

The Future of Social Entrepreneurship



Paul Miesing
School of Business
UAlbany-SUNY
Albany, New York

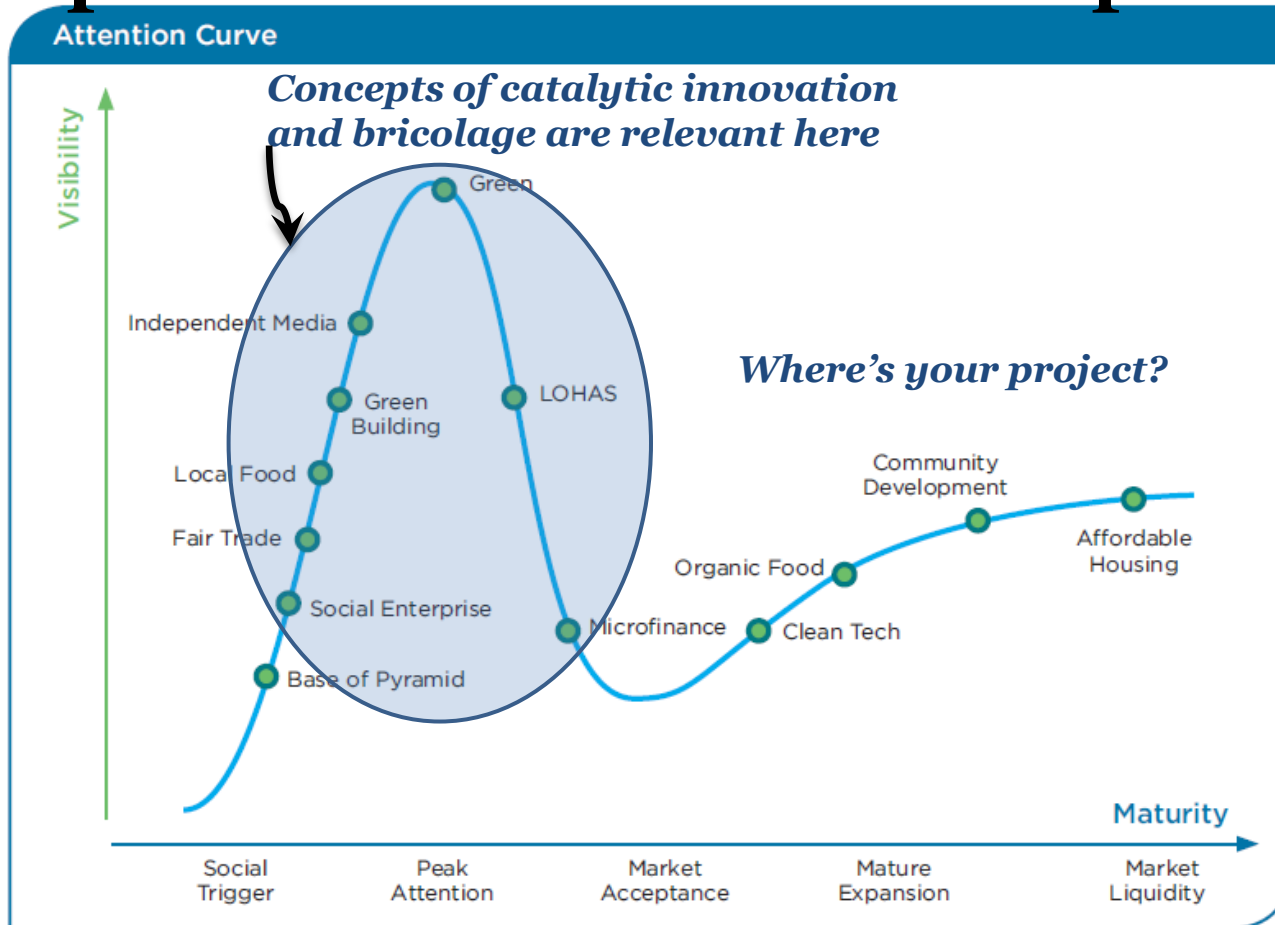


Learning Objectives

- To explain some of the latest ideas and innovations seen in the field of social entrepreneurship
- To reveal some of the key challenges going forward in social entrepreneurship
- To understand new approaches and behaviors when resources are scarce for social entrepreneurs
- To explain the future need for “catalytic innovations” for social impact and introduce the concept of “bricolage” behavior in bringing new innovations to the marketplace
- To summarize the future trends in social entrepreneurship



The Capital Market for “Good” Capital



Source: Collective Intelligence, produced for Good Capital, 2007.

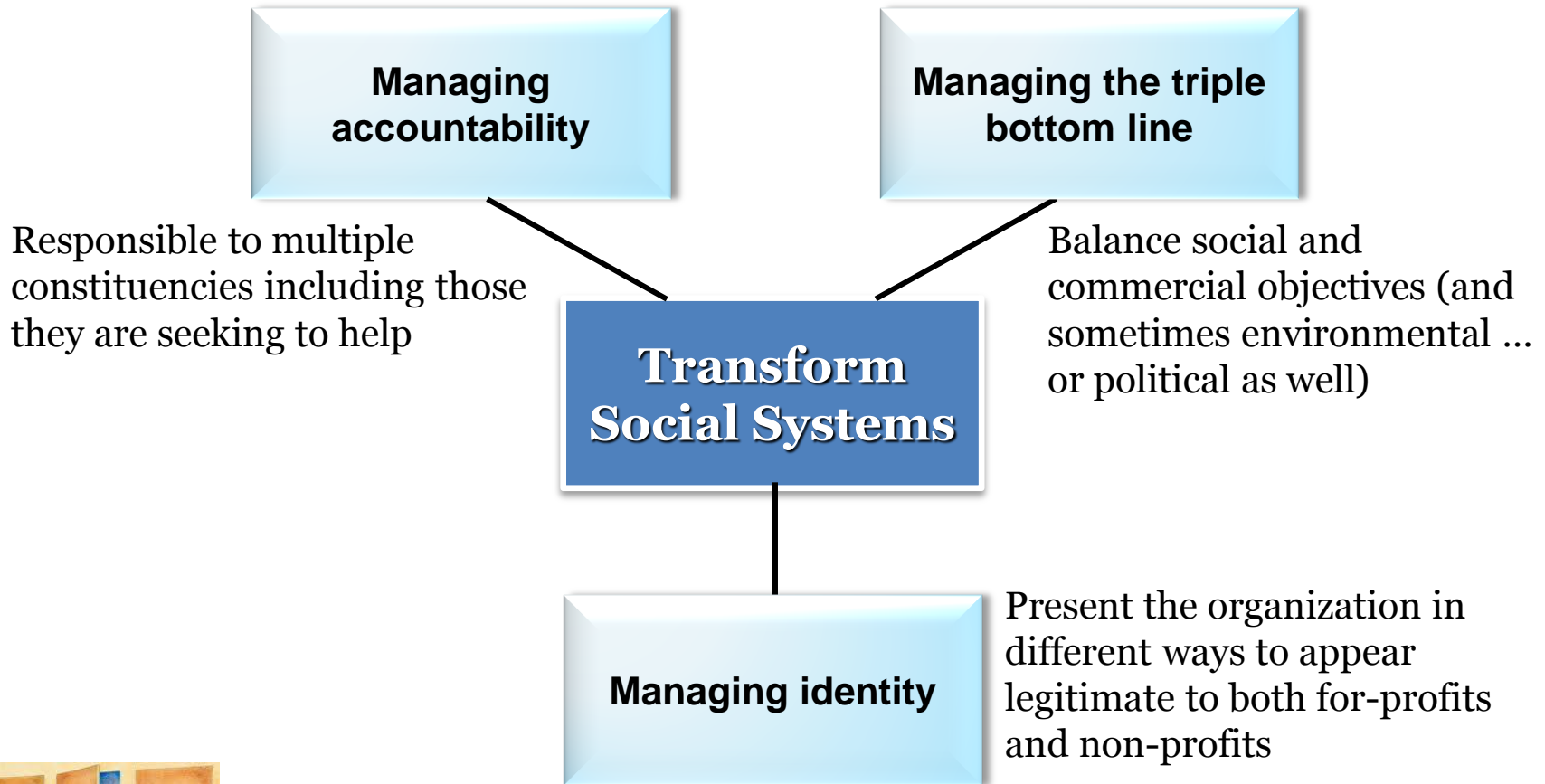
Reproduced in http://www.impactassets.org/files/downloads/ImpactAssets_IssueBriefs_2.pdf, page 6.

Definitions

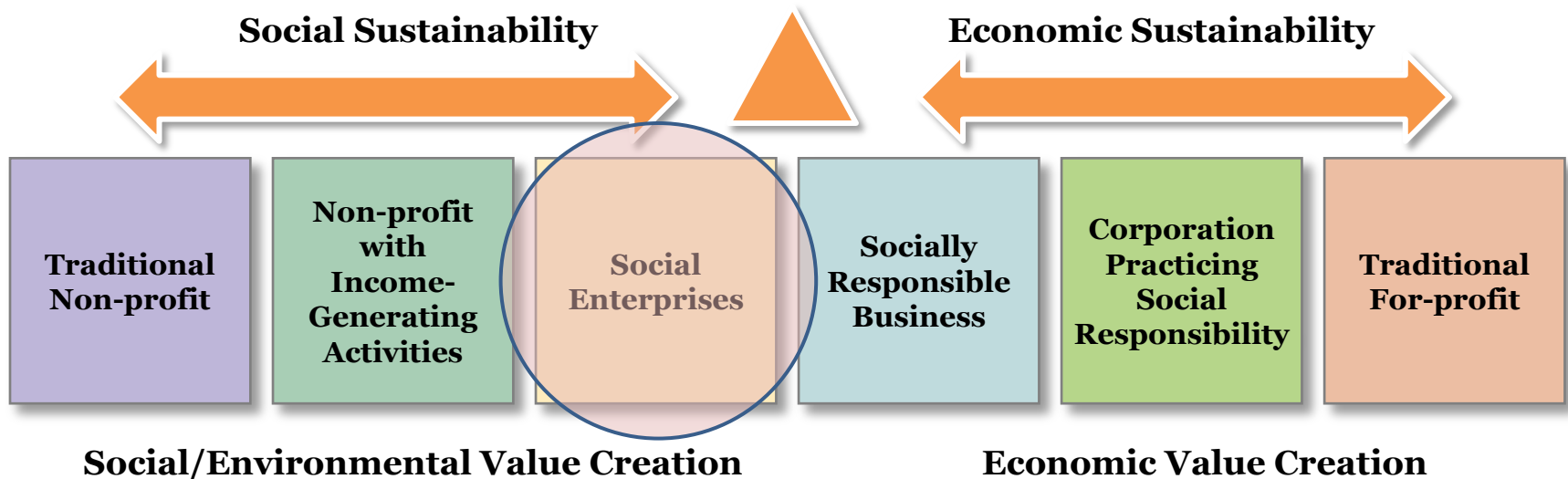
- *Social Entrepreneurship*: “The process of recognizing and resourcefully pursuing opportunities to address critical social needs by crafting innovative approaches that create *both* social and economic value”
 - Fundamentally about new ways to organize, collaborate, and manage that leverage current practices and technologies
- *Social Entrepreneur*: “Reconfigures resources in order to achieve some kind of social change or societal transformation”
 - They focus on impact, are mission-driven, and take private initiative to exploit opportunities



Key Challenges



Sustainability Equilibrium





Innovations

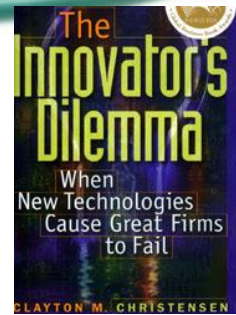
• Sustained Innovations:

- New techniques and business models within industries
- Leading firms usually develop organizational capabilities around delivering these innovations
- Can be either incremental or breakthrough
- Have better or more attributes than what they replace
- Help established players sell more products and earn more profits
- Maintain constant improvement
- *Example:* Intel's continual pursuit of faster chips

• Disruptive Innovations:

- Do not sustain performance improvement of established companies
- Create products and services not as good as current offerings
- Appeal to new or less demanding customers because they offer simpler, more convenient, and less costly products or services
 - ... but perform worse along some of the existing product dimensions
- Yet have potential to completely change the market
- *Example:* Social networking

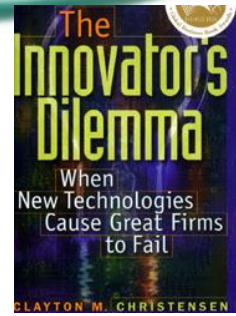




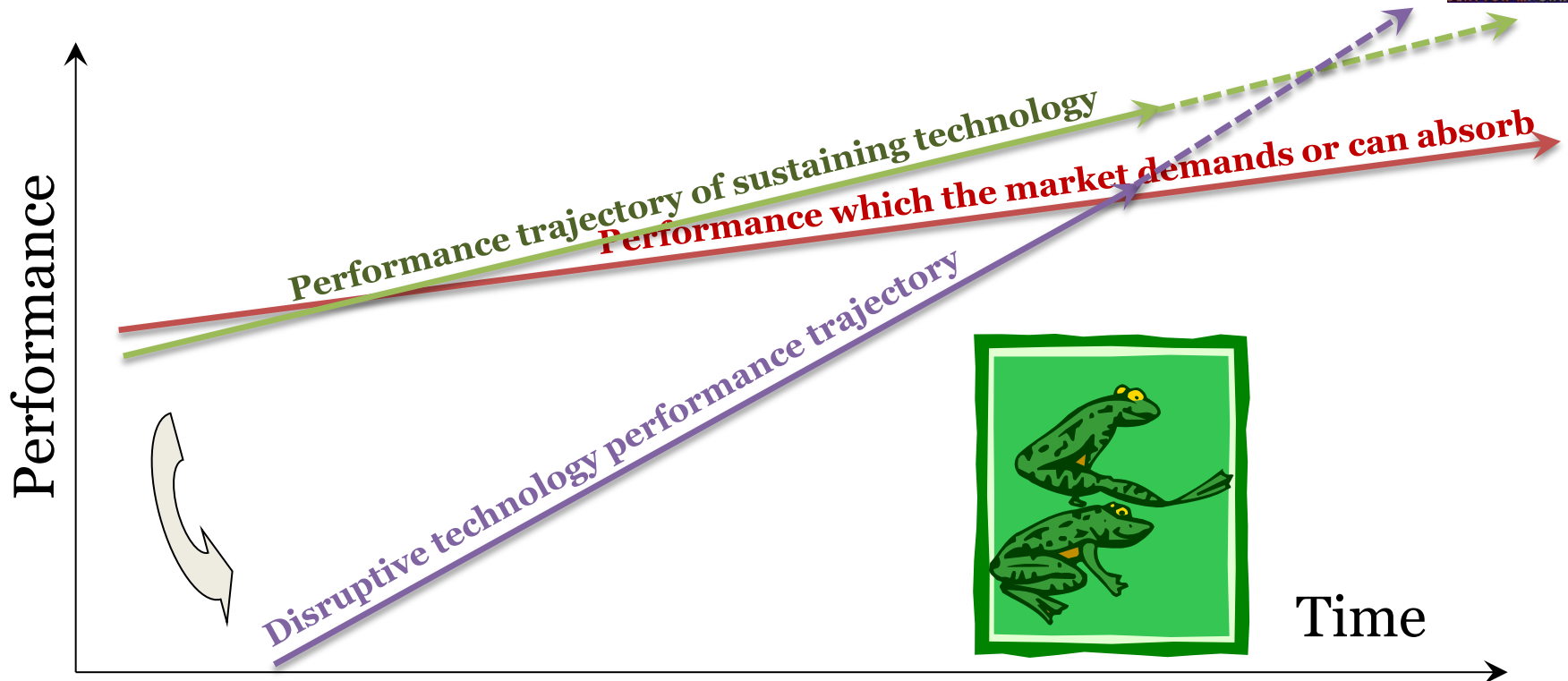
Disruptive Technologies

- What the customer *wants* may not be what the customer *needs*!
 - Mistakenly forecast technological trends and assess profitability based on **current** customers and markets
 - Focus resources on fulfilling the requirements of those **reliable** customers that can be served profitably
 - Current customers force companies to invest aggressively and successfully in **sustaining** technologies to retain them
 - Incapable of funneling resources into “**disruptive technologies**” whose profit margins seem too low
- *Example:* Kodak feared introducing new technology that would disrupt its highly-profitable film business (chemicals, papers)





Disruptive Technologies (Cont'd.): *A paradigm shift*



- Takes root in poorly served markets because current customers do not value attributes and features
- Has very high trajectory rate, later invading established markets
- Eventually **leapfrogs** the existing technology to become the dominant standard

Disruptive Technologies (Cont'd.): *Cell phone – The first handheld device*



Motorola's Martin Cooper

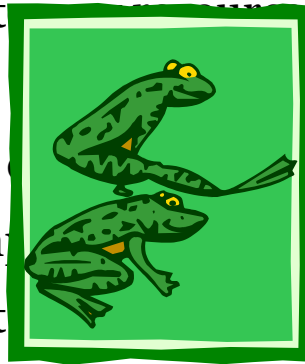
- 1973: The new “brick” weighed 2.2 pounds
- Measured 9” long, 5” deep, 1.75” wide
- The prototype offered a talk time of 30 minutes and took 10 hours to re-charge
- Sold for \$3,995



Catalytic Innovations*

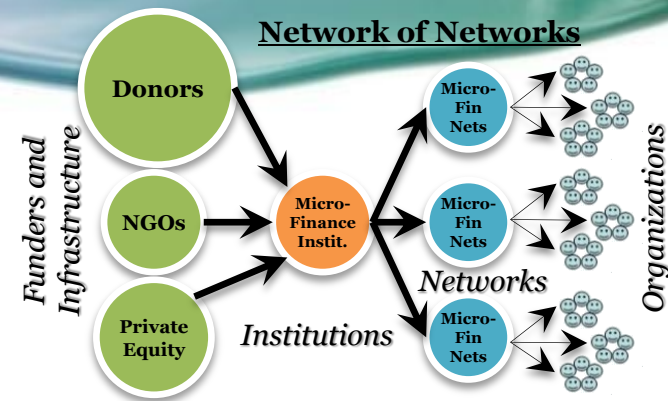


- Challenge organizational incumbents:
 - “Good enough” products and services that are simpler and less-costly than existing alternatives meet a need that is underserved, over-served, or unserved
 - Use existing resources creatively and generate new business models in ways that are unattractive to incumbent competitors
 - Are often ignored, disparaged, or sometimes even ridiculed by existing providers for whom the business model is unattractive, and who plan to retreat from the market segment
- But unlike disruptive innovations, they are focused on creating ***systemic social change through scaling and sustainability***



*Source: Christensen, et al., “Disruptive Innovation for Social Change,” *HBR* (2006)

Catalytic Innovations (Cont'd.): Major microfinance ecosystems



- Institution Examples:
 - *United Nations* – Development Program/Capital Development Fund’s Special Unit for Microfinance supports microfinance institutions in reaching sustainability and maintaining deep outreach to the poor, especially women
 - *World Bank* – Consultative Group to Assist the Poorest is multi-donor facility that provides market intelligence, promotes standards, develops innovative solutions, and offers advisory services to governments, financial service providers, donors, and investors
- Network Examples:
 - *Microfinance Network* – Global association provides members with technical assistance and to learning from each other
 - *Women’s World Banking* – Equips institutions with in-depth market research, sustainable financial products, and consumer education
- Organization Examples:
 - *Acción (“action”)* – A microfinance pioneer founded in 1961 in Latin America, now has 63 microfinance institutions in 31 countries serving more than 5 million clients
 - *FINCA* – Pioneered the “Village Banking method” and now serves nearly 1 million poor (70% women) in 21 countries (more diverse than any other microcredit provider)
 - *Grameen (“village”) Bank* – The “gorilla” has over 8 million borrowers (97% women) with 2,565 branches in 81,379

Bangladesh villages as well as diversified “families” globally

Catalytic Innovations (Cont'd.): Major microfinance ecosystems (cont'd.)

[University Home](#) | [MyUAlbany](#) | [Directories](#) | [Calendars & Schedules](#) | [A-Z Index](#)



Google™ Custom Search

[Current Students](#) | [Faculty & Staff](#) | [Alumni](#) | [Parents](#)

[About](#) | [Academics](#) | [Admissions](#) | [Libraries](#) | [Research](#) | [Student Life](#) | [Athletics](#) | [News Center](#) | [Giving](#)

[SEED Home](#)

[Program Components](#)

[Training Program](#)

[Key Dates](#)

[SEED News](#)

[Social Media](#)

[Testimonials](#)

[Apply for SEED](#)

[Download the SEED Application](#)



[Home](#) / [SEED News](#) / [News Archive](#)

[University at Albany](#), [SEFCU](#), [Small Business Development Center](#), and [Empire State Development](#)

University at Albany, SEFCU, Small Business Development Center, and Empire State Development's Small Enterprise Economic Development Program Receives 2012 Tribeca Disruptive Innovation Award

From the UAlbany Office of Communications and Marketing's [News Center](#) web site

Character-Based Microloan Program Recognized with National Award

[SEED Partners](#)

[University at Albany's School of Business](#)

[University at Albany's School of Social Welfare](#)

[New York State Small Business Development Center](#)

[State Employee's Federal Credit Union](#)

For More Information Contact:

Ryan Busch
Program Coordinator

SEED
Small Business
Development Center
University at Albany, State
University of NY

Source: <http://www.albany.edu/seed/38159.php>

Paul Miesing, "The Future of Social Entrepreneurship"



SCHOOL OF BUSINESS
UNIVERSITY AT ALBANY State University of New York

Bricolage Behavior

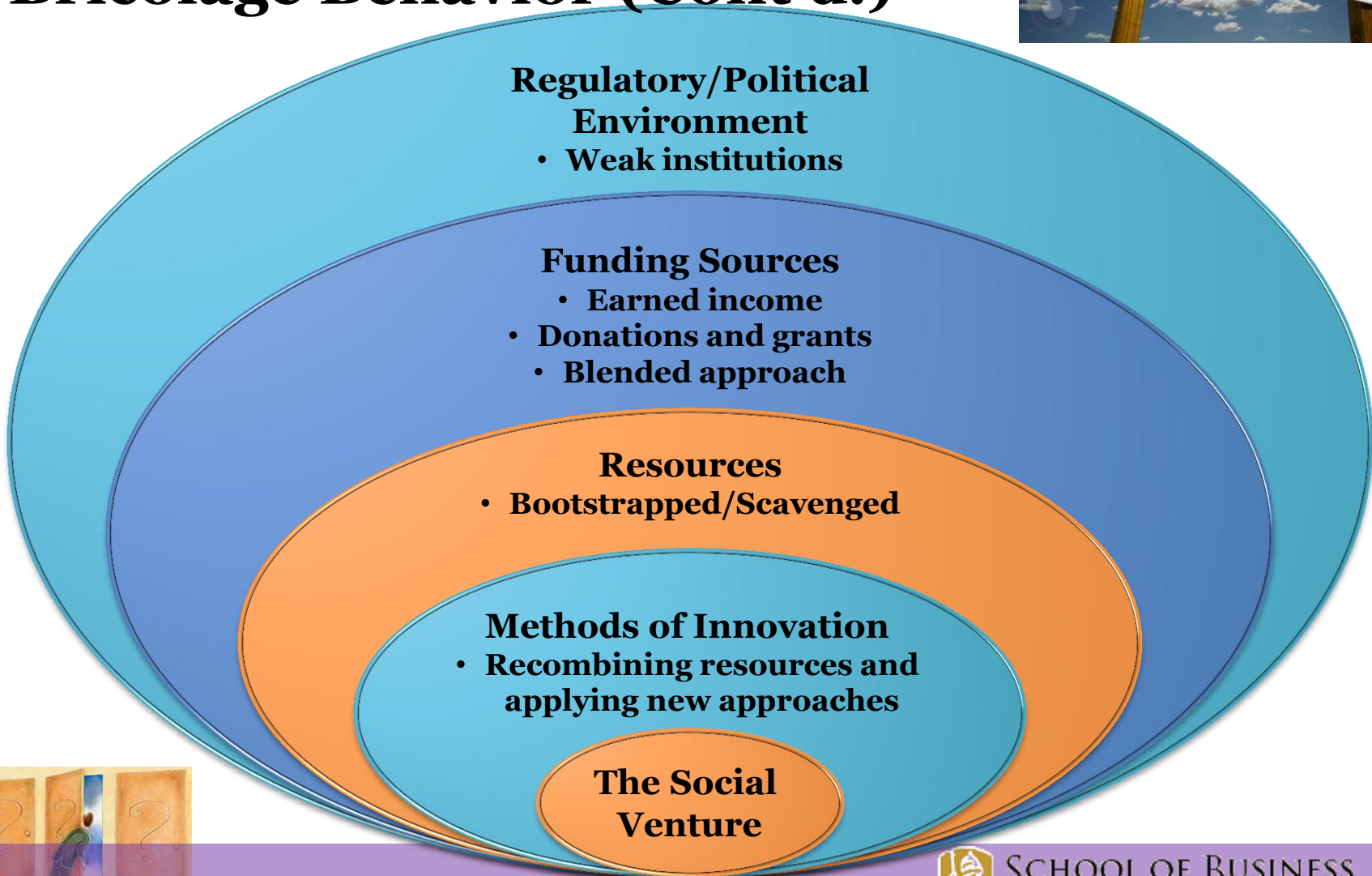


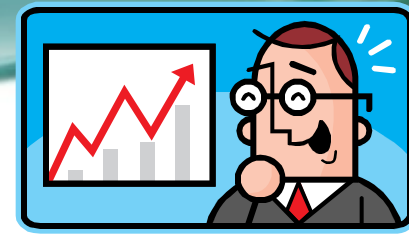
- *Definition**: From *bricoler* (French), to putter about – “construction (as a structure of ideas) achieved by using whatever comes to hand; *also*: something constructed in this way”
 - A set of actions driven by the search for scarce resources that can be combined and/or recombined to create novel solutions that further social change
 - Making do and using whatever is on hand, which fits well with the shift from consumption-based to conservation-based ways of doing things better by using existing resources to deliver creative products and services aligned with market needs

* *Source*: Merriam-Webster Online at <http://www.merriam-webster.com/dictionary/bricolage>



Bricolage Behavior (Cont'd.)





Trends in Social Entrepreneurship

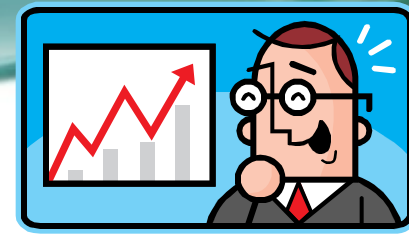
- **Public-Private Partnerships:**

- Social innovations require inter-organizational and inter-sectoral collaboration
- Business units will open up opportunities/departments to provide funds/expertise
- President Obama established an Office of Social Innovation and Civic Participation
(<http://www.whitehouse.gov/administration/eop/sicp>)

- **Creating Shared Value:**

- Ongoing transformation of capitalism's current crisis of legitimacy
- What has been unique to social entrepreneurship will become the norm
 - Many opportunities to create economic value by meeting societal needs
 - Financial markets will reward those companies that produce positive social change





Trends in Social Entrepreneurship (Cont'd.)

- **Funders:**

- Increased investments in mission-based social enterprises
- Creation of blended fund portfolios
- Social return on investment evaluation will continue to be applied, leading to more efficient practices
- Acceptability of infrastructure funding

- **Venture Philanthropists:**

- Charities will proactively encourage venture philanthropy to increase levels of commitment
- Will co-invest with traditional grant makers
- Due diligence will be a positive signal to other grant makers
- New philanthropic sources (e.g., the Gates and Clinton foundations)





Lessons for *Your* Future

- Social entrepreneurship issues are relevant to a wide range of organizational activities in the private, public, and non-profit sectors:
 - Education
 - Energy
 - Environment
 - Healthcare
 - Poverty/Jobs
 - Micro-Credit
 - Rural/Community Development
- Social entrepreneurship offers opportunities to young professionals **(YOU!)**:
 - Globally this is the fastest growing sector and perhaps the only one that is creating gainful employment worldwide
 - As a creative process, can give you the highest possible sense of accomplishment
 - Business plan competitions are valued by employers – with about one-third leading to actual startup **(yours?)**



YOUR CAREER →

Lessons for *Your* Future (Cont'd.):

Do you have what it takes?

- Identify, evaluate, and exploit opportunities:
 - Challenge traditional ways of thinking
 - Innovative and creative (*don't ask for a template*)
- Empathy or compassion:
 - Sense of morality and ethics
 - Commitment to helping people in need
- Desire and ability to create significant social impact:
 - Confidence to succeed at challenging task
 - Optimism and persistence
- Create and implement a feasible business plan:
 - Creative use of minimal resources (resourceful)
 - Capacity to measure impact

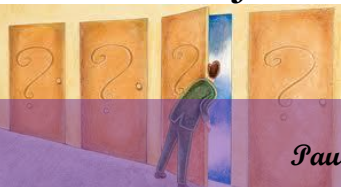




Lessons for *Your* Future (Cont'd.): “How Will You Measure Your Life?”

- HBS Class of 2010:
 - “I came to business school knowing exactly what I wanted to do – and I’m leaving choosing the exact opposite. ... I’ve decided to try government and see if I can find more meaning there.” (Ruhana Hafiz, plans to join the FBI as a special adviser in a management track position)
 - “Money used to be number one in the job search. When you make a ton of money, you want more of it. Ironic thing. You start to forget what the drivers of happiness are and what things are really important. A lot of people on campus see money differently now.” (Patrick Chun, plans to join Bain Capital)

Source: Christensen, Allworth, Dillon (HarperCollins: 2012)





Lessons for *Your* Future (Cont'd.): “How Will You Measure Your Life?” (cont'd.)

- HBS Class of 2010 (cont'd.):
 - “The financial crisis helped me realize that you have to do what you really love in life. My current vision of success is based on the impact I can have, the experiences I can gain, and the happiness I can find personally, much more so than the pursuit of money or prestige.” (Matt Salzberg, plans to work for Bessemer Venture Partners)
 - “Because I’m returning to McKinsey, it probably seems like not all that much has changed for me. But while I was at HBS, I decided to do the dual degree at the Kennedy School [of Government]. ... In a way, that drove my return to McKinsey, where I’ll have the ability to explore private, public, and nonprofit sectors.” (John Coleman, plans to return to McKinsey & Company)





YOUR CAREER →

Sign of Future Times?

- Today, hundreds of universities in dozens of countries are offering programs and courses in Social Entrepreneurship
 - Short list of most prominent ones: Berkeley, Columbia, Duke, Harvard, Michigan, Northwestern, NYU, Stanford, Wharton, Yale ... and many overseas – Ireland, Italy, Portugal as well as in developing countries
- Tomorrow, new institutions and networks of social enterprises will offer terrific career opportunities
 - Personally fulfilling, socially rewarding, and systemically impactful
- Good luck in your own career and future!





Conclusions

- The future for social entrepreneurship is replete with possibilities to solve many of society's most intractable problems
- The field of social entrepreneurship creates a unique opportunity to continually integrate, challenge, and debate many traditional business assumptions
- Social entrepreneurs mobilize and utilize existing resources to “catalyze” innovations that address societal problems
- The social entrepreneur of tomorrow will find creative solutions to drive long-term systematic change for broader social, political, and economic well-being
- For more information and sources, see <http://www.pinterest.com/mgt460/business-plan-competitions/> and <http://www.pinterest.com/mgt460/fellowships-internships-programs-etc/>



Course Purpose

- Summarize key principles of social entrepreneurship
- Identify the challenges and opportunities of social entrepreneurship
- Apply business functions to create and sustain a social venture
- Prepare a business plan for a social enterprise



Questions?



Paul Miesing, "The Future of Social Entrepreneurship"



SCHOOL OF BUSINESS
UNIVERSITY AT ALBANY State University of New York