

Recognizing Social Opportunities



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Learning Objectives

- To recognize the sources of ideas for social entrepreneurship
- To assess an idea for its viability as a true opportunity to add social value
- To understand the forms innovation takes and the role it plays in opportunity recognition and implementation
- To recognize forms of resistance to social innovation and to devise strategies for overcoming them
- To grasp the nature and importance of a social value proposition (SVP)
- To understand the function of mission in social entrepreneurship and how to write an effective mission statement

The Odds are Against You!

- “Liability of newness” – New [**fill in the blank**] face particular difficulties and a greater risk of failure:
 - Organizational “death rates” decline with age
 - Most new firms fail early, usually within their first few years
 - A high percentage of failed firms are younger businesses
 - Business failure declines with age regardless of industry, size, or region

General Sources of Ideas

- Education (e.g., this course!) and experience:
 - Work (e.g., industry- and job-specific skills)
 - Life (e.g., informal learning and personal history)
 - Social networks (e.g., friends, community, family)
- Serendipity (accidents happen!)
- Awareness (e.g., media and networks)
- Pure idea generation (e.g., brainstorming)
- Systematic or intentional (e.g., focus groups)

General Sources of Ideas (Cont'd.): *Serendipity or accidental discovery*



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- 3M Recruiting Brochure:
 - Creative
 - Broad interests
 - Highly motivated
 - Resourceful
 - Work hard
 - Solve problems



General Sources of Ideas (Cont'd.):

Awareness generated by media and networks

- What's currently being overlooked by both the government and the private sector?
- Where's the need, the gap, the pain point?
- Where's the opportunity to bridge a gap?

**The
Economist**

**Topics most
commented on**





General Sources of Ideas (Cont'd.): *Pure idea generation*

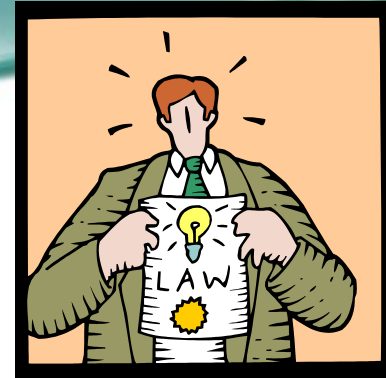
- *Brainstorming* – Using the brain to storm a problem “in commando fashion, each stormer attacking the same objective” (i.e., beach head):
 - Goal is to quickly generate a large *quantity* of novel and imaginative ideas
 - Face-to-face, idea-generation session
 - Any and all ideas are considered legitimate
 - *Rules*: don’t criticize ... more is better ... improve on suggested ideas (“leap-frogging”) ... say all that comes to mind (“freewheeling”)
 - Can tap the human brain’s capacity for lateral thinking and free association
 - People working alone can generate ideas faster, but can’t build on each others’ ideas
 - Generates twice as many ideas vs. alone
 - More enjoyable process than without the rules

General Sources of Ideas (Cont'd.): *Systematic or intentional search*



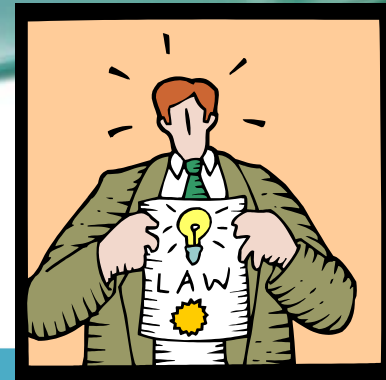
- Focus Groups:
 - Find out what potential consumers might actually want
 - But, limited representation
 - A gathering of 5-10 people selected based on their common characteristics relative to the issues being discussed
 - Led by a trained moderator who uses the internal dynamics of the group environment to gain insight into why people feel they way they do about a particular issue
 - While used for a variety of purposes, they can be used to help generate new business ideas

Protecting Your Ideas



- *Patent* – A grant from the Patent and Trademark Office to the inventor giving the exclusive right to make, use, or sell the invention for 20 years from the date of filing the patent application
- *Trademark* – Any distinctive word, symbol, design, name, logo, slogan, or trade dress a company uses to identify the origin of a product or to distinguish it from other goods on the market
- *Copyright* – An exclusive right that protects the creators of original works of authorship such as literary, dramatic, musical, and artistic works (copyrighted material is denoted by the symbol ©)

Protecting Your Ideas (Cont'd.)



Type of Protection	What It Covers	Time Required	Cost
Design patent	Look of an original product	Up to 2 years	\$5,000 - \$20,000
Utility patent	How an original product works	2 – 5 years	\$5,000 - \$20,000
Business method patent	A business process	2 – 5 years	\$5,000 - \$20,000
Trademark	Logos, names, phrases	6 – 12 months	\$900 - \$1,500
Copyright	Works of original authorship	About 2 weeks	About \$35

Source: Anne Field, “How to Knock Out Knock Offs,” *Business Week* (March 14, 2005.)



What is An Opportunity?

- *Defined*: “Circumstances that create a need for a new product, service, or business”
- *Opportunity Recognition*: “Discovering and evaluating changes in the environment that can be exploited, such as a new technology, socio-cultural trends, or shifts in consumer demand”
- *Opportunity Recognition Process*: “The connection between an awareness of emerging trends and the personal characteristics of the entrepreneur”



What is An Opportunity? (Cont'd.)

Environmental Trends

- Economic factors
- Social factors
- Technological advances
- Political and regulatory changes

Personal Characteristics of an Entrepreneur

- Prior experience
- Cognitive factors
- Social networks
- Creativity

Business, Product, or Service Opportunity Gap

Difference between what's available and what's possible

When a product or service is needed by a specific group of people (might have been ignored by mainstream businesses if market too small)

New Business, Product, Service Ideas

What is An Opportunity? (Cont'd.): *vs. an idea*



Demand for the new product or service can be captured to generate profits

Attractive

Achievable

Practical and physically possible

The window of opportunity open long enough for it to be worthwhile

**Durable/
Timely**

**Value
Creating**

Solves a problem or fulfills a need

What is An Opportunity? (Cont'd.)



- 1. Prevalence:** How rampant is the social problem or need in society?
- 2. Relevance:** Do you have the necessary resources to effectively solve the problem and launch the social venture?
- 3. Radicalness:** How creative and innovative is your solution to solve the social problem?
- 4. Urgency:** Does the social problem need a quick, immediate response by your social venture team?
- 5. Accessibility:** What is the level of difficulty in addressing a social need through traditional mechanisms, including government interventions, non-profit capabilities, or foundation support?

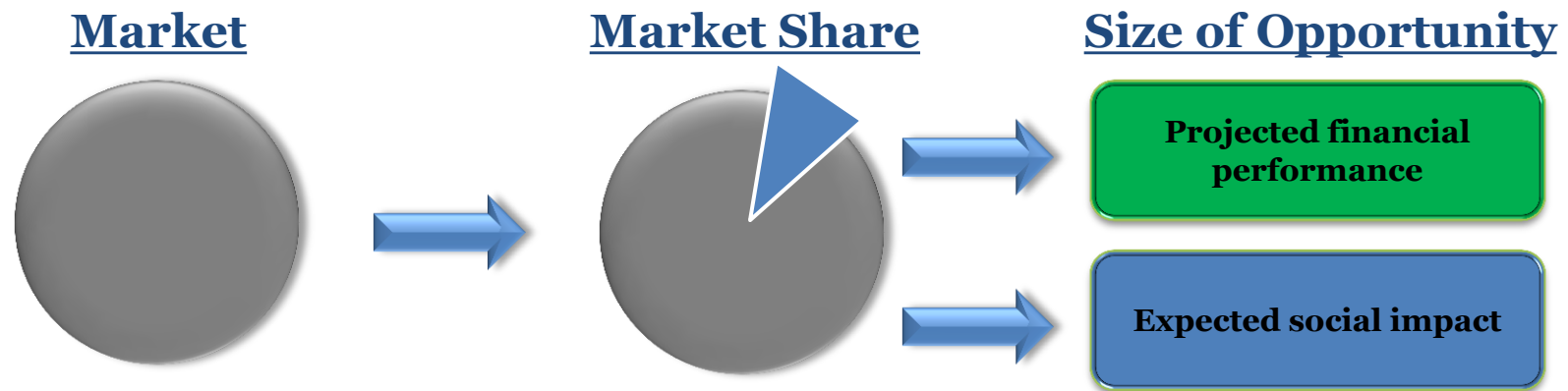
Converting an Idea to Social Opportunity

- *Idea*: Discovering new ways of looking at problems and opportunities
- *Invention*: A “flower” – Creating or developing something different
 - Creative exploration
- *Innovation*: A “weed” – Spreading creative solutions widely to enhance or to enrich people’s lives that create value
 - Commercial exploitation
- *Imitation*: When a population of similar firms adopts an innovation ... eventually, a commodity
- ... and sincerest form of flattery!



Market Potential

Is the opportunity large enough to meet your financial *and* social goals?



What is the market landscape?

- What do customers need? Why are they buying the product/service?
- Who would your competitors be? Would you be able to compete against them?
- How difficult would it be for you to enter the market?
- Is the market growing?

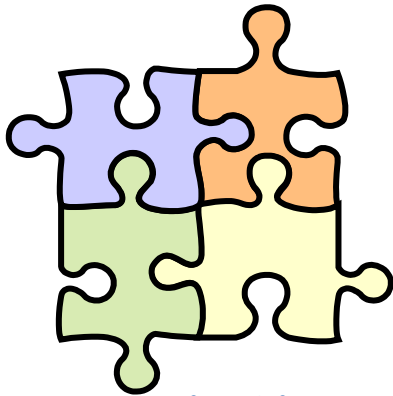
What are your best opportunities in this industry?

- Is there a specific niche that your venture could fill?
- Could it meet customers' needs in this niche?
- Could you provide the product / service better than your competitors?

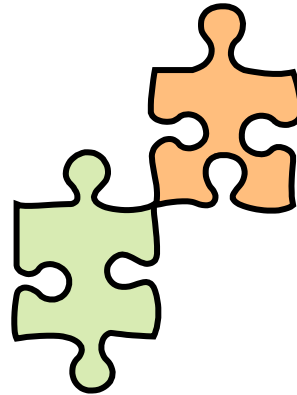
Will you attract investor interest? What is the “window of opportunity”?

Operational Feasibility

Capabilities Needed



Current Capabilities



Operational Feasibility



Organization's ability to operate venture

Provide significant social impact

How do ventures in this sector work?

- What are the operational keys to success?
- What are the operational pitfalls that a new venture could face?
- How do ventures in this sector grow?

What are the current organization capabilities?

- Does the organization have the capabilities needed to operate this venture?

How will your social goals affect the venture's operation?

- Will the business need to be modified to fit social criteria? Is this possible? How will that affect your venture's success?

Ability to Generate Earned Income

Start Up Costs



How much will it cost to set up this venture?

- Include equipment, inventory, fees



Cost-Benefit Assessment

Does the potential social impact justify the upfront investment?

Break Even Analysis



How many units will you need to sell to cover the fixed costs?

- What are the fixed costs of operating the venture?
- What is the margin per unit sold?



Break Even Feasibility

Could your venture ever sell the break even number of units?

Measuring Social Value Proposition (SVP)

- 1. Opportunity:** A real social need has been clearly identified that the venture can meet
- 2. Impact:** Achieve a deep and lasting social change that is measurable
- 3. Support:** The community believes in the idea philosophically, thinks it can be effective, and is willing to provide political support
- 4. Social Return on Investment:** There should be a “pay off” that produces social gains that exceed the value of the initial investment
- 5. Mission Alignment:** Clearly articulate a mission so the venture can pursue the specific opportunity identified

The Social Enterprise Mission Statement

- Benefits of a good mission statement:
 - Provides focus – Social entrepreneurs can stay on target as they develop the concept
 - Helps attract support – Brings in other resources (e.g., volunteers, donors, partners)
- It should explain:
 - Why the social enterprise is important
 - What the enterprise will do and will *not* do
 - How it will create and measure value
 - How it will innovate or adapt
 - How it is entrepreneurial
 - How success will be measured



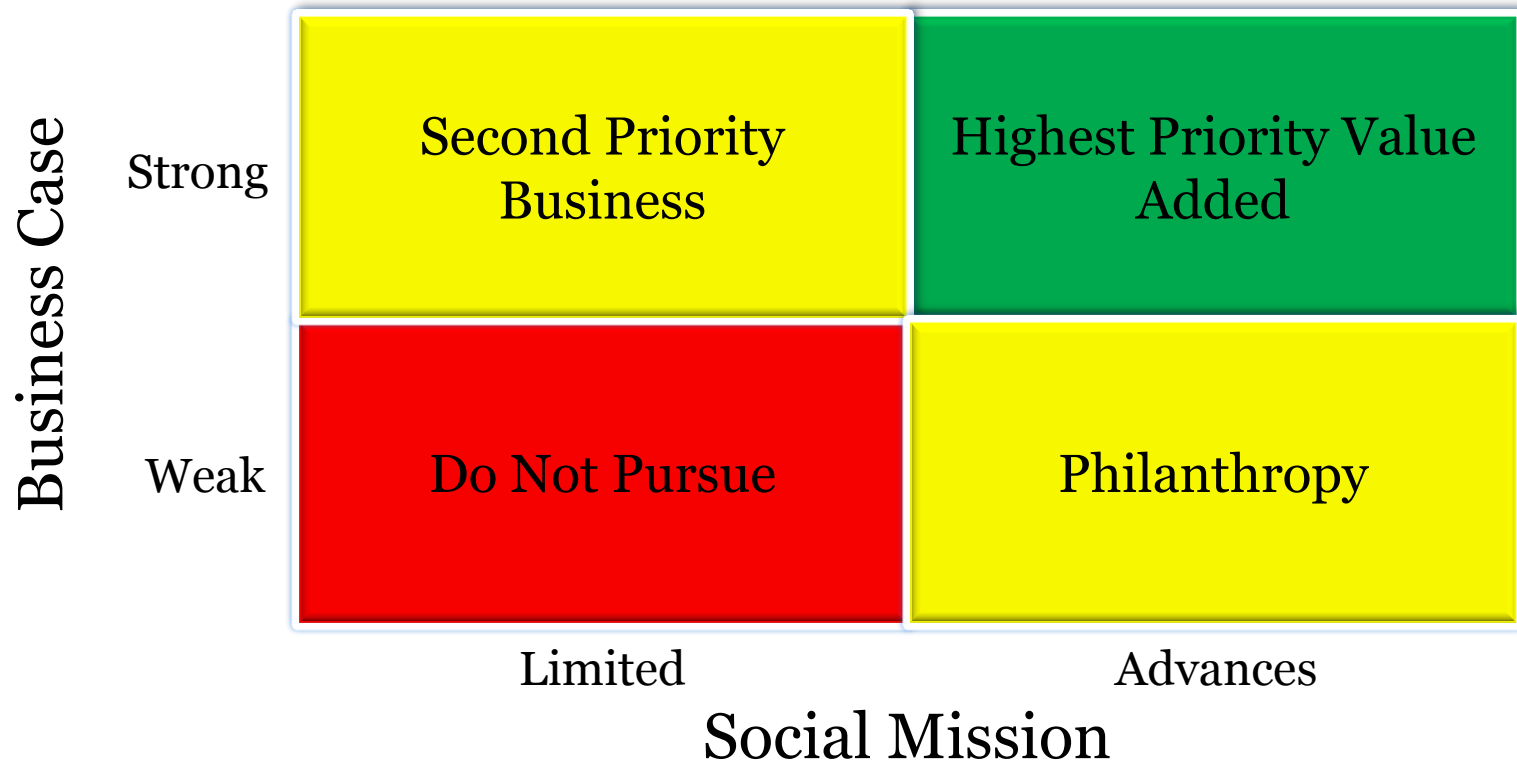
Screening Opportunities

Ideas With Potential*	1	2	3
1. Furthers the social vision and mission	No	Partially	Completely
2. Potential client benefit	None	Some	Many
3. Financial potential (by third year)	Loss	Breakeven	Profit
4. Required investment	Major	Minor	Current resources
5. There is a “champion”	No	Not sure	Yes
6. Risk	High (no known mitigation)	Medium (new strategies needed)	Low (strategies in place)
*Each idea will have a score of 6-18			



Screening Opportunities (Cont'd.)

Balancing Mission and Financial Return





Screening Opportunities (Cont'd.)

Feasibility Analysis

Financial and Social Impact	High	Low Potential Consider Later	Top Priority Continue Screening
	Low	Not Strategic Do Not Consider Further	Long Term Consider Second
		Low (Difficult to implement)	High (Easy to implement)

Fit with Organization

Sustainability Potential

- 1. Compelling Mission:** Attract financial investment for start-up and ongoing maintenance as well as for growth
- 2. Investor Interest:** Sufficient evidence of philanthropic, governmental, and/or private-sector financial interest
- 3. Venture Capability:** Combined skills of the entrepreneurial team, staff, and board of directors
- 4. Venture Capacity:** Resources necessary to operate the venture over time
- 5. Ability to Generate Earned Income:** Market exists and is willing to pay for product or service



Conclusions

- A good social venture is mission-driven, identifies a market that meets a significant social need, and has a competitive advantage that delivers sustainable market-based revenues (triple bottom line)
- To succeed, recognize opportunities and be able to exploit the different trends with your organization's resources and capabilities
- There are various sources of good social ideas as well as various forms of innovation – convert an idea to social value ... but know when to run away!
- For more information and sources, see <http://pinterest.com/mgt460/recognizing-social-opportunities/>

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?

