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Summary

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Social Entrepreneurship

Unternehmertum an der Schnittstelle zur sozialen Innovation

In Kooperation mit



Social Entrepreneurship – Unternehmertum an der Schnittstelle zur sozialen Innovation.

Johanna Mair, Professorin für strategisches Management an der IESE Business School in Barcelona, zeigt, wie ökonomisch orientiertes, kreatives Denken gesellschaftlichen Wandel anzustoßen vermag, und dass die Bedürfnisse sozial Benachteiligter ein eigener Markt sind, für den es sich lohnt, Güter und Dienstleistungen bereit zu stellen.

Social entrepreneurship is trendy

Social entrepreneurship as a label has become quite trendy not only since Muhammad Yunus was awarded the Nobel Peace Prize. Also before, social entrepreneurs such as Ibrahim Abouleish, who is very well known in Austria and who received the alternative Nobel Prize in 2003 for his concept of coming up with the blue print company of the 21st century were in the center of attention. Social entrepreneurship is also a label that is used by people like Jeff Skoll, one of the founders of Ebay. He and his colleague Pierre Omidyar, both successful entrepreneurs, donated many millions of dollars to support social entrepreneurs. To set up foundations to support social entrepreneurs, to set up research centers like in Oxford, to investigate what is it, that social entrepreneurs are actually doing. Only in a week from now, social entrepreneurs will again mingle at the World Economic Forum in Davos with the CEOs of this world, with the public leaders and basically with all the decision makers in the public and private sphere. And finally social entrepreneurship has entered the political public domain. Tony Blair was the first politician in Europe to showcase social entrepreneurship and some of the initiatives in the U.K. as a possible alternative for service delivery in the public sector. Now for me, for us in the IESE, social entrepreneurship is also **inspiring for thinking and enacting different alternative business models**. And this is where I would like to head the discussion. However, I would also like to raise some flags here. Social entrepreneurship is trendy, but is it more than another trend? It might be hip today. But what about tomorrow? Here are just some figures that show a publication rate on social entrepreneurship and on microfinance. You can see very clearly the peak after Muhammad Yunus was awarded the Nobel Prize. So is social entrepreneurship just something that we talk about today, but tomorrow it is the next flavour of the day?

What is so special about it?

For me social entrepreneurship is a label that has very different meanings. **What is special about social entrepreneurship?** I think that it has penetrated a number of different worlds, that often do not necessarily have so much to say to each other.

- It has **entered the domain of politics**. Social innovation is the new label politicians like to use.
- It has **entered business** under another term: business at the bottom of the pyramid. This is for companies that face the quest for growth and that ask themselves: Why not going to markets in developing countries where we have an untapped potential of four billion people? They might earn less in terms of substantial less, but who we as companies might cater to by rethinking our existing business models.

- Then **finance institutions** are thinking of social entrepreneurship in the terms of how they can attract a new type of customer, that is interested in social investing. A customer who accepts a relatively lower rate of return, but is interested in the type of investment made.
- Social entrepreneurship has also **entered the field of philanthropy** under the term “venture philanthropy”. Driven by successful venture capitalist, successful private equity, people who believe in the way to do things in their sector, believe that with the same instruments they can make the social sector more efficient.
- And finally, social entrepreneurship is also used very frequently in the **development world**. The Worldbank for example has shifted towards fostering and supporting entrepreneurship at the local level via micro enterprises and grassroot organizations, supporting the population to lifting themselves out of poverty.

So you see in all these different domains, worlds and sectors the label social entrepreneurship has entered. It might still have slightly different meanings, but it has kick-started important discussions. Some of you might say: What’s new here? Isn’t that just old wine in new bottles? If we look back at companies in Austria, or in Europe in general, hundred years ago weren’t all these companies that grew a country always interested in more than just economic returns? Didn’t they also have a social component in their doings? Is this just some new kind of labelling? I think this is a very valid question. The point is that talking about this phenomenon allows us at least to revive some of the thoughts that were behind some of these companies two hundred years ago.

Why it is more than just a hype and what lies beneath

An indicator that it may be slightly more than just re-labelling is the following: A very **important driver** in making this phenomenon more than just a hype **is obviously the role in governments**. And here specifically the role of regulators to come up with a **legal framework that allows social enterprises to grow**. For once I am happy to say that Italy, my home country, was one of the first to establish a legal form for social cooperatives very successfully. Probably the most talked about and successful endeavour was initiated by Tony Blair in the U.K.: The newly created form of a community interest company. Since 2005 55.000 social enterprises have been incorporated. Also in Japan a lot of action, a lot of movement is going on. And finally, another big push forward in general for social entrepreneurship is the 15 million dollar social innovation fund that Barack Obama inaugurated last year – in the midst of a financial crisis. We are all geared to making this more than just a hype. But what is there when we scratch the surface?

I deliberately do not want to give you a definition of what I think social entrepreneurship is. I would rather like to present you with **best practice: Three examples of organizations** I have been working with a long time, to surface what is underneath this label. But before I would like to focus the attention on **two topics that are important for social entrepreneurs**:

1. **The opportunity**: Where do they act? Where is the opportunity? What is the opportunity space? There are **two types of opportunities**. First, there are a number of **needs, problems, that persist**. With all our technology, with all the good intentions we haven’t found a solution for many problems. Poverty for example. So, there are problems, where markets have failed, governments have failed, institutions have failed. Then, there are **social issues that are created newly** – not only because of illegitimate activities of some players. Let’s just think about all the issues that have to do with climate change, with the environment or so. Think about the problems which did not exist fifteen years ago: Like how to integrate immigrants? There are constantly new issues bubbling up. In the case of social entrepreneurship it is not simply about offering



a product and service. It goes deeper. It is about social change. In other words, the products and services the social entrepreneur offers are a means. But in the end it is the social change that becomes the driver of success.

- 2. Innovation:** Social entrepreneurs are innovators. Innovation in the case of social entrepreneurship is not just a typical innovation that we think as in terms of a new product or a new service. Here is dual innovation involved. Innovation on the product, service and on the business model front. And there is innovation that I call **institutional innovation**. Innovation **that addresses or challenges our existing ways of doing and thinking**.

I would like to elaborate that on using three particular cases.

a) Institute of OneWorld Health

Between 1975 and 1990 approximately 1.400 drugs were approved worldwide. 1 percent of these were drugs for neglected diseases such as black fever or calazar that affect millions, if not hundreds of millions of people mainly in the developing world. The Institute of OneWorld Health sought an opportunity space and has launched, in terms of innovation, the first non-for-profit pharma company. We think about pharma companies as a perfect investment and we are used to think about pharma companies as for-profit companies. Victoria Hale started hers as a not-for-profit organization. Because she was able to get to the compound – the first initial ingredient of a drug – of pharma companies that had stopped working on that compounds because they did not see the potential for the market. She was able develop them further and cut out an important part of the value chain by simply taking on something that other people have worked on, but have not developed further. Why not for profit? Because then pharma companies could donate these compounds to Victoria Hale and get a tax deduction – is was important for the business model to structure it along this way.

b) Sekem

The second case: Sekem in Egypt. What was the opportunity space there? In Egypt the overuse of pesticides from the 50ties on completely dried out the soil with the result of big environmental damages. What was the innovation? It was an institutional innovation thinking: Challenging existing ways of doing. First of all it was the near symbolic act of Sekem to start a farm in the middle of the desert. And second to show that bio-dynamic farming and water conservation could be a productive way forward.

c) Waste Concern

Waste concern in Bangladesh has addressed an opportunity space that those of you who have been travelling to developing countries have been exposed to for sure: Huge mountains of waste. The opportunity space is the failure of the government to take care of waste. But there is a second problem that waste concern addresses: Unemployment. They organized the communities in terms of waste collection and created new jobs. The third thing is that they pro-actively use the waste to turn a problem into a resource. In Bangladesh 80 percent of the waste is organic and therefore usable to turn waste into compost and sell it as compost in terms substituting chemical fertilizer – also a big problem in agriculture in Bangladesh.

What is this about, what can we learn from this?

First of all, one important thing is that **social entrepreneurship** in the end **is a very local phenomenon. It is about addressing a local need.** Even if the need, for example poverty, might appeal to you as an universal problem. No! If you go down deep, it has its local causes, and it requires local solutions. This is also why I push forward this idea to you that social entrepreneurs are more than just innovators in terms of products and services. They are also innovators in the institutional domain. And by institutions I don't mean organizations, I mean institutions as formal and informal ways of doing things, as set of practices, as beliefs, as customs, as norms. Very often, what social entrepreneurs actually do is to engage in this institutional innovation and **trigger behavioural changes, that are fundamental for the social change that is needed.** How do they do this? I would like to propose three mechanisms.

1. First social entrepreneurs **challenge what we take for granted.** They don't stop there.
2. They provide a **proof of concept.** They come up with a business model and then show that it works.
3. And finally they also **inspire and nurture a bigger movement** around this. If one social entrepreneur somewhere in the world comes up with a proof of concept it does not have the potential to really bring about social change. In order to bring about real social change it needs the effort of a collective, of other partners, of companies and of the governments.

Let me elaborate on these three mechanisms, by using the same examples I just introduced:

Challenge what we take for granted: In the case of Sekem: they started a farm in the middle of the desert. That shows us, that they challenged what we took for granted. At the same time showing that we do not need chemical pesticides to grow cotton, but we can do it organically, overcoming the strong held beliefs and practices that are so difficult to change. Institute of OneWorld Health: Challenging what we take for granted was indeed that you can you set up a pharma company not-for-profit? Waste concern: it sees waste as a resource rather than a problem disrupting this sticky belief and practices that we are surrounded with and not stopping there but going one step further.

Proof of Concept: Sekem pioneered organic agriculture in Egypt. They proofed that you can grow a better quality of cotton without using pesticides. They showcased it to the government. The government endorsed it. And today it is common practice in all of Egypt. Waste concern: They came up with this sophisticated model to collect waste, create jobs, and at the same time turn it into compost and distribute it to the local farmers. In addition they were the first one to earn a CDM certificate with the United Nations. They are now the showcase organization for the United Nations when it comes down to carbon trading. Institute of OneWorld Health: They launched their first drug in 2007, almost three years ago. Taking it from the compound that got donated, pushing it to the pre-clinical trial, manufacturing it, and now working with local organizations in India to distribute it.

Inspire a bigger movement: Finally, social change does not come by one heroic action of an entrepreneur. It might be a necessary condition but it is not sufficient to kick off a systemic social change. What is needed is to join forces or to turn this particular business model into something bigger that inspires a movement. Sekem did not stop by introducing pesticides-free cotton growing in Egypt. It has created a whole bio-organic movement in Egypt, created a market, an industry. The same thing with waste concern in Bangladesh: The carbon trading model, that they were able to create again is now the prototype of many models that the UN is replicating in many different parts of the world. In Vietnam, in Indonesia and so on. Finally we come back to the Institute of Oneworld Health. They started in the year 2000. 2007 she had proof of concept, and today the big pharma

companies of this world, Novartis more recently, knock on her door, want to collaborate with her, for example on Diarrhoea to join forces and to really address this problem.

So you see also here: **social entrepreneurs do not act in isolation**. To really turn their models into catalysts of social change, it needs the efforts of many more.

Possible ways to collaborate with social entrepreneurs

So where do you come in? Wherever you come from – the public sector, the entrepreneurial side, from established companies – what does social entrepreneurship mean to you? How do you fit into this picture? We can not potentially turn ourselves all into social entrepreneurs. But there are **possible ways to collaborate** with or to get inspired to take on from social entrepreneurs.

Let me give an example from the world that I know best, **the world of businesses**. Businesses are under a lot of pressure to grow. Therefore many looked for **new growth markets in developing countries**. However, it is not so easy as it sounds to go to Bangladesh for example. To come up with products and services that cater to the needs of people in Bangladesh. First of all – is there really a market? Not only, because many people are so poor but also many people are simply excluded from participating in market life, because of purdah – the Islamic laws that prevent women from participating in market activities. So very often we overlook that it is not simply entering a market and that we do not have the right understanding of the local realities. Very often you have to create a market in the first place. However, there might be **local social entrepreneurs whose main focus is indeed on creating a market or make the society more inclusive** and have more people participating in markets by empowering women, by creating a or lifting the educational standards and so on. **The issue is how a company can work with them**. In that sense, **social development has to be coupled with economic development** as well. Here it is where entrepreneurs, corporations can be a very important and needed partners for social entrepreneurs.

This is just one option for thinking about collaborating with social entrepreneurs. There are many more possible futures. **There is much more experimentation needed**. One thing that has to be said about social entrepreneurship is that you can not always expect, that solutions provided work the next day. What we need is more experimentation. There is a reason why we have this unfulfilled needs and social problems. Because we haven't come up with a solution for centuries. It is illusionary to think of social entrepreneurs as heroes parachuting in and coming up with a solution. But we can allow more informed experimentation. We can support experimentations by social entrepreneurs and **we as companies, as governments can benefit from the first proofs of concept and then push these seeds forward to really bring about social change**.

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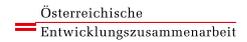
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