



# The Business of Social Entrepreneurship

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**We believe that the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world's major challenges—including poverty, climate change, resource depletion, globalization, and demographic shifts.**



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

Source: Cisco IBSG, 2011



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# Trends Reshaping Emerging Markets



# Social Trends

**Realization that social problems affect us all, whether directly or indirectly, and limit our potential**



Source: Cisco IBSG, 2011

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

# Economic Trends

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



Source: Cisco IBSG, 2011

# Business Trends

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

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

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

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

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

**There is exponential growth in computing power and networking capability**

Source: Cisco IBSG, 2011

# Social Investing Trends

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

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

## New Methods of Social Investment

Microfinance  
Investment

Social  
Venture

acumen  
FUND

KIVA  
loans that change lives

Financial Return of Principal

0%

50%

100%

105+%

Traditional  
Donation/NGO Grant



Traditional Market  
Investment



For Social X: Sources of Funding, [www.ned.com/group/seeb/ws/social\\_entrepreneur\\_funding/](http://www.ned.com/group/seeb/ws/social_entrepreneur_funding/)





## **A Better Way Forward: Social Entrepreneurship**



**“[Social entrepreneurship is] one of the most hopeful and helpful trends around. These folks aren’t famous, but they are showing that what it really takes to change the world isn’t so much wealth or power, but creativity, determination, and passion.”**

**—Nicholas Kristof, *The New York Times***

Source: Cisco IBSG, 2011

# Social Entrepreneurship Defined

## WHAT is it?

- *Process by which citizens build or transform institutions to advance solutions to social problems (e.g., poverty, illness, illiteracy, environmental destruction, human rights abuse) in order to make life better for many.\**

## WHY do we need it?

- *System change to address intractable social problems in ways that are sustainable and scalable*
- *e.g., not building one school or one hospital, but changing the way children learn or the way healthcare is delivered*

## WHO is involved?

- *Work through alliance of NGO/ citizen, private, and governmental sectors*

## WHERE is it happening?

- *Everywhere in the world. The language of social entrepreneurship may be new, but the phenomenon is not.*

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

# Social Entrepreneurship = Social Reform

Success is rooted in empowering others to effect change

## Social Entrepreneurs' Role in Society:

Innovate in the “how to” vs. just an idea

Visionaries “see the idea”; **social entrepreneurs** “see and climb the rungs of the ladder” to go from A to B to C

**Architects of social change**

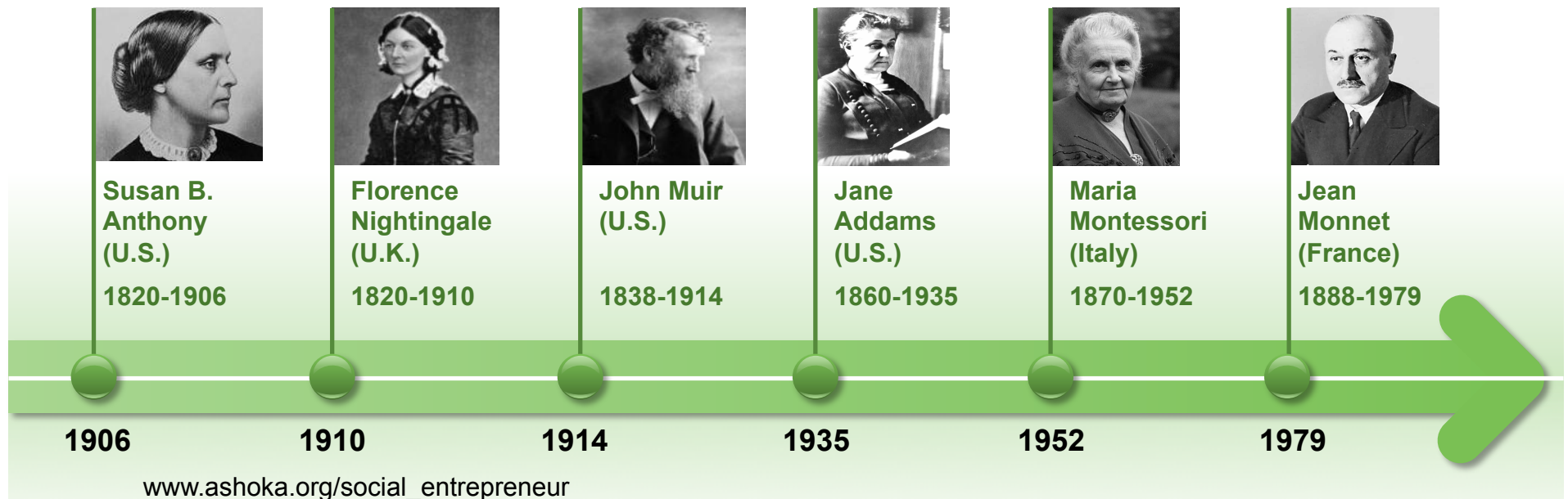
Provides **system-changing solutions** that understand people’s behaviors, mindsets, incentives

**Build platforms that unleash human potential** and enable people to behave like changemakers in teams and *teams of teams*

Source: BRAC USA interview, September 2010

# Early Social Entrepreneurs

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



# Social Entrepreneurship Gaining Awareness as Mainstream

Government re-envisioning citizen role in public services; citizen sector increasingly a player—or even a substitute—in service delivery

Cross-pollination of talent from public, private, citizen sectors

Young workers expect employers to have social impact; value Corporate Social Responsibility

Emergence of university study—even majors—in social entrepreneurship

Updated legal frameworks to assist in registration and cooperation between profit / nonprofit

Attracting investment financing—evolving beyond traditional charity

Source: Cisco IBSG, 2011



# Modern-Day Pioneers



## Fazle Hasan Abed, Bangladesh

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



## Muhammad Yunus, Bangladesh

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

[www.grameen-info.org/index.php?Itemid=164&task=blogsection&option=com\\_content&id=5](http://www.grameen-info.org/index.php?Itemid=164&task=blogsection&option=com_content&id=5)

# Social Entrepreneurship in Many Sectors



**Jimmy Wales, USA**

ICT

Wikipedia, encyclopedia that “anyone can edit.” **Contains 15 million articles; 7<sup>th</sup>-most-visited website.** Transformed the way information is produced/shared by leveraging natural human desire to co-create our understanding of our world.



**Rebeca Villalobos, Costa Rica**

Healthcare

ASEMBIS, a participatory treatment system that’s brought **low-cost, high-tech healthcare to 65% of Costa Rican population.** Started as specialized eye care clinics; then adapted to 13 other specialties (e.g., radiography, general medicine).



**Matt Flannery, USA**

Financial Services

Kiva’s mission: connect people through lending and alleviate poverty. Combines microfinance with the Internet to create a global community of “connected lenders.” Loans of **\$151 million to 385,000+ entrepreneurs in 200 countries.**



**Bart Weetjens, Africa**

Landmine Removal—Health

**APOPO** deploys HeroRATS, rats trained for landmine and tuberculosis detection; managed locally at low cost. To date, **responsible for reopening over 400,000 square meters of suspect land.**

Source: Cisco IBSG, 2011



# Business vs. Social Entrepreneurs

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

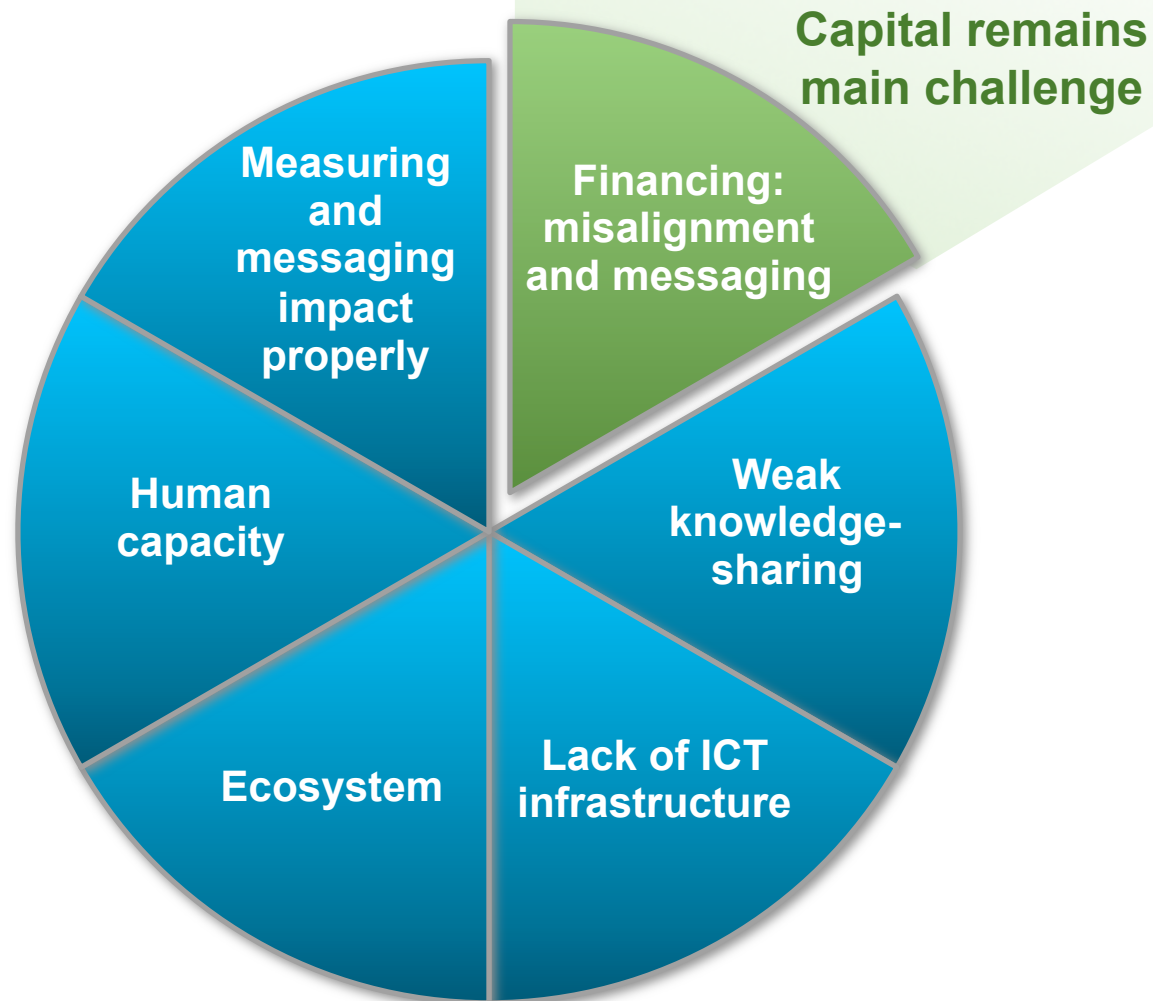
Source: Cisco IBSG, 2011



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## Social Entrepreneurship: Challenges and Opportunities

# Challenges for Social Entrepreneurs



Source: Skoll Foundation, Ashoka interviews, 2010

# Showing the Way Forward: Companies Collaborating in New Ways

- Investing directly in social entrepreneurs and their organizations:
  - Tie to commercial business operations, working together along value chain—to offer affordable goods / services to disadvantaged communities
  - Through philanthropic / community investment, partnering in ways that mobilize not only corporate funds, but also people and products
- Creating internal climates for social entrepreneurship, e.g., encouraging employees to innovate business models, products, services, and processes that combine profitable business opportunities with social or environmental solutions



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

Nelson, Jane and Beth Jenkins. "Investing in Social Innovation: Harnessing the Potential of Partnership between Corporations and Social Entrepreneurs," Corporate Social Responsibility Initiative Working Paper No. 20. Harvard University.

# Showing the Way Forward: Hybrid Value Chains to Make Markets

**Private + citizen sector organizations collaborating  
to make markets**

Hybrid value chains create economic and social value  
via complementary strengths



“A New Alliance for Global Change” by Bill Drayton and Valeria Budinich, *Harvard Business Review*, September 2010

# Hybrid Value Chain Example



“A New Alliance for Global Change,” Bill Drayton and Valeria Budinich, *Harvard Business Review*, September 2010

# Creative Partnerships To Target New Markets

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

- **Electricité de France** reaches people in rural areas without electricity through a range of partnerships. Its **Energy Access** program provides **electricity, water, gas, and telephone services** that stimulate local economic activity and contribute to wealth creation.
- **Unilever** is integrating **social innovation strategies** into business operations. In India, it teamed with NGOs to create **Shakti**, a rural network that sells products adapted to rural customers in 100K+ villages and employs 31K women.
- **Cemex**, world's third-largest construction materials firm, works with **Ashoka** fellows to help 30K+ low-income families build their own **affordable, decent houses**. Participants enter a savings and credit program, get assistance to plan construction work, and benefit from services such as material storage, delivery, and price guarantees for two years.

[www.tradeforum.org/news/fullstory.php/aid/1183/  
New\\_Business\\_96NGO\\_Partnerships\\_Help\\_the\\_World\\_92s\\_Poorest.html](http://www.tradeforum.org/news/fullstory.php/aid/1183/New_Business_96NGO_Partnerships_Help_the_World_92s_Poorest.html)

# New Paradigm Partnerships Between Companies and Social Entrepreneurs

<b>Philosophy</b>	<ul style="list-style-type: none"> <li>▪ New business discipline</li> <li>▪ Societal opportunity</li> </ul>
<b>Methods</b>	<ul style="list-style-type: none"> <li>▪ Opportunistic, anticipatory, “out of the box,” transformative, risk-taking</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>▪ Differentiation, results, and reputation</li> </ul>
<b>Recipients</b>	<ul style="list-style-type: none"> <li>▪ New social entrepreneurs and innovators</li> </ul>
<b>Reach</b>	<ul style="list-style-type: none"> <li>▪ Local and global</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>▪ Potentially high, leveraged, and measured</li> </ul>
<b>Relationship management</b>	<ul style="list-style-type: none"> <li>▪ Strategic partnership, entrepreneurial, mutual learning</li> </ul>
<b>Nexus with core competencies</b>	<ul style="list-style-type: none"> <li>▪ Linked to core business purpose and competence</li> </ul>

Source: “Profits with Principles: Seven Strategies for Creating Value with Values,” Jackson, Ira and Nelson, Jane, Currency/Doubleday, 2004.



# What's at Stake for Companies: Increased Competitiveness

A

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



B

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



C

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



Source: Cisco IBSG, 2011

# And Business / Social Entrepreneurs Share Mutual Need To Realize Opportunity

- Social entrepreneurs provide:
  - Social networks and trust-based relationships with target consumers
  - Understanding of community needs and decision-making dynamics
  - Capacity to enable and aggregate demand
  - Knowledge and experience mobilizing communities and other stakeholders in ways that empower everyone
  - Locally appropriate cost structures
  - Motivation to serve clients and get new customers
- Businesses provide:
  - Ability to operate at scale
  - Investment capital
  - Operational capacity (including manufacturing)
  - Expertise in infrastructure and logistics
  - Resources for product development

[http://blogs.hbr.org/cs/2010/03/when\\_profit\\_and\\_social\\_impact.html](http://blogs.hbr.org/cs/2010/03/when_profit_and_social_impact.html), When Profit and Social Impact Unite, March 18, 2010



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## Strategy and Benefits for ICT\* Companies

\*Information and communications technology



# Opportunity: Unlock Potential of ICT for the Masses

- ICT has potential to improve the lives of many millions of people in disadvantaged communities
- In spite of ICT corporations' good intentions, deep pockets, and technology, the global ICT market remains largely untapped—5 billion people do not have access to the Internet
- Not about philanthropy: ICT corporations need to revolutionize the way they do business

Source: "People-Centered ICT: Improving the Lives of Millions and Creating New Business in Emerging Markets," Cisco IBSG Point of View, <http://bit.ly/mtg90E>

# Strategy: “Top-Down Meets Bottom-Up”

## ICT Companies:

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



## Together:

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



## Social Entrepreneurs:

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

Source: Cisco IBSG Point of View – “People-Centered ICT:  
Improving the Lives of Millions and Creating New Business in Emerging Markets,” <http://bit.ly/mtg90E>

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

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

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

Source: “People-Centered ICT: Improving the Lives of Millions and Creating New Business in Emerging Markets,” Cisco IBSG Point of View, <http://bit.ly/mtg90E>

# A Call for “Peer Partnerships”

- Worthy charity and international aid efforts have not generally helped disadvantaged communities to utilize ICT in large-scale, sustainable ways (need new approach)
- Corporations and governments can learn / adopt practices of “local” organizations with proven record of success
- Such “local” citizen sector organizations / social entrepreneurs have mastered “people software”:
  - The collection of the mindsets, incentives, language, and behaviors that provide the know-how to make things work in disadvantaged communities and unlock business opportunities



Source: Cisco IBSG Point of View – “People-Centered ICT: Improving the Lives of Millions and Creating New Business in Emerging Markets,” <http://bit.ly/mtg90E>

# “People Software” Is Essential

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

Source: “People-Centered ICT: Improving the Lives of Millions and Creating New Business in Emerging Markets,” Cisco IBSG Point of View, <http://bit.ly/mtg90E>



# “People Software” in Action

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

Source: Cisco IBSG Point of View – “People-Centered ICT: Improving the Lives of Millions and Creating New Business in Emerging Markets,” <http://bit.ly/mtg90E>

# Rewards of “Peer Partnerships”

**For ICT Companies:**



## INNOVATION

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



## MARKET INTELLIGENCE

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



## BRAND

Increased company visibility and credibility in emerging markets

Source: Cisco IBSG, 2011

# Rewards of “Peer Partnerships” (cont.)

**For Social Entrepreneurs and Their Communities:**



Source: Cisco IBSG, 2011



## 5 In Summary

# Takeaways

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

Source: Cisco IBSG, 2011



**“Change starts when someone sees the next step.”**

—William Drayton

Source: Cisco IBSG, 2011



**CISCO**



# Appendix



# Key Support Organization Profiles

## **Ashoka: Funds organizations from launch to maturity**

Invests in social entrepreneurs worldwide who have innovative, sustainable, and replicable solutions to society's most pressing social problems. <http://www.ashoka.org>; **founded** 1980



## **Echoing Green: Funds startups**

Identifies and funds promising social entrepreneurs to help them launch innovative social-change organizations around the world. <http://www.echoinggreen.org>; **founded** 1987



## **Acumen Fund: Funds later-stage organizations**

Venture fund that uses entrepreneurial approaches to solve problems of global poverty. Investments focus on delivering affordable, critical goods and services—such as health, water, housing, and energy—through innovative, market-oriented approaches. <http://www.acumenfund.org>; **founded** 2001



## **Draper Richards Foundation: Funds startups**

Partners with visionary social entrepreneurs to transform the social sector. Uses a venture capital model of investment to support nonprofits that generate large sustainable impact. <http://www.draperrichards.org>; **founded** 2002



Source: Cisco IBSG, 2011

# Key Support Organization Profiles (cont.)

## **New Profit: Funds later-stage organizations**

Provides support to innovative social entrepreneurs and their organizations, and pursues a set of social innovation strategies to improve the environment in which all social entrepreneurs operate. <http://www.newprofit.com>; **founded** 1998



## **Schwab Foundation: Funds later-stage organizations**

Provides platforms at the national, regional, and global levels for leading social innovators that highlight social entrepreneurship as a key element for change. [www.schwabfound.org](http://www.schwabfound.org); **founded** 1998



## **Skoll Foundation: Funds later-stage organizations**

Mission is to drive large-scale change by investing in, connecting, and celebrating social entrepreneurs and other innovators dedicated to solving the world's most pressing problems. [www.skollfoundation.org](http://www.skollfoundation.org); **founded** 1999



Source: Cisco IBSG, 2011

# The Public Sector: Help and Be Helped

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

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

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

Source: Cisco IBSG, 2011

# Growing Involvement of Social Enterprise in Public Sector

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

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