Abstract:
Social Entrepreneurship is not just about an architect who works with hapless salt pan workers/ marginal salt producers and helps them get out of abject poverty; or a businessman who sets up an enterprise around the skills and resources of the poor; or even a young scientist who brings fragrance in the lives of a large number of fisher women through his innovative artificial flowers; or may be an orthopedist whose innovations in artificial limbs change the lives of millions of handicapped poor. A passion to change the world, a passion to improve the way things were happening around and a passion to ensure better accessibility of the poor to the much needed services, a passion to introduce a sustainable shift to bring about economic equilibrium. Using a market based model that does not bypass the poor; instead treats them as valuable customers and consumers and not an object of their bounty. They follow ‘best practices’ to bring about ‘next practices’ and have vision to change not the rules of the game but the game itself. This key-note is about the passion of these change-makers, we call Social Entrepreneurs and their Entrepreneurship.

Keywords: Social entrepreneurship, economic equilibrium, better accessibility, valuable customers, market based model
Introduction:

Of late, words like ‘Compassionate Capitalism’, ‘Inclusive Growth’, Inclusive Capitalism, etc., have come to the fore. And so have emerged words like Affirmative Business, Social Enterprise, Social Entrepreneurship, Social Purpose Business, Social Business, Development Market Place, etc. What does this trend indicate? What do these words mean? First, it reaffirms the fact that economic growth has been uneven and has bypassed the poor. It is not inclusive, as poor are just the spectators and not active (or even passive) participants in the process. And second; it also reinforces that sensitivities are still alive and there are people who think beyond self and who think that whatever is happening is neither sustainable nor worth sustaining (a la UNDP Human Development Report, 1996).

In a democracy, interplay between the government and markets balances the civil systems. If markets fail, government theoretically intervenes and corrects the imbalance. However, vice versa may not occur. When governments fail, markets are seldom able to enforce a corrective mechanism. Under such circumstances, more often than not, people’s organisations known as civil society or voluntary organisations respond to the crisis and assume the role of an ombudsman.

The Role of NGOs and the Recent Constraints

Inequality among individuals has been a perennial source of motivation for voluntary action in any society, whatever is the stage of its development. Inequality may be in material, moral or intellectual terms. People’s organisations envisage eradicating inequality and empowering the under-privileged. Such interventions could take shape of organised or unorganised philanthropy, charity, professional support, development work, religious compassion, social movements, political movements, organized protests and even violent movements. However, the most prevalent organizational form of developmental intervention during the last 50 years or so, across the globe, has been Non-Government Organisations (NGOs) that have responded to the developmental challenges. They have been representing the poor and oppressed and fighting for their rights. A majority of these NGOs have so far been operating as non-profits and their interventions have taken place and survived on public or private grants, charities, donations, philanthropy, etc. However, the experience the world over indicates that such initiatives become perennially grant dependent. Even the people, who are empowered through these interventions, become grant dependent. Sustainability of such organisations and also of interventions, more often than not, remains suspect. The benefit-stream dries up with the closure of the project (grants). Moreover, such interventions and NGOs over a period of time face the risk of being donor driven rather than issue driven or cause driven, to survive. In fact, this is what the NGOs have started experiencing recently. Every economic slowdown has historically led to the crisis in the traditional welfare state (Johnson, 2000; Cook, Dodds and Mitchell, 2001; Borzaga and Defourney, 2004), which in turn has resulted in the increase in competitive pressure within the nonprofit sector (Dees, 1998; Reis, 1999) to access public and private funds for development. This ‘global shift away from a social welfare state approach to development and towards a neo-liberal approach with an emphasis on market forces as primary mechanisms for the distribution (and redistribution) of resources’ (Johnson, 2000, p. 2) has left unfulfilled an increasing number of social needs. As a result, there is a growing demand for private providers of goods and services who can match socially relevant goals with efficient and effective marker mechanisms.

Nonprofits have thus been compelled to reinvent themselves and their traditional modus operandi. The NGOs are now shifting from their traditional grant based operations towards sustainable and viable approaches to generate resources, including identifying all potential commercial sources of revenue (Newman and Wallender, 1978).
What does Social Entrepreneurship Mean?

In the above scenario, the demand for Social Enterprises (SE) clearly emerges as a direct consequence of this seemingly unsustainable disequilibrium in the distribution of wealth and wellbeing across the planet, based on charities and grant/donor driven strategies. Social Entrepreneurship is not about philanthropy and notions of corporate social responsibility. It is all about the belief that it is possible to make a sustainable difference through market driven solution. The concept of social entrepreneurship is the gift of the last leg of the 20th Century which is being nurtured by the 21st century, much more rigorously. At this stage, it will be prudent to clarify the twin words viz. ‘social’ and ‘entrepreneurship’. Let us first understand ‘social’ in the context of social entrepreneurship, and how the objectives of social entrepreneurship differ from the objectives of non-profit organisations (NGOs). I believe, when an organisation attempts to provide grant or philanthropy based solutions (even if they are highly innovative) to some pressing social problem, it will be only the social aspect of the social enterprise, sans enterprise, as there is no pressure on such interventions to integrate economic and financial viability or recovery. Neither the users pay nor the service providers. Some third party foots the bill. As a result they are largely commercially unsustainable as they are based on non-economic volitions. They are charities. Entrepreneurship is the second segment in the concept of social entrepreneurship. Following Casson (2005), we take into consideration two primary characteristics of entrepreneurship viz. the ‘Schumpeterian’ and the ‘Austrian’ approaches to entrepreneurship.

Entrepreneurship is all about creation of economic value through new organizations or new coordination (Gartar, 1988, Schumpeter, 1934) that relies on established accounting and market-based measure of performance. SE is built in the theoretical foundations of commercial entrepreneurship that focus on creation of economic value through ‘innovations’ of Schumpeter. Using the Schumpeter’s ‘Innovation’ framework, social entrepreneurship also brings in efficacy through product/service innovation, process innovation, market innovation, organizational innovation and new source of material related innovation (Dees, Emerson, and Economy 2001). It offers market-based solutions to social problems. It also challenges the market status quo by introducing new variety of organizational structures. However, financial performance is only one of the parameters to assess the contribution of a social enterprise, unlike a commercial enterprise. Social benefit is the key. Social entrepreneurship empowers people economically and thus socially and in turn, politically. Profit beyond self is the hallmark of social entrepreneurship. It not only creates social value but also adds to the economic independence of the venture founders as well. One of the most quoted examples of this ilk is the ‘Grameen Bank’ of Bangladesh created by the Noble Laureate, Prof. Mohd. Yunus.

While the Schumpeterian narrative focuses on the ‘innovation’ aspect of entrepreneurship, in Casson’s (2005, p. 17) view, this definition is too restrictive. According to him, the construct of the Austrian School of thought expands the concept of entrepreneurship to include those who exploit arbitrage opportunities to buy cheap and sell dear. He or she is motivated by profit and seeks to generate efficiencies that will produce more arbitrage opportunities, assume risk in expectation of higher returns (profits). In some cases, people set up a business involving physically challenged persons or persons with some disadvantages and evolve a successful business model. In literature on the subject, it is termed as Affirmative Business. In such cases, a social entrepreneur could be driven primarily by social concern, bordering empathy; he/she is not likely to go ahead unless it makes a serious business sense. Likewise, Alter (2000, p. 1) defines social enterprise as a ‘generic term for a nonprofit enterprise, social-purpose business or revenue-generating venture founded to support or create economic opportunities for poor and disadvantaged population while simultaneously operating with reference to the financial bottom line.’
Differentiating the For-Profits, Non-Profits and Social Entrepreneurship:

Given these two concepts, how does one bring about a convergence between them? The Skoll Foundation (2005) noted that ‘unlike business entrepreneurs who are motivated by profits, social entrepreneurs are motivated to improve society, they are ‘change agents for society, seizing opportunities others miss and improving systems, inventing new approaches and creating sustainable solutions to change society for the better. In other words, creativity, innovation, and resourcefulness are the elements of entrepreneurship most relevant to social entrepreneurs.’ Traditionally, people think of not-for-profits as being responsible for creating social value and for-profits for creating economic value; social entrepreneurship brings these dichotomies together, marrying social interest and market mechanisms to create both social and economic value with a new type of institution. The hallmark of social entrepreneurship seems to be its ability to combine social interests with business practices to effect social change. Its hybrid world: part business - part social - has spawned a new breed of practitioners, the social entrepreneur, as well as a new brand of organization, the revenue earning social enterprise.

Table to show Significant differences across the Various Organisational Paradigms With Reference to Social Entrepreneurship

<table>
<thead>
<tr>
<th>Category</th>
<th>Traditional Non-profit Mentality</th>
<th>Traditional for-profit (corporate) mentality</th>
<th>Hybrid mentality (Social Entrepreneurship)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary benchmark</td>
<td>Social returns</td>
<td>Financial returns</td>
<td>Double bottom line ('social' and 'financial')</td>
</tr>
<tr>
<td>Sine qua non</td>
<td>Year-to-year survival</td>
<td>Ongoing self-sufficiency</td>
<td>Ongoing sustainability</td>
</tr>
<tr>
<td>Primary stakeholders</td>
<td>Clients (‘the people we serve’)</td>
<td>Customers (‘the buyers’)</td>
<td>Clients and customers</td>
</tr>
<tr>
<td>Basic approach</td>
<td>Try to do it all</td>
<td>Capitalize on a niche</td>
<td>Focus on selected programmes</td>
</tr>
<tr>
<td>Attitude towards earned Income</td>
<td>Filthy lucre</td>
<td>Staff of life</td>
<td>Means to an end</td>
</tr>
<tr>
<td>Attitude towards making a profit</td>
<td>Uncomfortable, ‘illegitimate’</td>
<td>Raison d’être</td>
<td>A tool for sustainability</td>
</tr>
<tr>
<td>Tolerance for R&amp;D</td>
<td>Short-term (‘cost’)</td>
<td>Long-term (‘investment’)</td>
<td>Medium-term (‘investment’)</td>
</tr>
<tr>
<td>Attitude towards taking risks (‘in the commercial’)</td>
<td>Generally averse</td>
<td>Necessary evil</td>
<td>Reluctant but willing</td>
</tr>
<tr>
<td></td>
<td>Conflicted</td>
<td>Committed</td>
<td>Conservative but committed</td>
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</tr>
<tr>
<td><strong>Strategic planning methodology</strong></td>
<td>Mission-driven</td>
<td>Market-driven</td>
<td>Matrix-driven (‘mission’ and ‘market’)</td>
</tr>
<tr>
<td><strong>Market Research</strong></td>
<td>All but non-existent</td>
<td>Extensive</td>
<td>Extensive</td>
</tr>
<tr>
<td><strong>Segmentation of markets</strong></td>
<td>Minimal</td>
<td>Extensive</td>
<td>Extensive</td>
</tr>
<tr>
<td><strong>The ‘buyer’</strong></td>
<td>Clients first, then funders</td>
<td>Customers</td>
<td>Customers first, then clients, then funders</td>
</tr>
<tr>
<td><strong>Approach to marketing</strong></td>
<td>Tactical</td>
<td>Strategic</td>
<td>Strategic</td>
</tr>
<tr>
<td><strong>Determining quality standards</strong></td>
<td>Non-profit usually decides</td>
<td>Customers dictate</td>
<td>Customers and clients dictate</td>
</tr>
<tr>
<td><strong>Organizational hierarchy</strong></td>
<td>Fairly rigid</td>
<td>Very rigid</td>
<td>Less rigid</td>
</tr>
<tr>
<td><strong>Decision-making process</strong></td>
<td>Consensus</td>
<td>Hierarchical</td>
<td>Empowering</td>
</tr>
<tr>
<td><strong>Executive compensation levels</strong></td>
<td>Marginal</td>
<td>Competitive</td>
<td>Increasingly competitive</td>
</tr>
<tr>
<td><strong>Employee Incentives</strong></td>
<td>Low-risk, low-reward</td>
<td>High-risk, high reward</td>
<td>Risk-taking rewarded</td>
</tr>
<tr>
<td><strong>Typical attitude towards non-performing employees</strong></td>
<td>Forgiving</td>
<td>Harsh</td>
<td>Tough</td>
</tr>
<tr>
<td><strong>Crisis fall-back options (Beyond expenses reductions)</strong></td>
<td>Seek contributions</td>
<td>Acquire debt, sell equity, kill products or service lies</td>
<td>Seek contributions, acquire debt, sell equity, kill programmes</td>
</tr>
</tbody>
</table>

A set of four elements viz. socialistic, or sociability, market orientation, opportunity creation and recognition, innovation and sustainable and normal profits (earned income that covers all the direct and indirect costs) map out a set of conceptual dimensions for the field of social entrepreneurship (Dees and Battle Anderson 2002; Thompson 2002; Austin, Stevenson and Wei-Skillern 2003; Sullivan Mort, Weerawardena, and Carnegie 2003, Dees, Battle Anderson, and Wei-Skillern 2004). Such an enterprise should be able to provide innovative solutions to pressing
social and economic problems being faced by the poor. Driven by a new breed of pragmatic, innovative, and visionary social activists and their networks, social entrepreneurship is thus a combination of business, charity, and social movement models that reconfigures solutions to community problems and delivers sustainable new social value. This paradigm does not talk of the double bottom line (often referred to in relation to businesses) but triple: earned profits, accruing social benefits and environment sustainability. One of the reasons social entrepreneurship has received so much attention recently is that it is perceived to be a source of new and innovative solutions to persistent social problems. As has been noted earlier, to some extent, the field has crystallized thus far around the image of the social entrepreneur as a protagonist of a cause: the creative, risk-taking actor who tackles social problems using new approaches, untapped resources, and market driven solutions (among others, see Dees 1998; Bornstein 2004; Nicholls 2004, 2006; Mair, Robinson, and Hockerts 2006). While some of the most successful social innovators are slowly moving away from a dependency model of financing that rely almost entirely on charitable contribution and public sector subsidies, there are a few organizations which are only partly self sufficient, as far as financial self sufficiency is concerned. They may be on the road of sustainability. Thus, presently, the social entrepreneurship movement has taken two forms:

- Some are working towards sustainability, which can be attained through a combination of philanthropy, subsidies, and earned revenue.
- Others are seeking self-sufficiency, which can only be achieved through earned revenue alone.

**Corporate Social Entrepreneurship: A New Paradigm**

Currently a number of large corporate houses are seeking to create more robust forms of strategic alliances that support some cause and also improves their bottom lines. In fact, quite a few of them are reinventing themselves and shifting towards ‘Corporate Social Entrepreneurship’ (CSE) as Austin et. al. (2005) put it. CSE is to create social value that in turn creates business value. For example, consumers could be willing to pay higher prices if a product is produced in environmentally and socially responsible manner (e.g. organic food products, chemical free textiles coloured with natural dyes, fair trade, equal opportunity, etc.). The concept of CSE has comprehensively been defined by James, et al. (2006: 170) as ‘the process of extending the firm’s domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at simultaneous creation of economic and social value. The CSE process takes companies beyond the traditional patterns of charity, giving into more robust forms of corporate citizenship.’ Therefore, it is more a business strategy that helps all the participants in the process gain, the corporation, the partners and the consumers. Typical examples of such a feature in India are the e-Choupal initiative of Indian Tobacco Company or ‘Project Shakti’ of Hindustan Unilever Limited (we will discuss this case later), both mega corporations.

**Social Intrapreneurs:**

In the growing literature on Social Entrepreneurship a new concept has recently been added viz. ‘Social Intrapreneurs’. Quite some time, a few change-makers, working in big corporations, are seen to be innovating and delivering market solutions to some of the world’s most pressing social and environmental challenges. These innovators are defined as Social Intrapreneurs, altogether a new category in the field. A recently published book entitled ‘The Social Intrapreneurs’ by Sustainability (2008) defines a Social Intrapreneur as “Someone who works inside major corporations or organisations to develop and promote practical solutions to social or environmental challenges where progress is currently installed by market failures” (p. 4). In effect it could be an employee or a manager who acts as a social entrepreneur within an existing large corporation. The case of originator of India’s White Revolution and Former Chairman of Amul, Dr. Verghese Kurien falls into this category.
Opportunities Galore:

As per the World Bank (2009) estimates, over 47 per cent of the world population (i.e. 2.56 billion) is considered to be at the Bottom of the Pyramid (BoP). This number is for only ultra poor. Over and above this, there are another about 1.5 billion people who are also underserved by the markets, due to their limited purchasing power. Taken together, the 4 billion people present a market that is thought to be worth US$ 4-5 trillion. Thus, the market, by any reckoning, is huge, but so are the problems like inadequate education and health systems, housing, unemployment, skill deficits, environmental threats, declining trust in political institutions, entrenched poverty, high crime rates, low purchasing power, etc. In poorer countries, these problems are far more serious, calling for far more innovative solutions. All this offers enormous opportunity not only to innovate but also to up-scale the innovations.

Winning Factors for Social Enterprises: Some Characteristics:

On the basis of the foregoing analysis, there appears a need to delineate some characteristics of social enterprises. While it is somewhat difficult to come up with an exhaustive list of characteristics, based on organizational theories, we propose the following key characteristics of sustainable social enterprises:

1. **Innovative and Create Social Value**
   Product developments in such enterprises are based on a sound understanding of the operational aspects of the product. Tampering on the margins with high end market product to reduce the cost to make them affordable might not work. The products and services would need to be highly innovative, while being offered to the BoP. The bottom line is that they ensure creation of social value, which is reflected in improvement in the lives of their BoP customers.

2. **Financial Self Sufficiency**
   One of the most-important and core characteristics of successful social enterprises is that they have self sustaining models and protect their bottom line zealously. Usually, their returns are in proportion to the risk. They are not likely to price their product based on the market norms only. Instead, they are likely to ensure that the product or services they offer remains affordable.

3. **Sustainability and stake of the people, the clients:**
   In all likelihood, social enterprises would be environment friendly and also financially sustainable as they are likely to recover their costs. Wastage of resources like water, energy, packaging material, etc. must be economized to the maximum. In a social enterprise, it is important that people are active customers and not just mute spectators of the process.

4. **Accessibility, usability and affordability for the clients:**
   Social enterprises are likely to ensure that their product or service is accessible in terms of location, usable in terms of technology as there is normally skill deficit among the poor and affordable in terms of prices. They are likely to offer high performance products but at a low price without compromising on quality. The poor will seldom afford expensive products or services.

5. **Scalability:**
   As the expanse of such markets is large, cutting across geographical and political boundaries, the products and services offered would be scalable. Economies of scale and scope decide the viability of the products/services offered. Therefore, such enterprises are likely to up-scale their offering quickly.

6. **Social Enterprises have strong, committed and value driven management teams:**
   The team these enterprises have is just as committed and socially inclined as their promoters. The team to takes pride to be working with a characteristics leader and in an enterprise that is value driven. This what leads to a high degree of organizational loyalty and commitment, disregarding the financial compensation they actually get?
Poverty Alleviation through Social Entrepreneurship: Lessons from the Field

The most quoted case in social entrepreneurship the world over is that of the Noble Peace Prize winner, Prof. Mohd. Yunus and the Grameen Bank of Bangladesh. He is the trend setter who proved that people at the bottom of the pyramid can be served profitably and can be helped in overcoming their poverty. Prof Mohd Yunus proved two things. First, the poor are creditworthy and even they have the propensity to save provided proper access to saving instruments is available. Subsequently, he set up a number of other social enterprises; he calls ‘social businesses’ (Yunus, 2010). In fact, the Grameen Conglomerate comprises almost 10 mega businesses including Grameen Telecom (25 million subscribers, mostly poor); Grameen Shakti - Rural Energy (50,000 bio-gas plants in operation); Grameen Fisheries and Livestock Foundation (1000 fish ponds); Grameen Veolia Water (safe drinking water to about 6.5 million people), and so on. Prof Yunus is no more a social entrepreneur but a social corporate leader or a ‘serial social entrepreneur’. It must be stated that all his ventures are profitable. Yunus has inspired this generation immensely and will probably remain a source of inspiration for generations to come. One such case we came across is that of ‘Rickshaw Bank’ set up in Guwahati a city in the North-Eastern part of the country, by a young veterinarian Dr. Pradip Sarmah, who claims to be immensely inspired by Yunus. He observed that several rural poor migrants end up in plying man-pulled rickshaws. The rent charged by the rickshaw owners is so high that they barely manage to scrape a living. He organised them in groups like based on the Grameen Bank fundamentals, and also found out innovative solutions to the initial investments. He approached Oil and Natural Gas Commission, one of the fortune 500 public companies and convinced them to give advertisements on rickshaws at a rate that was very competitive.

Project Shakti: A Case of Corporate Social Entrepreneurship:

While discussing various forms of social enterprise interventions, we stated about corporate social entrepreneurship wherein, a corporate, instead of giving charities or doing some philanthropic act, undertakes a commercial activity that changes the business paradigm. The target group here is considered a partner in progress and both the parties gain. Among many such cases, are the ITC’s e-Chaupal, and the case of Project Shakti of Hindustan Unilever Limited (HUL), an Indian arm of the Unilever? With annual revenues worth US$ 2.43 billion and a network of 6.3 million retail outlets, HUL is the largest FMCG of the country. Despite this outreach the company was not able to access about 500,000 small villages of the country that offered tremendous business potential. And they conceived the Project Shakti under which they trained and developed micro entrepreneurs from amongst the poor women of Self Help Groups (whom they called Shakti Ammas). After getting trained in business operations, Shakti Ammas were motivated to invest Rs. 20,000 to buy the products of the company and sell them in 4-5 villages and earn margins that wholesalers or retailers got. It was a win-win situation for both. It helped about 45,000 Project Shakti women to enhance their income upto Rs. 10,000 per month, and as the report suggests the turnover of HUL in those regions increased by 15%. Now, they have expanded to 15 states covering 100,000 villages, reaching 3,000,000 homes. Several companies are today approaching them to use this network of Shakti Ammas to penetrate rural markets.

Concluding Observations:

We have seen that irrespective of the region, sector or the issue addressed, social enterprises have made their mark by significantly contributing to poverty alleviation. We also saw that all the persons behind these enterprises, the social entrepreneurs, were committed and most of them had total faith in markets. They believed in profits rather than charity or philanthropy. All of them believed in ‘triple’ bottom line consisting of ‘creation of economic value’, ‘social value’ and ‘environmental value’. I would like to end with a quote from the recent book of Prof. Yunus (2010, p. 27).
References:


