Introduction to Social Entrepreneurship

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Learning Objectives

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

• Increasing demands for social services
  ○ Disadvantaged groups throughout the world (individuals with disabilities, convicts, homeless, individuals with substance abuse histories)
  ○ Chronic un(der)employment
  ○ Many emerging global problems (systemic poverty, HIV/AIDS, terrorism, repeated natural disasters) require immediate attention

• Costs of public services climb

• Decreasing availability of governmental and charitable funds
Market and Institutional Failures

• *Arthritic “Invisible Hand”* – Neoclassical economists’ self-correcting free markets have no incentive to correct considerable economic and social harm

• *Where’s Washington, DC?* – Inconsistent governmental and institutional attempts to address societal problems, compounded by inadequate resources, lack of political will, endemic corruption, and conflicting political ideologies

• *Widening Wealth Gap* – Increasing polarization and breakdown of civil society through social disparity and economic stratification; i.e., the top 1%
Muhammad Yunus’ Story

• *His observations in a Bangladesh village in 1974:* Craftspeople were skilled but limited by credit availability

• *The opportunity he saw:* Micro-loans, with no collateral and low interest, could improve their lives

• *The results:* Very high loan repayment; Creation of the Grameen Bank; Nationwide adoption

• *The recognition:* Professor Yunus won the 2006 Nobel Peace Prize; Grameen is a famous model of Social Entrepreneurship
So, What’s the Solution?

- Reduce poverty through creating jobs
- Develop community trust and strengthen local networks
- Make communities self-sufficient, self-esteem, self-worth, and confident
- Increase tax base to support services
- Create markets for products produced locally rather than importing them
- Retain local wealth as the newly-employed both buy and spend more
Creativity and Innovation: Schumpeter’s types of creative destruction

• Offer new product or service
• Develop new process or technology for producing or delivering an existing product, service, program or project
• Deliver existing product, service, program, or project to a new or previously underserved market
• Use new source of supply of raw materials and resources
• Design organization structure
• Utilize new source of labor or other production inputs
• Create new funding models
Entrepreneurship Stages

Opportunity Recognition
- Social problems
- Unmet needs

Goal Attainment
- Success
- Next steps?

Concept Development
- Identifying social rewards
- New products/markets

Scale and Sustain
- Expand and change

Resource Requirement
- Land, labor, capital

Launch
- Determine metrics
- Measure results

Paul Miesing, “Introduction to Social Entrepreneurship”
A Modern Approach to Creating Social Value

- Greater global prosperity has made more wealth available for financing social ventures
- More free societies are interested in correcting social and environmental wrongs outside of government and the business sector
- New communications technology has increased awareness of global societal problems and their impacts
- Increases in formal education and college-educated individuals has heightened social awareness
- Removing obstacles to participation of women and certain subjugated groups in societal affairs
Why Use Social Entrepreneurship?

- It is passionate and personal to the social entrepreneur
- It is mission-focused, not profit-driven, that reflects its values
- It is not bureaucratic but nimble, moving quickly
- It fosters social and environmental innovation to solve problems
- It transforms, resulting in systemic change that yields long-term benefits
- It builds, maintains, and utilizes social capital by networking for resources
- It facilitates development by being equitable, enhancing social stability
- It is accountable to society, not private shareholders
- It circumnavigates politics by taking a business approach

Social Entrepreneurship’s Unique Qualifications
Persistent Social Entrepreneurship Concepts

• Inherent Disadvantages:
  o Government control or public scrutiny, budget constraints, lack financial resources

• Organization Mission:
  o Must have a strong emphasis on a social mission
  o Address social problems or needs not met by private markets or government

• Profits not a Dirty Word:
  o Combine social purpose with financial sustainability
  o Must be self-sufficient in spite of inherent disadvantages

• Works with Market Forces:
  o Innovative solutions
  o Private action
Case Analysis: What Is It?

- Assimilate information
  - Provides you with experience not ordinarily available
  - Illustrates the theory and content of social entrepreneurship

- Top-management perspective

- Communicating
  - Offers an opportunity to participate in class and present your ideas to others
Case Analysis: Preparing a Case Study

1. Assessment: Know what questions to ask
   - What’s the business model, problem, etc.?
   - Examine key indicators of strategic and financial performance

2. Analyze the current situation
   - Conduct financial, organizational, environmental analysis
   - Read the conceptual material – How does it help (or not) understand the case?

3. Actions: Recommendations
   - Synthesize, integrate, and apply
   - Support with reason and evidence

4. Appreciation: Learnings and takeaways
   - De-brief
   - Remaining questions or issues?
Conclusions

• Massive social and economic problems defy conventional solutions
• Popularity of social entrepreneurship is using free markets to create social value
• Entrepreneurs get things done in spite of obstacles and inherent disadvantages by innovating and being creative
• Social entrepreneurs are accountable to the public, not only investors
• For more information and sources, see http://pinterest.com/mgt460/course-materials/
Course Purpose

• Summarize key principles of social entrepreneurship
• Identify the challenges and opportunities of social entrepreneurship
• Use evidence to analyze, evaluate, and exploit a social opportunity for an entrepreneurial venture
• Apply business functions to create and sustain a social venture
• Prepare a business plan for a social enterprise
Questions?