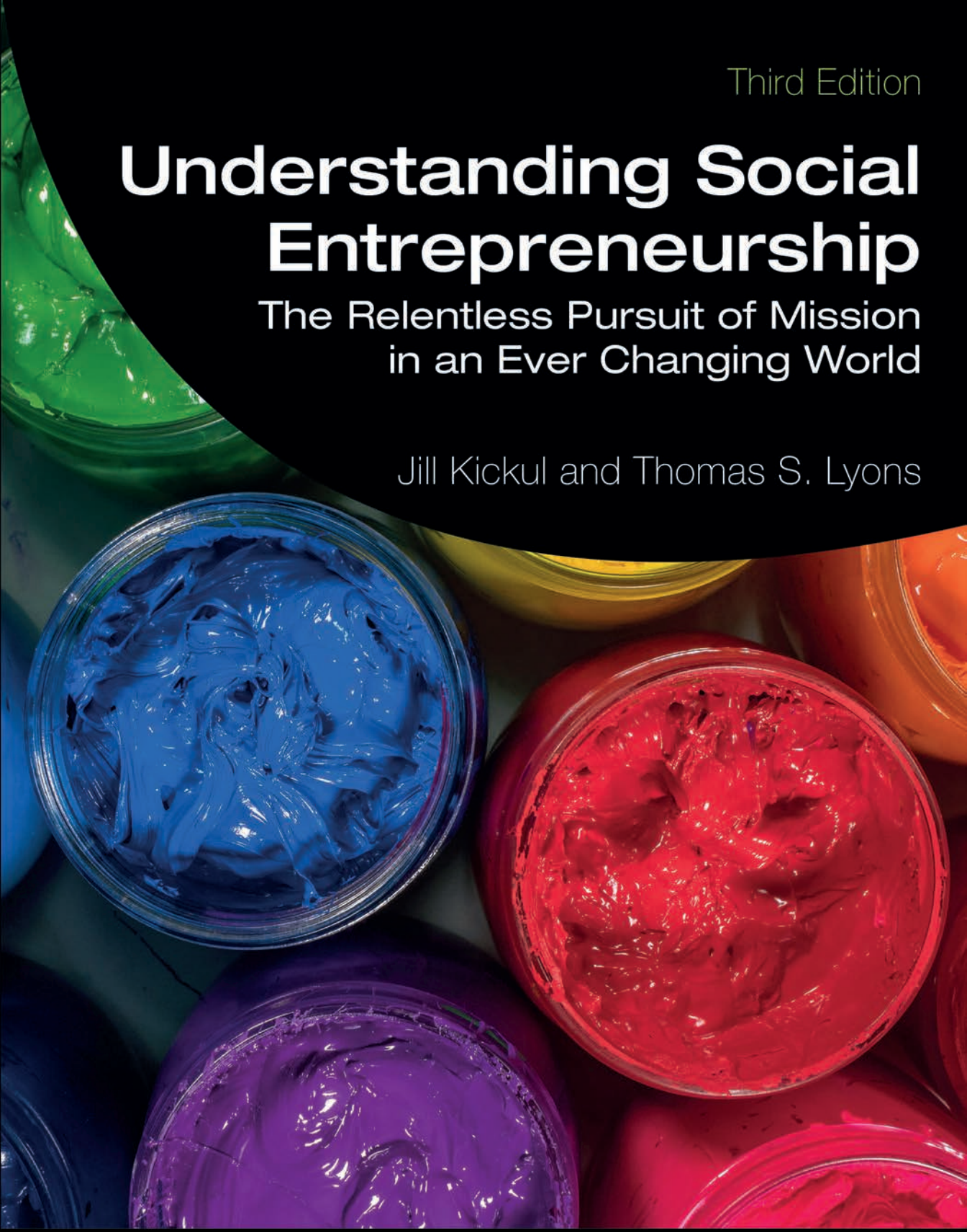
Third Edition

Understanding Social Entrepreneurship

The Relentless Pursuit of Mission in an Ever Changing World

Jill Kickul and Thomas S. Lyons



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ROUTLEDGE

Understanding Social Entrepreneurship

Understanding Social Entrepreneurship is the leading textbook that provides students with a comprehensive overview of the field. It brings the mindset, principles, strategies, tools, and techniques of entrepreneurship into the social sector to present innovative solutions to today's vexing social issues.

Kickul and Lyons cover all the key topics relevant to social entrepreneurship, including a detailed examination of each of the steps in the entrepreneurial process. This third edition includes several new features:

- A process-oriented format, taking students through discovery, design, development, and delivery
- Two new chapters: one on lean start-up and design thinking for social entrepreneurship, and another on unconventional approaches from developing countries
- Updated and new case studies, with improved global coverage
- "Voices from the Field" sections that explore evidence-based research from the field.

Bringing together a rigorous theoretical foundation and a strong practical focus, this is the go-to resource for students of social entrepreneurship at undergraduate and postgraduate levels.

A companion website includes an instructor's manual, PowerPoint slides, a test bank, and other tools to provide additional support for students and instructors.

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Third Edition

Jill Kickul and Thomas S. Lyons

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Foreword

You *Can* Change the World

You *can* change the world—if you just give yourself permission. The biggest barrier by far to having all the satisfactions in life of being an effective social entrepreneur is paying attention to all the many people who will tell you: "You can't . . ."

Most people have this reaction because they didn't. If you go ahead and change the world, they will suffer a little regret that they did not give themselves permission, that they therefore spent their life in their law firm or wherever. Therefore, please be gentle and polite—but firmly ignore such advice.

Think of the social entrepreneurs whose stories you know—be it Florence Nightingale (who created the field of professional nursing), Jimmy Wales (Wikipedia), or Wendy Kopp (Teach for America). None of them required astrophysics to see a big problem and imagine a sensible answer.

Certainly you will have no problem spotting a problem!

Then, why couldn't you do what these and so many others have done: imagine a solution and then persist in refining that idea until it truly works and then until you have made it the new pattern for society?

The barrier is not intelligence. The chief question is: Will you give yourself permission to see a problem and then apply your native intelligence and what you have learned to find a solution and make it fly?

What is required is permission and persistence.

People who do not believe they can cause change do not want to see problems or opportunities. Why would they? Since they believe "I can't . . .," seeing a problem will only make them feel bad about themselves.

On the other hand, once you know that you *are* a changemaker, once you have core confidence in yourself and have given yourself the necessary skills, you will always be looking for a problem, preferably a big one. The problem then becomes an opportunity for you to express love and respect in action at the highest possible level. There is nothing that brings humans greater happiness in life—or that is more important to society. This is why Ashoka's central goal is an "everyone a changemaker™" world.

The central historical fact of our era is that the rate of change is still escalating exponentially—as are the number of changemakers and, even more important, the combinations of changemakers and also the combinations of these combinations.

Given this fact, the way the world has been organized since the agricultural revolution is coming to an end. Institutions have been designed for repetitive functioning. They are characterized by a very few people controlling everyone else, by limited and chiefly vertical nervous systems, and by walls. There is no way that such primitive organisms can survive in a world that is characterized by change on all sides, with each change stimulating more change widely across this new world.

Instead, we need teams of teams that shift fluidly to serve particular change opportunities. That is the ecosystem one increasingly sees in winning organizations and regions such as Bangalore and Silicon Valley. By contrast, fifty years ago Detroit was at the pinnacle of American technology and prosperity. Now it is not even in the game.

That is what will happen to any institution, community, or country that does not make the transition to "everyone a changemaker™"—only this time it will take ten to fifteen years at most. We do not have fifty years.

In this new team of teams world, the skills required are very different. One does not have a team unless everyone on it is an initiatory player. And in a world defined by change, one cannot be a player without being a changemaker.

The key factor for success for any group going forward will be: What percentage of its people are changemakers, at what skill level, and how well and how fluidly are they able to work together internally and externally?

In this world, social entrepreneurs are essential. The basic systems of society will be in constant and interacting change. Leading systems change is what entrepreneurs do. However, entrepreneurs who pursue their own or a particular group's interest can easily pull these changing systems off in dangerous directions. Thus, for example, many of the digital revolution entrepreneurs of today are following a business model of giving consumers something they want, getting information, and selling that information at a profit. This—along with the need for preventive surveillance in a world of terrorism and the fact that the cost of connecting the dots has all but disappeared—is devastating to privacy, which is critical for freedom and innovation.

Social entrepreneurs are the critical antidote. These are men and women who, from the core of their personality, are devoted to the good of all. Therefore, so is their work. The world needs many more.

Please give yourself permission and become one. This book will help.

Bill Drayton

Preface

Congratulations! Congratulations, we say . . . on beginning your journey in the field of social entrepreneurship! The future for social entrepreneurs is replete with opportunities to effectively address, and potentially solve, some of society's most pressing issues. It is our belief that social entrepreneurship involves the application of business practices in the pursuit of a social and/or environmental mission. It brings the mindset, principles, strategies, tools, and techniques of entrepreneurship to the social sector, yielding innovative solutions to society's vexing problems: poverty, hunger, inadequate housing and homelessness, unemployment and underemployment, illiteracy, disease, environmental degradation, and the like.

Because social entrepreneurs often operate in resource-scarce environments, they are compelled to use creative approaches to attract nontraditional resources and to apply those resources in novel ways to the challenges and problems that government and earlier private-sector efforts have failed to effectively remedy. Finally, it is often social entrepreneurs who encourage a heightened sense of accountability in the individuals and communities they serve, as well as instigating the outcomes and impacts that are created.

Our intriguing field of social entrepreneurship has captured the imaginations of thousands of students of business, public administration, social work, and other fields around the world, leading to the creation of hundreds of courses and programs of study to meet this burgeoning demand. These programs are witnessing a surge of social consciousness among the incoming students. For example, the Aspen Institute's Center for Business Education (2008) survey indicates that graduate students are thinking more broadly about the primary responsibilities of a company, considering "creating value for the communities in which they operate" to be a primary business responsibility.

The Aspen Institute's biennial *Beyond Grey Pinstripes* reports a dramatic increase in the proportion (from 34 percent in 2001 to 63 percent in 2007) of Master's programs with required courses in business and society issues.

On the education front, the field has also increased, with over 350 professors teaching and researching social entrepreneurship in more than thirty-five countries and approximately 200 social entrepreneurship cases (Brock & Ashoka Global Academy for Social Entrepreneurship, 2008). We believe that our textbook has a broad international appeal, given the nature of the social problems around the world and the focus on perspectives

and examples for addressing social issues, including the other stakeholders in the field along the social value chain (government, public policy makers, customers, suppliers) to provide an additional lens and perspective into the complexity of making scalable progress in implementing new solutions.

AN INNOVATIVE LEARNING APPROACH TO UNDERSTANDING SOCIAL ENTREPRENEURSHIP

In our book we explore both the theory and the practice of social entrepreneurship and blend these seamlessly through examples, case studies, the voices of practicing social entrepreneurs, and special features that put students in a position that requires creative thinking and strategic problem solving. Specifically, our approach is innovative in several ways. First, as suggested, our treatment is comprehensive, bridging theory and practice. Second, rather than employing lengthy case studies, we employ short problem-based cases in each chapter that both illustrate the principles conveyed and encourage deeper thinking.

Third, we include "Voices from the Field" segments that provide direct insights from practicing social entrepreneurs that reinforce the major points made in each chapter. Fourth, we include exercises to help make the direct connection between the theory of social entrepreneurship and its practice, as well as "connecting the dots" questions that test and challenge the student's learning and perspective in each of the chapters. We believe that, taken together, these unique features will provide you and your instructor with an effective tool for generating and sustaining social entrepreneurship interest and understanding. In turn, we hope that you will internalize the material, resulting in a deeper understanding of how and why social entrepreneurship works.

THE ORGANIZATION AND FLOW OF OUR BOOK

As you begin reading, you will discover that we explore social entrepreneurship as a phenomenon and a field of practice in considerable depth. Our goal is to be comprehensive, fully exposing the theory of social entrepreneurship and linking theory to practice. We are often asked why, in a very practical field such as this one, it is necessary to discuss theory. The answer, of course, is that theory is the foundation upon which the house of practice is built. Theory tells us who social entrepreneurs are and why they are. It gives social entrepreneurs a "soul." To practice social entrepreneurship without understanding its essence is to be a professional automaton—one who masters the mechanics of the profession but has nothing upon which to reflect or from which to leverage higher levels of performance (Schön 1963).

That said, it should also be emphasized that theory without practice is ultimately an exercise in irrelevance as it pertains to a professional field like social entrepreneurship. One does not help people "in theory." Ultimately, the theory must translate into action for transformative change to occur. We are interested in imparting actionable knowledge—knowledge that can be acted upon. It is at this junction of theory and action that this

textbook operates. We present theoretical underpinnings, to the extent they exist, to the field and we present "how-to" information.

After a brief introduction in Chapter 1, we begin our journey of understanding in Chapter 2 by attempting to define our terms, particularly "entrepreneurship" and "social entrepreneurship." This is not an easy task, as will be seen. There are many definitions of both terms and only grudging agreement as to their meanings. This is particularly true for social entrepreneurship, the newer of the two terms. Nevertheless, we will generate a working definition for the purposes of our discussion. The chapter then explores the relationship between business entrepreneurship and social entrepreneurship—how the two are similar and how they are different— and the implications for the practice of the latter. This chapter also discusses the ways in which this field stands at the nexus of the private, public, and voluntary sectors and how this fact has shaped its development.

In addition, Chapter 2 explores what underlies the motivations of social entrepreneurs—what some have called "intent" (Mair & Noboa 2006). It lays out the social entrepreneurship process, tracing its roots to business entrepreneurship and concludes with observations about beginning the social entrepreneurship journey from Tim McCollum, the co-founder of the social venture Madécasse.

Once this basic theoretical foundation for social entrepreneurship has been laid, attention can be paid to developing a social business concept and a vehicle for taking that concept to its target "market." Chapter 3 looks at the important role of innovation in social entrepreneurship. The chapter explores the nature of innovation, its relationship to creativity, and how entrepreneurs perpetuate it. The difference between ideas and genuine opportunities to add social value is highlighted. A tool for assessing social ideas for their opportunity potential is introduced and sources of information for completing the assessment are discussed. The chapter concludes with an overview of the obstacles to innovation in the social sector that the social entrepreneur must acknowledge and overcome, and how this can be done.

When an opportunity to add social or environmental value has been identified and vetted, it is time to plan the vehicle that will take this opportunity to its "market" and the trajectory the vehicle will follow. Chapter 4 looks at this from the perspective of design thinking and the "lean start-up" model, which involves customer-oriented, incremental innovation. This allows the social entrepreneur's "product" to be tailored to the needs of the people being served before a more elaborate plan is developed. This chapter details the processes of design thinking and lean start-up as they apply to social ventures and guides the student in the construction of a social business model canvas. It also provides examples of social entrepreneurs who have employed these methods.

In Chapter 5 we focus on the alignment of the social venture's mission or vision with consideration of the necessary resources and operational strategy. The chapter introduces a strategic planning model that was specifically designed for the social sector, using elements of the best of both private and public planning frameworks. Special emphasis is placed on the development of mission and vision statements. The chapter also discusses the theory of change, with considerable emphasis placed on the action planning and implementation of the social venture's strategies. A sample plan for a social venture is provided to illustrate the application of the principles discussed in the chapter.

Chapter 6 then examines the options available to social entrepreneurs when designing and structuring the organization that will help them pursue their mission. Organizational

structure has legal, managerial, and financial implications. This chapter takes an in-depth look at the various forms of legal structure that social ventures might adopt. These include nonprofit models, such as 501(c)(3) firms, popular in the United States, as well as for-profit models. In between these two general approaches lie a set of models that blend aspects of the two—hybrids. These might include for-profits with nonprofit subsidiaries, nonprofits with for-profit subsidiaries, nonprofit–for-profit partnerships, private–public partnerships, and cooperatives, among others. The chapter includes several examples of each structural model. The relationship between legal structure and models of management is discussed, as are the ways in which legal structure affects a social venture's ability to generate revenue. The chapter ends with a "Voices from the Field" segment that offers several examples of hybrid models and discusses how to manage the social and economic tensions inherent to these models.

In Chapter 7, consideration is given to the many social venture funding alternatives available to social entrepreneurs, based on the previous chapter's discussion of structure. This is the fuel that powers the vehicle for achieving the social or environmental mission. Philanthropic, earned income, and hybrid approaches are explored. The emerging practice of "social enterprise," and the many forms it takes, are examined as well. The chapter also includes a section on financial sustainability that balances the social and economic considerations of the social venture. The chapter ends with a case study that provides an interactive, experiential exercise for students called "Polititoons, Inc., 2018."

The work of a social venture is greatly enhanced if it has in place a system for measuring its social impact. This is the subject of Chapter 8. It is best to identify and define measures of outputs, outcomes, and impacts before the launch of the venture. This permits the establishment of a baseline which allows the venture to identify more clearly those outcomes and impacts that are attributed to its efforts, making its claims to stakeholders more compelling.

However, it is never too late to create an impact assessment methodology. Existing social ventures that do not have one should strive to develop and implement such an assessment tool. Chapter 8 also examines what an impact assessment process can do for a social venture and discusses how assessment can and should be closely tied to the mission and to the social value proposition. The chapter concludes with a case study designed to stimulate thinking regarding the challenges to social impact assessment and how those challenges might best be addressed.

In Chapter 9, entitled "Scaling the Social Venture," the issue of growth in the social entrepreneurship arena is examined. Much like commercial enterprises, at some point in their development social ventures are faced with a choice regarding growth. Depending upon their mission and goals, they can either choose to remain relatively small, with only a local impact, or they can elect to expand their reach to regional, national, or global markets. While there is nothing inherently wrong with a social entity that pursues its mission on a small scale, most experts in this field would argue that true social entrepreneurship involves a goal on the part of the entrepreneur to expand operations and maximize mission attainment, reaching as many target beneficiaries as possible. To achieve this scale of growth requires a change in the structure of the venture, if not multiple changes in structure over time.

Chapter 9 discusses what social ventures have to gain by pursuing growth and the obstacles that may stand in their way. It also explores the various structural mechanisms

for achieving growth and argues that in order to grow the social venture, the entrepreneur must have the requisite skills to do so. The example of one entrepreneur's experiences in scaling her social enterprise is studied.

Social entrepreneurship is not exclusive to the start-up of small enterprises. A social intrapreneur is one who pursues a social mission within a larger for-profit or nonprofit organization. This is the subject of Chapter 10. This chapter explores the concept of "shared value" and uses it as a frame for understanding social intrapreneurship, or corporate social entrepreneurship. Through an interview with the legendary social entrepreneur, Jed Emerson, students are also exposed to his concept of "blended value." The chapter enumerates the skills required for success in this form of social entrepreneurship and discusses the role of environment, or context, in fostering such activity.

In Chapter 11, the role of social entrepreneurship in environmental sustainability is examined. This chapter discusses the environmental aspects of social entrepreneurship, the challenges inherent in the environmental sustainability field, and the varieties of "green" opportunities. It offers guidance to constructing a strategic framework, known as an sSWOT, for developing a sustainability strategy for a social venture. It also includes a case study that documents the challenges faced by a fledgling environmental firm in commercializing its technologies.

Social entrepreneurs never have to work alone. Chapter 12 discusses the support ecosystems that have sprung up to nurture the work of social entrepreneurs. This includes social innovation incubators, co-working spaces, social entrepreneur networks, and other tools. The chapter looks at the needs of social entrepreneurs that such tools are designed to address. It also emphasizes the importance of systemic linkages between the various support tools and how to foster such linkages. This chapter features a detailed case study of an incubator located in New York City that is dedicated to fostering social innovation as well as a case study of the social entrepreneurship ecosystem in Singapore.

In Chapter 13, we explore the way that social entrepreneurship models manifest themselves in developing countries. Context matters, and social entrepreneurs must adjust the use of their skills to the cultural, economic, and legal realities of the place in which they are working. We examine four examples of this in developing countries across three continents and assess the implications for practice.

With the essentials for launching, growing, and sustaining a social venture in hand, the book concludes with a look at the future of social entrepreneurship in Chapter 14. Future issues facing social entrepreneurs, such as increased resource scarcity, the emergence of new financing models, and the further need for systems of support, are discussed. Future opportunities stemming from these issues are identified. Opinions and insights regarding the future of the field from several practicing entrepreneurs are reported.

A few concluding words as you embark on the journey . . .

We know that the field of social entrepreneurship creates a unique opportunity to continually integrate, challenge, and debate many traditional entrepreneurship assumptions in an effort to develop a cogent and unifying paradigm. We look forward to how the social entrepreneurs of tomorrow, like yourself, will not only find creative solutions but encourage others to take notice of these innovations and the impact they can have in driving long-term systemic change for broader social, political, and economic well-being. Let the journey begin . . .

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Chapter 1

Introduction

AIM/PURPOSE

This chapter offers an introduction to the field of social entrepreneurship and a discussion of its importance to society. In addition, it lists online resources to help the student begin her or his journey of understanding.

LEARNING OBJECTIVES FOR THIS CHAPTER

1. To understand the economic considerations, particularly market failures, that make social entrepreneurship desirable and necessary.
2. To recognize why governments are sometimes unable to solve social and/or environmental problems.
3. To understand why private businesses are sometimes unwilling to address social and/or environmental problems.
4. To become familiar with the relatively recent developments that make social entrepreneurship possible.
5. To understand the characteristics of social entrepreneurship that position it as a powerful force for solving society's problems.

In Chapter 2 of this book we will explore in some detail what is meant by the term "social entrepreneurship." However, it is useful to have a working definition of this term as we examine its origins and importance. Put very simply, social entrepreneurship is the application of the mindset, processes, tools, and techniques of business entrepreneurship to the pursuit of a social and/or environmental mission. Thus, social entrepreneurship brings to bear the passion, ingenuity, innovativeness, perseverance, planning, bootstrapping abilities, and focus on growth characteristic of business entrepreneurs on the work of meeting our society's most pressing challenges. This is not intended as a complete definition but as a relatively easily understood place to start.

While social entrepreneurship as a field of study is relatively new, much has already been written on the subject (see Dees, Emerson, & Economy, 2001; Mair & Noboa, 2006; Wei-Skillern, Austin, Leonard, & Stevenson, 2007; Brooks, 2008; Elkington, Hartigan, & Schwab, 2008; Light, 2008; Nicholls, 2008; Welch, 2008; Bornstein & Davis, 2010, to name but a few). This is a direct reflection of the excitement it generates and the promise it is perceived to hold. Social entrepreneurs have captured our collective imagination with remarkable stories of their social innovations. These stories are uplifting and inspiring. Throughout this book, these social innovators are introduced and their innovations are explored. However, it is tempting to focus on the outcomes of social entrepreneurship and avoid thinking about why these innovations were needed in the first place and why social entrepreneurs are the logical providers of this service to society.

This chapter aims to lay this essential groundwork. In doing so, it ventures into territory that some people might find contentious; however, it is out of this very contentiousness that social entrepreneurship was forged.

We are a society that is frustrated by an overall lack of progress toward solving our most pressing social and environmental problems. Our governments and our private sector have disappointed us with their seeming inability or unwillingness to effectively address poverty, hunger, illiteracy, child abuse, domestic violence, teen pregnancy, global climate change, energy conservation, and many other challenges (Bornstein, 2007). We are eager for someone to step into the breach and meet these challenges head-on. Might that someone be the social entrepreneur?

Social entrepreneurs have been touted as the real-life superheroes of our society. Why? Why can't governments solve these problems? Why won't the private sector address them? Why entrepreneurship? The answers to these initial questions can help us to understand why the study of social entrepreneurship is important and worthwhile.

THE PUBLIC AND PRIVATE SECTORS AND OUR VEXING SOCIAL PROBLEMS

Many of the societal problems that we face have been with us for decades, if not centuries. While there has been an ebb and flow in our success in addressing these problems, the effect is that we have made surprisingly little net progress considering the time over which we have been working on them. Over the course of history, we have wavered between relying on private actors and relying on the government to help us to solve these problems. Neither sector has been consistently successful.

Despite the claims of neoclassical economists, markets are far from perfect. Adam Smith's "invisible hand"—the idea that if free markets are allowed to operate without interference, they will self-correct and benefit all members of society—has proven arthritic when it comes to addressing all segments of the economy. Market failures abound. They can be seen in situations where profits are insufficient to cause private developers to generate housing for low-income households; where banks refuse to invest in certain neighborhoods because of perceived risk, called redlining; where people go hungry in some parts of the world, while in other regions surplus food is destroyed or land is kept out of agricultural production; and where one community's pursuit of economic well-being pollutes the environment, thereby diminishing the ability of another community to provide

for its residents. These are but a few examples. They are not isolated incidents. In fact, they are widespread and they are repeated on a regular basis around the world. Private markets help to create these problems and, if left to their own devices, have no incentive to reverse them.

Government, which is created to represent the interests of society as a whole and is in a position to address these issues, has not consistently been able to do so. This is due, in part, to inadequate resources; however, there are other factors at play as well. Politics is one of these.

There is too often a general lack of political will to sustain efforts to address societal problems. In democracies, short election cycles, term limits, and the propensity of newly elected officials to eschew the programs of their predecessors in favor of leaving their own mark tend to foster disjointed policy. Warring ideologies cause pendulum swings in attitudes and approaches as one regime replaces another, causing governments to "do and undo" their efforts rather than make steady forward progress. The well-documented breakdown in civil society (Milich, 2001; Putnam, 2001; Weiss & Gilani, 2001) has exacerbated this problem by radicalizing ideology and polarizing society. Because no ideology has a monopoly on truth, opportunities for the cross-pollination of ideas are being lost.

Authoritarian governments are no more successful at solving their society's problems, but for different reasons. One ideology dominates and eventually, and inevitably, reaches its point of diminishing returns for producing positive change. There are no checks on power, so corruption is common and counterproductive relative to focusing attention and resources on meeting the needs of the populace. Changes in government are often violent and the resulting instability creates still more social problems.

If our institutions are incapable of solving our social and environmental problems, then we must ask who, or what, is. How can we perfect imperfect markets without unintentionally destroying them? How can we circumvent the unproductive aspects of politics? How can we blend the best of the private and public sectors to address societal challenges? One seemingly viable answer to these questions is social entrepreneurship.

WHY THE TIME IS RIPE FOR SOCIAL ENTREPRENEURSHIP

While dissatisfaction with the relative inability of the public and private sectors to deal with society's problems helps to explain why social entrepreneurship represents an attractive option, it does not shed light on why this phenomenon is enjoying such a high level of popularity at this particular time in history. Bornstein (2007) makes a compelling case that major transformational changes worldwide over the past several decades have made it both possible and increasingly likely that citizens will take the lead in addressing social and environmental challenges.

Bornstein identifies several key changes that have made the social entrepreneurship phenomenon possible. One of these is the global increase in prosperity that brought the rise of the middle class and an increase in wealth that can be used to finance social ventures. Another is an increase in the number of democratic and semi-democratic societies, which has given citizens the freedom to pursue the correction of social and environmental

wrongs outside of government and the business sector. A third is the proliferation of new communications technology that has increased people's level of awareness of global societal problems and their impacts. Fourth is the increased availability of formal education in general and the growth in the number of college-educated individuals in particular, which enhances wealth and heightens awareness as well. The final factor is the removal of many obstacles to the active participation of women and certain subjugated groups in societal affairs. As Bornstein (2007, p. 7) puts it, "To sum up, more people today have the freedom, time, wealth, health, exposure, social mobility, and confidence to address social problems in bold new ways."

SOCIAL ENTREPRENEURSHIP'S UNIQUE QUALIFICATIONS

Social entrepreneurship represents the best of the private and public sectors, while filtering out the limiting factors already discussed in ways that will be examined in this section. On the one hand, it embodies the enterprising spirit of the private sector and uses the power of economic markets to generate and deliver solutions to problems. On the other hand, it strives to intervene in broken markets in an effort to repair them and places the public interest ahead of private interests (Dees, 1998). As was noted at the beginning of this chapter, it brings the mindset, processes, tools, and techniques of business entrepreneurship to the solution of social and/or environmental problems.

Social entrepreneurship possesses unique qualifications that make it an attractive alternative to purely private or purely public approaches to social and environmental problem solving:

- It is passionate and personal in that the social entrepreneur has chosen the problem to be addressed because it has deep meaning to her or him. Whether that meaning derives from personal experience, second-hand knowledge, or an avocation, it sparks an intense desire to pursue a solution to the identified problem. This is not to suggest that politicians and public officials are not passionate about certain issues, but their passion is often tempered by political realities that preclude a single-minded pursuit of an issue's resolution. Similarly, commercial entrepreneurs are typically quite passionate about their product or service, but that passion centers around the offering's ability to satisfy a customer need and thereby generate a profit for the business owner(s).

  Thus, the difference between social entrepreneurs, government officials, and private business people relative to passion is the source of that passion; that is, the values that underlie it. Social entrepreneurship is often referred to as value-based (Cho, 2006; Brooks, 2008). This could be misleading, however. There are values that drive the actions of all three actors; these values merely differ from role to role. For the public official, it may be political expediency. For the commercial business person, it may be profit. For the social entrepreneur, the values are moral in nature, involving empathy for the plight of the beneficiaries of her or his efforts and some kind of judgment regarding the "rightness" of addressing the underlying problem

(Mair & Noboa, 2006). Such morally based values have the power to drive the level of passion that is unique to social entrepreneurs.

- It is not bureaucratic; it is nimble. Unlike governments or large companies, social entrepreneurship is not reactive or bound by cumbersome rules and processes. Like small commercial ventures, social ventures are nimble and strategic. They move quickly and decisively to address problems. Entrepreneurs recognize that there is a "window of opportunity" for capturing any market, which does not remain open indefinitely. Similarly, social entrepreneurs understand that social and environmental solutions have limited periods of effectiveness, which are always changing. This makes agility in adapting to changes crucial.
- It enables transformation. Most of what is delivered to customers or clients or citizens by private businesses and by governments is conveyed by transaction. Goods and services are exchanged through short-term transactional relationships. This works as far as it goes, but it does not bring long-term change; it does not yield transformation.

  Social and environmental problems are not solved through transactions. Giving a starving individual food does not end hunger in the world. Some people seem to think that piling up transactions can yield a transformation. However, giving 1,000 hungry individuals food will still not end world hunger. Not until the system that spawns hunger is permanently changed for the better will hunger be ended on a global scale. This kind of systemic change, yielding long-term benefits, is the focus of social entrepreneurs.
- It builds, maintains, and utilizes social capital. A crucial factor in all entrepreneurship, and social entrepreneurship in particular, is networking. Bringing people and organizations together to focus attention on a problem, to marshal resources from a variety of places to implement solutions, and to effectively communicate outcomes are what gives social entrepreneurship its power. These networks of trust are built on a shared mission and vision for positive change. The public and private sectors are typically focused on adversarial relationships and competition. Political parties compete to control the policy agenda. Warring ideologies bludgeon each other over who is "right." Important decisions are reached using win–lose mechanisms that work for some and leave others out. Commercial businesses compete with others for market share, with the tacit, if not implicit, goal of putting the competition out of business.

  Social entrepreneurs embrace the concept of "co-opetition" (Brandenburger & Nalebuff, 1997). They understand that, in their market ecosystem, sometimes they must compete with other social entrepreneurs, particularly for scarce resources. However, much of the time it makes sense to collaborate because it makes their ventures more effective, sustainable, and competitive.
- It is mission-focused, not profit-driven. At the core of social entrepreneurship is the social or environmental mission. This is the compass that guides everything a social venture does. Even social ventures that are for-profit in their structure, and those that are nonprofit but engaged in earned income activities, put mission above revenue. This helps to ensure that society's interests will prevail over self-interest.

  Its mission is the social venture's reason for existence. The mission reflects the values that gird the social entrepreneurship endeavor. As was noted earlier in this section,

the nature of these values is what distinguishes social entrepreneurship from government and commercial activities.

- It is accountable to society. Like government, social ventures are accountable to society, not to private shareholders. They operate in a "fishbowl." This brings with it both greater freedom and a higher level of responsibility. The freedom comes from not having to cater to the selfish interests of shareholders, who often tend to err on the side of ensuring their own benefit at the expense of the best interests of the venture and society as a whole. The private sector is rife with examples of companies whose pursuit of higher share value and dividends for shareholders has ultimately destroyed the business, resulted in the loss of jobs, and/or has left communities in economic, social, or environmental disarray.

  The disaster caused by an accident involving a BP offshore oil rig located in the Gulf of Mexico in 2010 is a case in point. As the calamity unfolded, there was increasing evidence that BP was poorly prepared for such a scenario, looked the other way when confronted with safety issues concerning the rig prior to the accident, and was slow to react to the damage created by the spill (Casselman, 2010; Corkery, 2010; Langley, Weisman, & McDonald, 2010). To take the necessary precautions required to ensure safe operation and to be prepared to act quickly in the face of a disaster are costly activities that reduce profit margins. This behavior suggests that the company placed its owners ahead of society in its decision-making process. While this is rational behavior for a commercial business, it clearly illustrates the kind of conflict that can arise between the private good and the common good.

  The "shareholders" of social ventures are the people who are invested in the successful solution of the problem they address. This avoids misalignment between the goals of the venture and the goals of the segment of society it serves. Because of this, however, the social venture is held to a higher standard of accountability. It must document its impact on the problem, justify its existence, and freely share what it learns in the process with others.

- It fosters social and environmental innovation. Whereas governments are often hamstrung by the never-ending struggle between those who want to preserve the status quo and those who advocate change, resulting in incrementalism at best, social ventures are exclusively built to foster positive change relative to a given challenge. To overcome that challenge requires a transformation. This automatically facilitates an environment in which creativity and innovation are welcomed and pursued. Social entrepreneurs take social inventions (the fruits of creativity), whether they are the creator or not, and implement them (innovation) as a means to problem solving and transformative change.

  While this process is not unlike that followed by commercial entrepreneurs, there is a difference. The primary test of the value of a commercial innovation is its market potential. Despite the fact that a social innovation must have a market, the chief test of its value is its potential to solve a social or environmental problem.

- It circumnavigates politics. While politics are a necessary factor in any endeavor with societal ramifications, by taking a more business-oriented approach social ventures avoid the most debilitating aspects of political wrangling. While governments are debating the problem, the social entrepreneur is working to solve it, or the social entrepreneur is showing leadership by bringing together the conflicted factions to

negotiate a solution. In some cases, social entrepreneurs have helped to build public–private partnerships to address challenges mired in politics.

That said, we should point out that this should not be offered as an excuse for the social entrepreneur not communicating with her or his intended beneficiaries relative to what is needed. There have been cases in which, with the best of intentions, the social entrepreneur has made assumptions that led to actions that worsened the problem rather than solving it. Just as good business people first determine what customer need they are fulfilling and who their market is, good social entrepreneurs must first clearly define the problem they are attacking and who has that problem. In both cases, this involves communication with the prospective "customer" or community.

- It facilitates development by lending equity and stability. Hamlin and Lyons (1996) identify six prerequisites to successful development: surplus, savings, investment, efficiency, equity, and stability. The first four are readily understood by business people and economic developers in a capitalist economy. A subsistence economy cannot develop because it generates no profit, or excess revenue; therefore, it can only cover its costs. Profit, or surplus, permits savings, which in turn can be invested in new development. Operating efficiently maximizes profit and return on investment. All of this perpetuates development over time.

  What is less well understood is that none of this can take place in an economy that lacks equity and stability. Equity provides the balance that keeps a society together. For example, a so-called two-class society—rich and poor, with no middle class—is not an equitable society. The disparity in socio-economic status among the society's members is too great to be sustainable. A society that excludes certain of its members from access to opportunity is not equitable. Inequity can lead to protest, work disruption, and even violent revolt. All of these things undermine stability, which in turn precludes the society from developing its economy. There are other sources of instability. Incompetent governance and the resulting frequent turnover of leadership form one source. Natural disasters—earthquakes, floods, violent windstorms, etc.—are another source. Businesses require stability and predictability in order to function efficiently and effectively, allowing for the generation of surplus. In this way, we have come full circle in our explication of the required elements for successful development.

  Social entrepreneurs address equity and stability through their efforts. When their work in the areas of education, health, poverty alleviation, community development, and so forth helps to create opportunities for socio-economic advancement, they are creating equity and enhancing stability. When they help to rebuild after natural disasters, they are fostering stability. In this way, social entrepreneurs are ensuring future development for the entire society. Business people sometimes do not understand this, or do not believe it is "their job." Governments can help with some aspects of ensuring equity and stability, but they are often constrained by the factors noted earlier in this chapter, rendering them unable to facilitate the requisite transformative change.

These characteristics give hope that social entrepreneurship can break the impasse often experienced by our traditional public and private institutions when it comes to solving

society's most pressing problems. They also highlight the fact that social ventures are most valuable when they take on societal problems that neither government nor commercial business can solve. This is social entrepreneurship's market niche.

RESOURCES AND TOOLS TO BEGIN THE SOCIAL ENTREPRENEURSHIP JOURNEY

Before we begin our journey of understanding into the realm of social entrepreneurship, it is important to properly equip ourselves. The Internet is full of resources for people who are just getting started. We highlight several such resources and tools here and encourage students to explore these before continuing on to Chapter 2 of this book.

The following is a list of websites that are rich with information on social entrepreneurship. Not only do they provide definitions, tools, and examples, but they profile organizations that are leaders in this movement as well. For example, Ashoka and Echoing Green are social venture philanthropies that provide social entrepreneurs with financial resources, technical assistance, and access to networks. Net Impact is a student organization that champions social entrepreneurship, corporate social responsibility, and sustainable business practices, and can be found on college campuses across the United States. We urge you to thoroughly explore these sites:

Acumen: https://acumen.org
Ashoka: www.ashoka.org, www.changemakers.com, www.ashokau.org
Aspen Institute: www.aspeninstitute.org
Echoing Green: www.echoinggreen.org
Global Social Entrepreneurship Network: www.gsen.global
Net Impact: www.netimpact.org
Next Billion: www.nextbillion.net
Skoll Foundation: www.skollfoundation.org/skoll-entrepreneurs
Social Enterprise Alliance: https://socialenterprise.us

Another valuable Web-based resource is E-180, a website and blog that seeks to educate about social entrepreneurship and related topics. It abounds with information on what is happening in the field and where one can find training, fellowships, and other resources. In 2009, E-180 offered its ranking of the "Best Social Entrepreneurship News websites" (E-180, 2009). In rank order, they include:

1 E-180: www.e-180.co
2 CSR Wire: www.csrwire.com
3 Change.org: social entrepreneurship: www.change.org
4 Stanford Social Innovation Review: https://ssir.org
5 Fast Company: social responsibility: www.fastcompany.com/topics/ethonomics
6 Next Billion: www.nextbillion.net

A perusal of these sites will provide an understanding of what is currently going on in the field of social entrepreneurship. It can, and should, be used as a source of real-world examples to which the theoretical material in Chapter 2 can be connected.

QUESTIONS FOR "CONNECTING THE DOTS"

1. Drawing on economic theory, what kinds of market failure underlie the world's most pressing problems? Examine three examples: hunger, groundwater contamination, and literacy.
2. Why is healthcare reform such a contentious issue in the United States? Why have public and private efforts been unsuccessful in fully addressing the challenge of affordable health care? What role(s) might social entrepreneurs play in solving the problem?
3. The chief goal of the private sector is efficiency. Why? The primary focus of the public sector is equity. Why? It is quite possible to be highly efficient yet ineffective. It is also possible to be very equitable but ineffective. How does social entrepreneurship blend efficiency, equity, and effectiveness?
4. Some have argued that social entrepreneurship is another form of commercial entrepreneurship with positive social or environmental change as its product. Do you agree with the accuracy of this observation? Why, or why not?

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