

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?

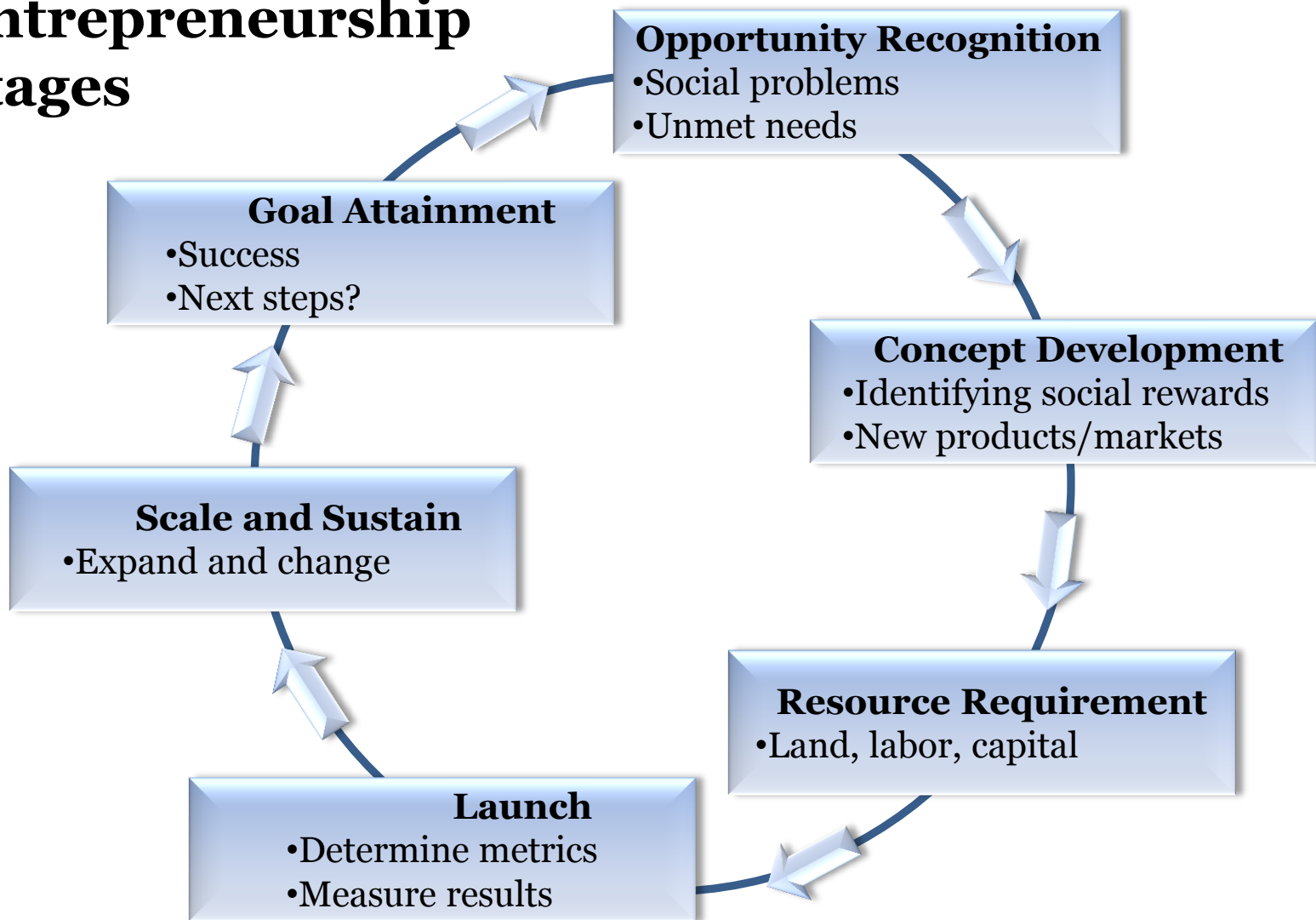
- Reduce poverty through creating jobs
- Develop community trust and strengthen local networks
- Make communities self-sufficient, self-esteem, self-worth, and confident
- Increase tax base to support services
- Create markets for products produced locally rather than importing them
- Retain local wealth 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

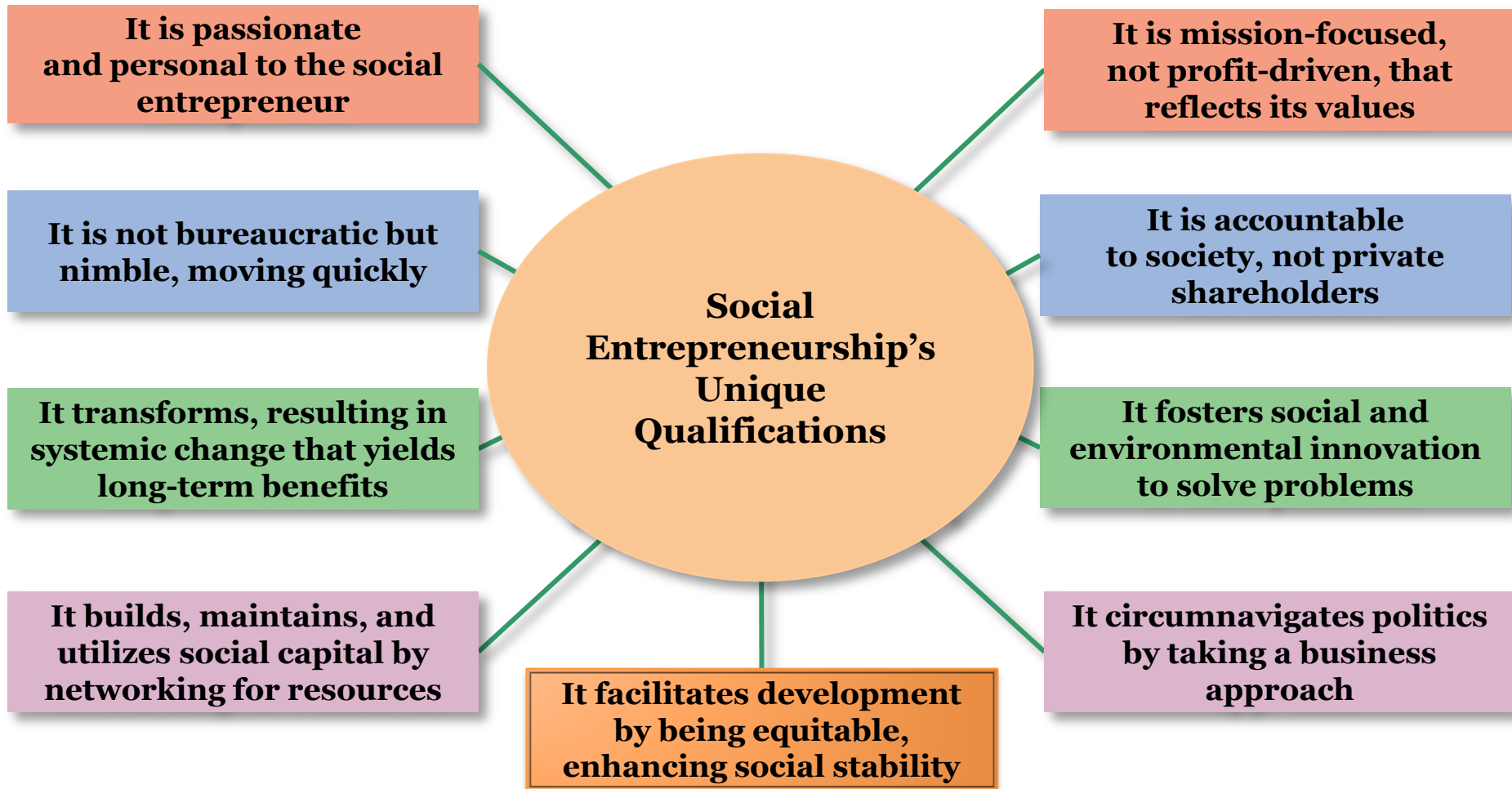
Entrepreneurship Stages



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?

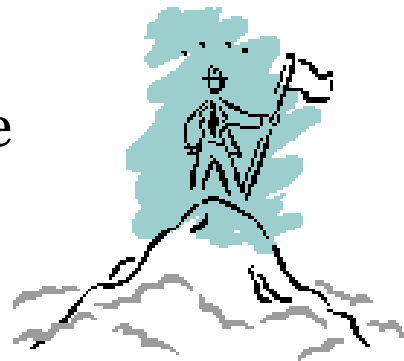
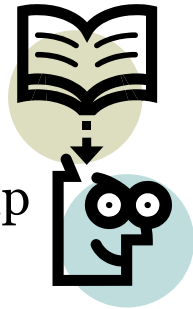


Persistent Social Entrepreneurship Concepts

- Inherent Disadvantages:
 - Government control or public scrutiny, budget constraints, lack financial resources
- Organization Mission:
 - Must have a strong emphasis on a social mission
 - Address social problems or needs not met by private markets or government
- Profits not a Dirty Word:
 - Combine social purpose with financial sustainability
 - Must be self-sufficient in spite of inherent disadvantages
- Works with Market Forces:
 - Innovative solutions
 - Private action

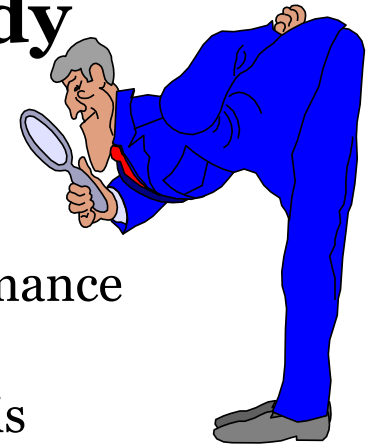
Case Analysis: What Is It?

- 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?

