue.
  - Compatibility with the skillset of the entrepreneurs who pursue them
- Good ideas are not necessarily true opportunities to add social value. Opportunity recognition is to assess initial idea's potential as a viable opportunity to address a social or environmental need.
- Each idea must be intentionally examined to ascertain that:
  - It can produce positive social change
  - There is a market for it
  - A social venture built to pursue the idea is sustainable over time

#### Opportunity Recognition Tools

- Two broad categories:
  1. Tools that evaluate the internal & external contexts within which the enterprise (pursuing the opportunity) operates & the tangible & intangible resources necessary & available.
  2. Tools that attempt to comprehensively evaluate the attractiveness of the idea relative to criteria (industry; market; economics; competition; management; & personal goals of the entrepreneur.

#### The Environmental Scan (SWOT Analysis)

- Strengths & Weaknesses that are internal to the operations of the enterprise that will pursue the idea:
  - Skillset of the entrepreneur and/or team
  - Organizational structure
  - Available financial & physical resources
- Threats & Opportunities presented by the external environment in which the enterprise operates:
  - Changes in the industry, economy, political landscape

- Resultant policy & regulatory alterations
- Market shifts
- More than mere listing of strengths, weaknesses, opportunities, & threats
- Must also examine the interactions

#### The Outside-In/Inside-Out Analysis Model

- Consists of:
  - General Environment: Political/legal, socio-cultural, macroeconomic, global, & technological
  - Industry Environment: Competitor, supplier & buyer
  - Enterprise Internal Environment
- The industry environment considers Porter's five competitive factors:
  1. New competitors in the industry,
  2. Products or services that can be substituted for those of the enterprise under analysis,
  3. Rivalry among competitors,
  4. The influence of suppliers, and
  5. The influence of buyers
- Results of the Outside-In and the Inside-Out analyses can then be blended and assessed using a standard SWOT analysis.

#### Social Opportunity Assessment

- A pre-launch test
- The idea is being assessed in advance of any action being taken on it.
- Intended to force entrepreneurs to think through their idea before investing time & resources on it.
- Such an assessment must be handled as a "what if" scenario.
- Assessing opportunities for social ventures on four broad dimensions:
  - Social value potential
  - Market potential
  - Sustainability potential
  - Competitive advantage potential

#### Social Value Potential

- A viable social opportunity must have the potential to create social value for target beneficiaries.
- Must meet a true social need:
  - Survey target beneficiaries
  - Study results of secondary research
- Align with the social venture's mission:
  - An idea will not distract the venture from its mission
- Will yield an achievable impact:
  - It must produce a transformation
  - A deep and lasting social change
- Social return on investment (SROI):
  - Social investments should produce social gains that exceed the value of the initial investment
- Community support:
  - The community must believe in the idea philosophically
  - Willing to provide political support

### Market Potential

- The market potential of a social idea refers to its ability to address a customer need or want.
- Ability of the product or service to add value to its customers:
  - By satisfying a need beneficiaries have
  - Training for skilled trades vs. helping youth going to college
- Window of opportunity:
  - Good timing
  - Specific period of time in which conditions are ideal for a favorable reception of the service
- Able to attract investor interest:
  - Social investors represent a market as well
- Market size
  - Maximize mission achievement by reaching as many customers as possible
  - The larger the market, the greater the SROI
- Capture adequate market share
  - To sustain their ventures

### Competitive Advantage Potential

- Barriers to entry
  - Economic, social, institutional, formal (public), and cultural
  - What are these barriers? What is the SE's capability for overcoming them?
- Ability to attract & build strategic partnerships
  - To collaborate to compete by sharing resources
- Control over costs
  - Make favorable deals with suppliers & adjust prices as necessary.
  - Customers are low-income, pricing options are limited.
- A mission that is highly compelling
  - Ability of the SE's mission to attract investors, suppliers and customers
- Management team
  - A strong team that represents the complete skill set necessary to effectively operate the venture

### Sustainability Potential

- An idea is not an opportunity unless its financial sustainability is likely.
- Venture's capacity
  - Physical resources necessary to operate over time, e.g. facilities, equipment, inventory
- Venture capability
  - The combined skills of the SE team, the staff, board of directors and/or board of advisors
- Investor interest
  - Sufficient evidence of philanthropic, governmental, and/or private-sector financial interest
- Ability to generate earned income
  - An adequate market that is willing to pay for their product or service to the extent that can cover costs & generate a profit
- A compelling mission
  - Able to attract financial investment for start-up and ongoing maintenance



### The Nature of Social Entrepreneurial Opportunity

- Opportunities for SE are special because they are
  - Often embedded in the social sector market,
  - Which provides social services & products that benefit society.
  - In fields of education, health, environment, rural development, children & youth, financial inclusion, women, technology and many more
- Social sector markets:
  - Are “social” – have an impact on society
  - Highly influenced by formal & informal factors
  - Often operate in environments characterized with little governance & oversight

### The Three Types of SE

- Social Binoculars:
  - Opportunities can only be discovered & act upon at a local level;
  - Use readily available resources to address small-scale local social needs
- Social Constructionists:
  - Typically address market failures;
  - Want to introduce reforms & innovations to a broader social system;
  - Opportunity does not necessarily occur to the SE due to specialized knowledge but rather due to a general alertness towards opportunities
- Social Engineer
  - Revolutionary change;
  - Identify complex problems that can be caused by inadequate institutions and
  - Try to change the system by establishing different social structures

### The Nature of Social Entrepreneurial Opportunity

- In sum, recurring patterns of discovering & creating entrepreneurial opportunity for SE:
  1. Identify opportunities in social & institutional contexts they believe they understand
  2. Take into consideration the social & institutional factors when evaluating an opportunity
  3. Directly address social & institutional problems & organizational goals often address social & institutional barriers to communities & markets

### How SE Translates Problems into Opportunities?

- Problem
- Opportunity Recognition
- Solution

## Week 7

### Managing Social Entrepreneurship

#### Managing Collaboration in Social Entrepreneurship

##### Crafting Collaborations in SE

- Cooperating with other organizations to:
  - Mobilize resources: tangible resources such as equipment & real estate & Intangible resources such as expertise & information
  - Gain complementary capabilities capture synergies
- Eventually, generate social impact “far beyond what individual contributors can achieve independently”.
  - Efficiency gain through reduction in administrative costs
  - Realization of economies of scale

##### Collaborations with Private Sector

1. Integrated collaboration
    - Collaboration has strategic value for both
    - Resources are exchanged:
      - Businesses offer scale, expertise in manufacturing & operations, & financing.
      - SE offer strong social networks, deep insights into customers & communities.
  2. Pure philanthropical interaction
    - Supplicant-benefactor relationship
- Potential benefits to businesses from collaborations:
    - Beyond the model of CSR
    - Offer staff greater sense of useful engagement → contributing their skills to their own community
    - Increased market share

##### Collaborations with Public Sector

- Public-private partnerships
  - To deliver services, products, or projects traditionally provided by public sector
- SE considers themselves as:
  - Important innovator for the public
  - The R&D department of their government
  - Thereby, work to achieve proof of principle & then lobby for a responsible government agency to take their idea to scale.

##### Risks & Challenges in Managing Partnership & Collaboration

- Expectations not communicated clearly
  - Different communication style
  - Cultural differences
  - Vague arrangements or unclear assignment of tasks
  - Well written agreements can prevent this.
- Comparability of values
  - Mission driven vs. profit driven
  - Enough common ground to build collaboration?
  - Intensive interaction is required to identify such common ground

- Potential reputational damage
  - Due to misconduct of partner or when collaboration fails
  - Partners use shared knowhow for its own gain
  - Regulate in advanced by contract (usable knowhow & networks)
- “Cost & benefit” in building collaboration
  - Substantial amount of time, energy & resources to establish relationships
  - Large corporations have more resources to absorb such “investments”

## Managing Human Resources in Social Entrepreneurship

### Special Features of HRM in SE

- Volunteers form a decisive part of SE’s workforce
- Play critical role in the performance & continued existence of SE.  
Regarded as a rare & much sought-after resource
- Ability to attract qualified volunteers & win their lasting loyalty without cutting back on the quality standards results in SE’s fundamental for success
- How to ensure volunteers’ lasting commitment in the absence of formal contracts is the key HRM challenge.

### Reasons to Engage Volunteers in SE

- To save costs
- To create & raise public awareness about the organization and its products and services
- To fill the competency gap of its existing permanent workers
  - Who have specific talent & know-how that is critical for the SE
  - May be remunerated at minimal cost or being acknowledged publicly about the volunteer service they provide.
- Serve as objective third party who plays the role as “fundraiser” well.

### Characteristics of Volunteers

- Not motivated monetarily
- Have only moral & emotional commitment, but not instrumental commitment to their organizations
- Work few hours a week, therefore have little contacts with others & less being influenced by the organization culture
- Associated with more than one organization, loyalty & commitment to each organization is therefore limited.
- Less bound by norms & values of an organization as compared to paid employees
- Relationship with organizations are mostly not legally binding
- Often recruited informally & tend to “try out” the position
- Less dependent on their workplace & most of them can leave at will without much concern
- May not be legally liable for their wrongful act during their service, but the attached organization is
- Work is less likely to be evaluated formally by the organization, who is the “grateful recipient”.

## Volunteer Management

- To engage at least one permanent worker to lead the volunteer program
  - The “director of volunteer services” or “volunteer program manager”
- Constructive feedback & recognition is the key contributor of continued voluntary commitment
- “Management-by-partnership”
  - Instead of formal supervision.
  - Trusted & cooperative relationship between volunteer program manager & fellow volunteers
  - To foster long-term commitment & loyalty from volunteers.
- Formal & systematic volunteer program:
  1. Procedures to recruit volunteers (e.g. advertisement & background check)
  2. Job descriptions & assignment of duties
  3. Brief orientation & trainings (when necessary)
  4. Volunteers work under the supervision of a permanent worker
  5. Permanent worker plays the team leader role in managing & motivating the volunteers
  6. Effort & performance of volunteers to be recognized
  7. Feedback to be provided for further improvement

## How to Draw Continued Volunteer Commitment

- Continued voluntary commitment is a dynamic process which is formed by feedback processes & the recognition of personal development.
  - Motivation incentives must meet the volunteers’ needs.
  - Most motivation incentives arise from the job itself or the friendly contact with colleagues.
- Individual motivation incentives
  - Assignment of greater responsibility
  - Participation in decision making process
  - Training opportunities
  - Supportive feedback
  - Performance documentation
- Tokens of esteem
  - Attention in the media (newsletters, newspapers)
  - Awards or social events (luncheons, banquets, ceremonies)
  - Certificates (for tenure or special achievements)

## Week 8

### Funding in Social Entrepreneurship

#### Establishing Capital Needs of SE

- Based on the core business plan, SE should
  - Have a clear sense of revenues and expenses
  - Specify expected funding needs
- Some considerations:
  - Amount of start-up capital?
  - Earned income opportunities?
  - Can revenue from type of service be used to provide other services?
  - Operating efficiencies to generate additional revenue or reduce expenses?

#### Financing Structure of SE

- Capital is the fuel that powers a SE
- Success depends on SE's ability to navigate diverse funding sources
- Internal Financing:
  - Cash flows generated through provisions of products/services
  - Paid by target group or third-party beneficiaries
  - Funds from public sector
- External Financing
  - To cover temporary negative operating costs
  - To finance long-term investments
  - In the forms of donations, equity, debt or mezzanine capital

#### Financing Issue in SE

- Capital providers with different objectives & expectations:
- Double Bottom Line Investor
  - Prefer a model with a modest financial return
  - Financial return & social return expectations
  - Low financial return requirements are compensated by higher social returns
- Traditional Capital Providers
  - Prefer a model maximizing the financial return
  - A small reduction of the financial return has to offer a high gain in terms of the social return
- Individual Donors
  - Are willing to accept a small increase of the social return with a disproportionate reduction of the financial return

#### Other Challenges of Funding in SE

- Social mission limits the financial capabilities of SE
- Capital providers have to adapt the financing instruments
  - Mechanisms to modify the financing instruments:
    - Reduce the rate of financial return they expect
    - Structure the financing instruments to better suit the needs of SE (deferred repayment schedule, a conversion of loans into grants in the case of unexpected low performance & risk sharing)
- Social capital markets are calling for higher levels of transparency & accountability
- Lack of commonly defined performance metrics
- Limited information flows between investors & SE

## Week 9

### Marketing in Social Entrepreneurship

#### Marketing in Social Enterprises

- Two underline principles guide the adoption of marketing strategies in social enterprises:
  - The need to achieve social mission
  - The need to be economically viable
- Must have market-based initiative
  - SE exist to serve the unmet market needs of their customer (often refer to the beneficiaries)
- SE apply marketing tools strategically to
  - Raise public awareness of the social enterprise & its social mission, its products & services, reach wider audiences
  - Bringing in more financial return from products and/or services served
  - Achieve the targeted social impacts should be the ultimate aim.
  - To “standout” among all other competitors, influencing its ability in attracting volunteers, securing government grant & building stable client base.
  - To establish positive brand image & reputation

#### Blended Marketing in Social Enterprise

- The unique feature of SE that have to meet both social mission & financial return needs
- Marketing concepts in conventional businesses & non-profit sectors may not be fully applicable for social enterprises.
  - Mixture of marketing tools
  - Marketing tools should be tailored-made
    - Different client base
    - Different social mission: environmental, societal, cultural related, etc.

#### Customers of Social Enterprises

- Social enterprises’ clients (namely their beneficiaries) often do not have as much financial resources like most consumers in the ordinary marketplace
- SE might even serve abstract targets such as the environment whereby the society as a whole is the beneficiaries
  - Social marketing strategies instead of commercial marketing strategies which aim at changing individuals’ behavior become more relevant.
- “Two-pronged” marketing strategies:
  - Beneficiaries
    - Apply marketing strategies in nonprofit sector to engage with the beneficiaries
    - To engage beneficiaries as part of the SE’s supply chain
    - To create awareness & attracting more beneficiaries to be part of the suppliers’ network.
  - Ordinary Customers
    - Apply commercial marketing strategies to attract and retain ordinary customers

## Marketing Process in Social Enterprises

1. Market Analysis
2. Marketing Goals
3. Marketing Strategies
4. Marketing Planning
  - Product
  - Price
  - Promotion
  - Price
5. Marketing Planning-Implementation
6. Marketing Planning-Control

### Market Analysis

- To understand its customer, market, & the overall market conditions
- Be “customer-centric” in offering what the beneficiaries want and need
  - Not merely focusing on selling what the ventures produce
  - Identify the “unmet gap” that failed to be addressed by conventional enterprises and government with thorough market analysis
- External Analysis: To capitalize on the identified opportunity available in the market
- Internal Analysis: Clearly understand the skillsets, competency & resources available within the firm.

### Marketing Goals

- Should be clearly spelled out if it is to cater to both groups of clientele, or any specific group of them.
  - Beneficiaries vs. Ordinary customers
- Social enterprises’ stage of maturity also influences the marketing goals
  - Newly established SE → Marketing goals aim at create & raising public awareness
  - Well established SE → May focus on specific project
- Social enterprises’ stage of maturity also influences the marketing goals
- Newly established SE → Aim at create & raising public awareness
- Well established SE → May focus on specific project

### Marketing Strategies

- An organization’s integrated pattern of decisions that specify its crucial choices concerning products, markets, marketing activities and marketing resources in the creation, communication, and/or delivery of products that offer value to customers in exchanges with the organization and thereby enables the organization to achieve specific objectives.
- Should be in line with the overall competitive strategies of an organization.
- Internal marketing: An organization could better able to satisfy needs of external customers if needs of internal customers (i.e. permanent employees & volunteers) are satisfied.
  - To instill respect towards their tasks
  - Have positive attitude toward their tasks
  - To emphasize that social enterprise is an attractive employer and favorable venue

## Marketing Planning

- Involves planning of marketing mix, namely product, price, promotion and place (distribution).

## Product

- Depends largely on the outcome of market analysis.
- Product for ordinary consumers distinct from “product” to attract volunteers.

## Price

- The intrinsic value of goodwill and contribution to social mission etc. is commonly factored in when deciding the price
- Prices offered in SE often higher than those offered at the marketplace.
- If the products/services is for the beneficiaries, price offered tend to be minimal and in some cases at cost price.
- Quality of products/services could never be compromised
- Price discrimination strategies: certain customers pay the full price, but others pay less.
- Pricing strategies in fundraising:
  - Corporate donors/sponsors, the price recommendation should be reasonably high so that the donors/sponsors’ involvement is justifiable
  - Would get significant presence or press coverage during the fundraising event in exchange for the “price” they paid.

## Promotion

- Relationship marketing emphasizes on developing and sustaining long- term relationship
- Success of SE is largely relationship-based on:
  - Trusted & long-lasting relationship with donors & sponsors, volunteers, beneficiaries, & regular customers
  - Mutually benefits relationship between SE and all of its stakeholders
- Relationship marketing: Respective marketing measures will be focusing on relationships rather than transactions
  - How to cultivate and sustain relationships?
  - Beneficiaries often do not perceive the products & services offered as important as the SE thought.
- Promotional activities should focus on:
  - Share information
  - Meaningful interaction & engagement with stakeholders
- Fundraising:
  - To get donors together in the same place for the cause
  - Can engender social capital and stimulate “peer effects” to give (Brooks, 2009).
  - To draw additional monetary resources
  - To raise public awareness of the SE & its social mission.
  - A successful fundraising event requires the support of lots of volunteers, donors, and media.
  - Cost of large scale fundraising event may outweigh its benefits
- Communication:
  - Marketing & promotion are important channel for SE to communicate its effectiveness and successfulness in delivering the social value.
  - SE not legally bind to be accountable in reporting to what extent the resources received is used in good cause.



- What messages & how to communicate certain messages?
- Tailor their marketing messages according to targets of communication
- Brochure to recruit volunteers - persuasive messages to match different motivational perspectives of volunteers
- Help ordinary consumers to understand their acts & supports (e.g. purchase products) bring about good causes
- Some communication strategies: “show how aid helps those in need; show that aid reaches those in need; show that even small gifts can be useful”
- Appeals to duty would be effective persuasive messages to get corporations and institutions that have CSR agenda to be involved
- Too much advertising may bring adverse effects
- Perceive excessive spending on advertisement as inefficient use of limited financial resources
- Should capitalize on press coverage to raise awareness & goodwill.
- Utilize other measures to achieve the promotion objectives e.g. participate in related fairs & conferences, social gatherings, etc.
- Traditional mass media + social media (direct, efficient & low cost)

#### Place (Distribution)

- Mainly focusing at the channels where social causes are delivered.
- How to expand its reach?
- To extend service out of the geographical boundary where it was first initiated → To have international presence or even boundary-less

#### Marketing Planning - Implementation

- Plans are meaningless without efficient implementation
- Ensure that required resources, including financial resources & talents, are presented.
- Permanent employees & volunteers should be involved regularly → So that tasks & responsibilities to implement the marketing plans can be clearly communicated & executed.

#### Marketing Planning – Controlling

- Check if the marketing goals set is achieved.
- If positive results were generated → Steps should be taken to sustain such progressive results
- If goals were not achieved → Necessary actions should be taken to rectify the issues

## Financing Instruments

- The same financing instruments as traditional companies.
  - Equity, debt & mezzanine capital
  - Can be modified according to the needs of social enterprises (e.g. amount of interest or dividends)
- Social enterprises have access to:
  - Donations
    - Provided by foundations or individuals in monetary or non-monetary form
    - Not repayable
    - Do not give any enforceable control or voting rights to the donors.
  - Hybrid capital

## Donations

- SE secures the opportunity to pursue activities without income-generating potential.
  - Beneficiaries cannot afford to pay
  - Public authorities usually do not fund very innovative or experimental concepts
- Mainly to cover:
  - Project-related costs;
  - Short-term oriented
  - Have significant fundraising costs [Can be overcome by stipends or venture philanthropy approach]

## Equity Capital

- To finance working capital, long-term investments
- To cover temporary negative operating cash flows
- In exchange for providing capital, a certain percentage of the shares is transferred to the investor.
  - Gives the social investor control & voting rights.
  - Ownership rights can be executed through a supervisory board or an advisory board.
- Certain SE have committed to reinvest all their earnings while others distribute part of the earnings.
- As “patient capital” without dividends being paid.

## Debt Capital

- To finance working capital as well as long-term investments (equipment or buildings) which promise stable & predictable cash flows.
- Capital providers receive regular interest payment but no share of the profits
- From traditional debt capital providers (e.g. banks) & social investors
- Interest rate ranging from 0% (interest-free loan) to normal market return rates.
- Has to be repaid at the end of the payment period.

## Mezzanine Capital

- Combines elements of debt capital & equity capital
- Can be structured flexibly according to the needs and requirements of the SE.
- Attractive for social investors as the investment
  - Repaid like a loan
  - With the option of a performance-related compensation in case of financial success

### Hybrid Capital

- Combines elements of debt capital, equity capital & donations.
- No interest costs & the financing is converted into a donation in certain pre-agreed scenarios.
- Recoverable grants
  - A loan which has only to be repaid in case of success
  - Attractive when the project is likely to be income-generating
  - If not able to repay the loan, can be converted into a grant
- Convertible grants
  - Similar mechanism as recoverable grants
  - The investment is converted into equity if the project is successful.
- Forgivable Loans
  - The loan is forgiven if certain pre-agreed milestones are reached.
  - Attractive for public authorities which want to finance a project and secure the long-term pursuit of the social goal
  - Used as a conditional stipend which forgives a portion of the loan each year.
- Revenue share agreements
  - The investor funds a project & receives a share of the future revenues.
  - The investor & SE share the risk of a project
  - Particularly suitable for projects in countries with high political risks

### Financing Institutions

- Value Banks
  - Perform the same role as commercial banks
  - Focused on the social sector
  - Have better understanding of the different business models & the specific needs & requirements
- Social Investment Advisors
  - High fragmentation & high transaction costs in social sector
  - Reduce transaction costs by bundling investments & structuring appropriate financing mechanisms (e.g. social impact bond)
- Venture Philanthropy Funds
  - High engagement (support day-to-day business)
  - Non-financial support (e.g. access to their networks or management consulting) Tailored financing (equity + debt capital + donations)
  - Multi-year support
  - Organizational capacity-building (Provide funding for the management & overhead costs; Secure a proper governance structure)
  - Performance measurement (Approach to measure and monitor the performance)
  - In sum, SE gets more than money → fund providers work closely with SE to shape the organization (e.g. taking board seats or management positions)

Institutions in the Traditional Capital Market	Institutions in the Social Capital Market
• Commercial Banks	• Value Banks
• Investment Banks	• Social Investment Advisors
• Stock Exchanges	• Social Stock Exchanges
• Venture Capital Funds	• Venture Philanthropy Funds
• Investment Funds	• Social Investment Funds
• Research & Rating Agencies	• Funding Consultancies

## Week 10

### Measuring & Evaluating the Impact of Social Entrepreneurship

#### Performance of Social Entrepreneurship

- Social entrepreneurs' performance is measured in both:
  - Social Performance (Impact): positive/negative
    - Relates to the effective translation of an organization's mission into practice via interventions
    - Can be measured at its different stages using a variety of different approaches.
  - Financial performance: profit/loss
- Stakeholders want to know if and how their investments/involvement are achieving the desired results.
- SE are "encouraged" to invest in to use analytical tools & strategies to:
  - Measure, manage, and report their performance
  - Build internal capacity
  - Scale their operations & impact creation in a sustainable manner

#### The Value of Measuring Social Impact

1. Offer a clear picture of the measurable results of the SE's work.
    - More aware of which of their programs are working and which are not
    - To allocate resources where they are having the greatest impact.
  2. Make a stronger case to stakeholders that SE is achieving its mission.
    - Support the case for the SE's success in hard data.
  3. The trend in the world of social enterprise is toward (emphasizing) more objective reporting & accurate accounting for social impact
- Assessment promotes a culture of
    - Discipline: by helping organizations
      - Develop internal controls & relevant measures to strategize, monitor progress,
      - Use Social, Operational & Financial performance information to make decisions
    - Accountability: by holding social ventures to their mandates
    - Transparency & legitimacy: through reflection & communication of their progress towards meeting their objectives.

#### Challenges to Measure Social Impact

1. Lack of precise and measurable indicator that can accurately represent the amount of social return generated by ventures.
  - How to measure the "return on investment "of better health, cleaner air and water, families having nourishing food on their tables, or children receiving education?
  - The diversity & overlapping nature of the domains encompassed by many social enterprises
  - Need for clear, objective, measurable, & cross comparable metrics on the positive social & environmental returns of projects.
  - Often, organizations are powerless to give more than moving stories & anecdotes
2. Current approaches to measuring social impact have not yet reached maturity
  - Lack of maturity in social program evaluation

- The process of collecting social impact & social outcome data, methods of measuring are not very well developed.
- Variety of purposes that organizations have for conducting these analyses
  - Not feasible to make direct comparison
  - Expected to produce results and report their progress to multiple authorities from different sectors that pursue different interests, define success differently, and often have different expectations for measuring & reporting performance & return on investment.

## Steps to Measuring Social Impact

### Step 1: Define Your Social Value Proposition (SVP)

- A brief description of the social venture's
- It involves social venture's stakeholders:
  - Beneficiaries; board members; key partners; key leaders; government officials; institutional funders; individual donors
- Assist in crafting the organization's theory of change & logic model.
- Typical questions to ask
  - How would you define success for the work we do?
  - What outcomes do you value most about our work?
  - What data or evidence would you need to see that would convince you that our work has been successful?
- A theory of change offers a clear road map to achieving results by identifying the preconditions, pathways, & interventions necessary for an initiative's success.
- A logic model is a process of aligning stakeholder goals and expectations with the strategic planning process and business strategy.
  1. What are the key resources & core activities?
    - Needed to begin solving the social problem & what are the core activities that need to be in place in order to solve the problem
  2. What are the short-term outputs?
    - Immediate results that will be realized by the SE
  3. What are the short- and long-term outcomes?
    - What specific changes they hope to see after 1 to 3 years and 4 to 6 years
  4. What is the overall impact?
    - Changes that the SE would like to see 7 to 10 years after the solution

### Step 2: Quantify Your Social Value

1. Identify social indicators that are mentioned most frequently across all types of stakeholders
2. Measurable social indicators
3. Indicators can then be tracked over time

### Step 3: Monetize Your Social Value

- Why?
  - Increases the credibility of the social venture & its mission;
  - Establishes metrics that can be used to evaluate a venture's effectiveness in achieving the desired social impact
  - Attracts a broader range of investors to the firm in facilitating planning and communication with socially minded investors.

- How?
  - Cost-effectiveness analysis (CEA) involves the calculation of a ratio of cost to a nonmonetary benefit or outcome (e.g., cost per child cured of malaria).
  - Cost-benefit analysis monetizes the benefits or outcomes of a program along with its costs in order to compare them.
    - It requires the ability to place a dollar value on the impact of a particular program.

## Week 11

### Scaling the Social Enterprise

#### Why Scale?

- The primary purpose of scaling is to grow social impact to better match the magnitude of the need or problem a social entrepreneurship seeks to address.
- To maximize social return on investment (SROI):
  - To achieve as much social mission as possible with the resources invested
- To extend the reach of social missions
  - Locally, regionally, nationally, and, even globally
- All scaling strategies requires time and resources.
- What is the right strategy depending on the underlying idea and the business model.
- SE considers cost involved and amount of control in deciding the scaling strategy.

#### Challenges to Scale

- Threat-based resistance
  - People see the change as a personal threat.
  - Change
    - May require developing new competencies
    - Challenges the core values of the individual or venture
- Inertia-based resistance
  - Staff, board, and/or other stakeholders do not know about or understand the reason for growth & change.
  - Prospect of growth creates uncertainty or a perception of risk within the venture
- SE must try to anticipate the resistance & build their growth strategies in such a way that the resistance will be minimized

#### Capacity Building for Growth

- Mission
  - Revisit its mission to ensure that it is up to date, clear, & understandable to all stakeholders
  - Use mission to guide growth decisions
  - Growth should support the mission, not detract from it, causing mission drift.
- Model
  - Documenting how the SE works (its opportunity, business model, operations) in a clear & systematic way
  - An established model can be more readily replicated.
- Organizational culture
  - Common values, assumptions, norms, and behaviors;
  - Unified culture underlies all aspects of the venture's work
  - is supported by rituals designed to further cement the bond among the members SE.
- Resources
  - Costs of expansion, to acquire additional space, equipment, & personnel.
  - Costs of professionalization, to pay for more highly skilled human resources
  - Integrate program development with resource development; engage external partners & supporters (including businesses & governments)

- Leadership capability & governance apparatus
  - Effective leaders & boards help SE to determine whether to grow and how best to grow, and then to assist them in getting the resources they need.
- Structure
  - Organizational structure & the way in which it is managed;
  - Trade-off between flexibility & control
    - Flexible enough to venture & its staff the leeway to take advantage of windows of opportunity & the power to innovate in the field.
    - To ensure the consistency & quality of the service(s) provided.
  - Pursuing a balance through good management skills, effective communication, building & maintaining a robust technology infrastructure, & holding local offices accountable for outcomes as opposed to rigid performance standards
- Data
  - Data may be used
    1. To identify & document new needs of target beneficiaries (expansion into new geographical or program areas);
    2. To document the success of SE, justifying the scaling of its impact;
    3. For purposes of marketing (to attract material & political support) hence pave the way for growth; and
    4. To ascertain weaknesses in the SE's programs or services (identify areas that can be improved, thereby better preparing the SE for successful scaling).
  - Prerequisites: good system for gathering & analyzing data; organizational culture that supports assessment & evaluation; technology infrastructure to maintain, analyze data, & report results of analyses

### Replication & Scaling-Up

- To increase geographical scope or reach out to new target groups, typically involve in:
  - Replication: the diffusion & adoption of business model in different settings
    - SE want to provide sustainable solutions, not so keen on building sustainable competitive advantage
    - Not interested in protecting their ideas or their intellectual property
    - They want the idea to be spread to other geographic regions or target groups
  - Scaling up: a more significant organizational growth & central coordination
- The process of scaling is slow. Before the decision
  - Is the innovation transferrable?
  - What they want to scale?
  - What internal & external factors play critical supporting roles?
  - Will core elements be as effective in different context?

### Scaling Strategies

#### Dissemination

- Spreads the word about its innovation, thus serve as role model
- Like open source strategy, the approach is made available to public
- In line with the principle that SE is not interested in protecting their idea; spread the word so that as many people will apply it
- The easiest strategy & relatively inexpensive



- Takes place through face-to-face training workshops, webinars, teleconferences, demonstration sites, how-to manuals and handbooks, procedural templates, and models.

#### Affiliation

- The parent company works together with one or more partners on permanent basis
  - Joint venture: 2 or more partners found a new company together; different partners bring different things to the table.
  - Licensing: license holder acquires the right to use the intellectual property (technical innovation, program package, brand name) of the SE (depends on licensing agreement)
  - Social Franchise: the franchisor is responsible for the franchise package (the brand, key processes, education of franchisee & further development of the concept)

#### Branching

- Achieves growth by creating multiple offices in locations other than the headquarters. These offices are owned, staffed, and controlled by the headquarters
  - Operative work is done on a branch level, all branches together build a legal entity
  - Allows central coordination and local responsiveness´ A preferable strategy if specific processes and quality standards is the main concern
  - Most expensive form of growth strategy (acquires facilities, personnel & equipment at all branches)

#### Pros & Cons of Scaling Strategies

	Pros	Cons
Dissemination	<ul style="list-style-type: none"> <li>• Low costs</li> <li>• The idea can spread quickly</li> <li>• Idea may be adapted to local conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Low control</li> </ul>
Joint Venture	<ul style="list-style-type: none"> <li>• Different partners with different strengths</li> <li>• Risk sharing</li> <li>• Economies of scale &amp; synergies</li> </ul>	<ul style="list-style-type: none"> <li>• Centralized control may decrease entrepreneurial behavior</li> </ul>
Licensing	<ul style="list-style-type: none"> <li>• No large financial requirements</li> <li>• Revenue generation through licensing</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of control over production &amp; delivery of product</li> <li>• Difficulty to enforce the licensing agreement</li> </ul>
Social Franchising	<ul style="list-style-type: none"> <li>• Brand consistency</li> <li>• No large financial requirements (franchisee invests own money)</li> <li>• Encourage entrepreneurial spirit at the level of franchisee</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to control whether the social mission is really followed</li> </ul>

Branching	<ul style="list-style-type: none"> <li>• Quality control</li> <li>• Possibly to enforce standards</li> <li>• Improve organization learning</li> <li>• Get close to the target group</li> </ul>	<ul style="list-style-type: none"> <li>• Often requires large investments</li> </ul>
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### Role of Marketing in Growth

- Attracting more philanthropic dollars
- Heightening awareness of the social venture and its mission,
- Driving customers/beneficiaries to its door.

### Role of Networking in Growth

- Networking or social capital building is an excellent way to expand the reach of SE & to multiply resources required for future growth
- 3 important concerns when considering networking as scaling tactic:
  - With whom should I build alliances?
    - Beneficiaries
    - Suppliers,
    - Substitutors
    - Complementors
  - Why is networking necessary & beneficial under the circumstances?
    - Resource scarcity, growing competition for resources,
    - For greater efficiency,
    - Increasing demand for documented performance.
  - How should I approach successful alliance building?
    - Shared values & common goals,
    - Specified roles to play
    - Effective leadership

## Week 12

### Future of Social Entrepreneurship

#### Key Challenges Going Forward in Social Entrepreneurship

- Managing accountability
- Managing the double bottom line
- Managing identity

#### Future Need for Catalytic Innovations

- Catalytic innovation:
  - A subset of disruptive innovations
  - Provide ‘good enough’ solutions to social challenges that are not effectively addressed using traditional approaches
- SE to develop fundamentally new approaches that are scalable and sustainable
- With the ability to influence system-changing solutions.
- Disruptive innovation, with an emphasis on creating social change.
  - Tend to be less complex, more accessible & convenient, & less costly, thereby attracting new or different customer groups
  - Likely to be attractive to markets that are not adequately served by existing product & service solutions.

#### Characteristics of Catalytic Innovations

- Creating systemic social change through scaling and replication (high transferability)
- Meeting a need that is either over-served or not served at all
- Offering products and services that are simpler & less costly than existing alternatives, & are considered “good enough”
- Generating resources in ways that are unattractive to incumbent competitors
- Often ignored, disparaged, or sometimes encouraged by existing providers for whom the business model is unprofitable or unattractive

#### Bricolage Behavior

- A set of actions driven by
  - The search for existing and often scarce resources that can be combined and/or recombined
  - To create novel & interesting solutions that affect their respective markets.
- Social entrepreneurship environments are typically resource constrained & often present new challenges without providing new resources.
  - Adopt and utilize existing resources for the future development, growth, & sustainability of their own ventures.
  - Making do & using whatever is on hand
- A shift from consumption-based to conservation-based ways of doing things better through an improved understanding of existing resources
- It enables social entrepreneurs to
  - Use creative approaches to attract and distribute resources
  - Identify over-served or unserved market segments, and
  - Offer products and services that are simpler, less costly, and “good enough”

## Future Trends in Social Entrepreneurship

- Disruptive Social Venture Models
  - To motivate other social entrepreneurs
- Internet Actions Beyond Donations
- One-to-One Business Models
  - To incorporate philanthropy into business models;
  - Consumers favor a brand that's associated with a good cause over another that's similar in price and quality;
  - Passes the cost (of philanthropy) on to consumers
- Public-Private Partnerships
  - Stakeholders from nonprofit, public, & private sectors to collaborate.
- Furthering Entrepreneurship Education in the Area