Social Entrepreneurship and Issues of Scale

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ABSTRACT

Social entrepreneurs have demonstrated the potential to address a host of social, economic and environmental problems that plague our planet. However, there is an urgent need to scale up these efforts. Typically, scaling up is achieved through standardization. However, SE often calls for high contact, and standardization might defeat its very purpose by limiting responsiveness to those unique situations where the commitment and values of field staff that are important. The tensions between economies of scale and efficiency and the need to customize responses to unique situations are explored in the context scaling up.

INTRODUCTION

Social Entrepreneurship (SE) has in the last few years emerged as a growing field of both, academic research and even more significantly as a field of action in a world that clearly is plagued by a plethora of issues that call for urgent action. Poverty and climate change are the burning global issues of our time. Estimates suggest that about four billion of the world's population live below or close to the poverty line— they survive on US$ 2 or less per day (Prahalad, 2005). It is unlikely that even a day goes by when we do not hear about the problems of climate change and global warming. There is broad consensus as indicated by the UN sponsored Intergovernmental Panel on Climate Change, Pachauri & Reisinger(2007) that the earth is warming at an alarming rate and that there is a high level of certainty that climate change is a product of human behavior. In addition, we have problems of violence, disease, limited or no access to energy, clean water, shelter, clothing, nutrition and other basic needs. Various parts of the world, particularly in Asia and Africa are particularly vulnerable.

While there are some variations in the definitions of SE, one universal theme is that the term refers to those initiatives that have explicit social objectives and a process or model in place to deliver on those objectives. According to Dees (2001), the generation of income is not the primary purpose of entrepreneurship. Rather, entrepreneurship is the recognition of opportunity or a need and seeking innovative ways to fulfill that need. Dees points out that Drucker made it a point to not just include, but also hold up as an example the institutions of higher education as examples of entrepreneurship. The term, Social Entrepreneurship was coined by Bill Drayton, the founder of Ashoka,Bornstein(2004);

Bornstein & Davis(2010) to focus on the activities of those people who launched programs and organizations to implement a change to benefit society. We follow this definition in this paper. Any

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entrepreneurial activity that focuses primarily on bringing about a sustainable change for the better in society would be included in our definition of SE. We believe this definition is broad enough to include a variety of commendable efforts to bring lasting and positive change in relation to society and environment. Our definition does not consider financial or economic outcomes unimportant. However, we see the primary purpose of positive financial outcomes as a means to an end—an end that focuses on achieving positive changes that benefits society at large. We should note here that this definition is not without controversy as noted by the CASE Report (2008), Martin and Osberg (2007) and Makhlouf (2011). Some of these authors note that the field is even divided on the need for a clear definition (CASE Report, 2008). We acknowledge that many commercial organizations also are instrumental in generating social change. We distinguish them by arguing that social change is not their primary purpose.

One of the key issues in the context of Social Entrepreneurship is achieving levels of scale that will significantly impact society and the earth. As noted earlier, faced with a situation where close to two-thirds of the world's population lives in or near poverty of which a billion people suffer from chronic poverty and have little hope (Collier, 2008). About 2 billion people do not have access to energy (other than firewood) and a billion people do not have access to safe drinking water. When we add in the impact of climate change, deforestation and other environmental issues, the future for people living under these conditions gets even bleaker. Well intentioned social entrepreneurs, social workers, governments and others have made serious attempts to enable greater participation of affected people in world economic activity and address the problem of poverty and the accompanying problems of access and inclusion. The problem however is extremely large. In addition, it is a problem that needs to be addressed quickly—we cannot wait to address serious problems of hunger and malnutrition—many will die and the problems will only escalate. Alvord, Brown & Letts (2004) argued that SE is about social transformation, implying large scale. In that context, SE's need to take their efforts and expand sufficiently to break the social equilibrium, Light(2009) that keeps us trapped in a system that generates and sustains the problems described above.

There is general agreement that while SE has provided proof of concept in a variety of arenas—scaling-up presents some unique challenges. For instance, while SE's are often able to mobilize financial resources on a small scale, it becomes much harder to attract investments to scale up unless they are able to offer returns on investment that are at close to the returns that may be possible in a business enterprise. Even more problematic are the organizational issues. Some of the activities that SE's undertake require high levels of interaction with the people they serve. The quality of this interaction is a key factor in determining their success on the effort. For instance, in the area of microfinance, the level of contact by local officers and the local support groups are critical in maintaining the loan recovery rate. Scaling up by traditional means has the potential to dilute this contact, diluting a critical aspect of a social entrepreneurial effort. On the other hand some types of social entrepreneurship require large investments which necessitate the achievement of economies of scale so that the services being provided can be made available to the poor at an affordable price. Healthcare in general and surgical services in particular

clearly demonstrate the need for economies of scale. However, in this case the delivery of quality services also call for close contact with patients and SE's have to find a way to achieve economies of scale even while they provide high quality personalized services.

LITERATURE REVIEW

The field of social entrepreneurship is so new there is very limited research that addresses the issue of scale. Most of these explorations of scale are based on case studies that have focused on the growth of individual social enterprises and their unique contexts. For instance, Alvord, Brown & Letts (2004) discuss seven cases of successful social enterprises from a variety of locations and dealing with a variety of social issues. Based on these cases, they developed a series of propositions on the growth and effectiveness of social entrepreneurship. Firstly, they discuss three patterns or strategies for scaling up— expansion of services to more people, expansion of the types of service offerings and changing the behavior of other actors within a service area to reinforce their work towards social transformation. They argued that the strategies for scaling up differed with the type of innovation the SE was engaged in. When the innovation focused on capacity building, scaling up involved a simple expansion of the capacity building services (training, etc.) to as many people as possible. In the case of package delivery (e.g. microcredit), scaling up would likely involve the offering of additional services to support the package (e.g. marketing support to micro businesses). Finally, if the SE effort involved movement-building, then scaling up would require expanding the scope to gain support of other stakeholder groups concerned with the movement building effort.

Taking a more normative approach, Dees, Anderson & Wei-Skillern (2004) examine the pros and cons of different ways of scaling impact (in contrast to the enterprise itself). They discuss dissemination, affiliation and branching as approaches to scaling impact. Dissemination involves spreading knowledge and information about an innovation focused on achieving social impact. This is the least demanding—the innovator/entrepreneur simply provides knowledge and experience to anyone who is interested. The affiliation approach, involves a range of possibilities from loose agreements to more formal franchising operations. Finally, the branching approach calls for the greatest commitment with the SE setting up operations at multiple locations. Dees et al., (2004) recommend that SE's focus on five questions to make a choice on the best approach to scaling up. They refer to them as the 5R's and they are presented in Table 1.

As can be seen from the literature above, researchers have paid some attention to the issue of scaling up in the context of social entrepreneurship. There is strong agreement that if social transformation, Alvord, Brown & Letts(2004) has to be achieved, then the current social equilibrium needs to be broken and that can only be achieved if the efforts of SE's reach a certain minimum scale.

Table 1: The 5R's for SE scaling
Readiness: Is the innovation ready for spread?
Receptivity: Will target populations be receptive to the innovation?
Resources: What resources, financial and otherwise, will be needed?
Risk: What are the chances that the innovation will be implemented incorrectly or have limited impact?
Returns: What kind of impact will it have, both qualitatively and quantitatively?

However, SE's focus on a wide variety of social issues and the meaning of scale and the process through which scale may be achieved will vary. The 5R's proposed by Dees et. al. (2004) are useful here. In the following paragraphs we will build on this work and focus on the organizational challenges that scaling up presents. We use Mintzberg's (1979) framework to understand the pulls and pressures that organizations face in their lifecycles as they transition from their entrepreneurial roots to maturity.

Typically, an organization operates as an adhocracy in the early entrepreneurial stages of its lifecycle. As an adhocracy, there is little formal organization or structure and the participants in such a structure take on whatever work needs to be done. The organization is driven by commitment. Participants are driven to succeed and will contribute long hours to ensure success. We believe most SE's tend to have at least some characteristics of the adhocracy. These entrepreneurs are driven by and committed to the need to impact society in a positive way. They identify deeply with their causes and will likely do whatever it takes to fulfill their missions. The organization at this time is characterized by flexibility and responsiveness to unexpected situations. Such organizations are relatively small. Entrepreneurs at this stage would be concerned that scaling up would result in a loss of focus on the mission of the organization. These organizations are well suited to those types of activities that require close contact and customized responses to unique situations. In this case entrepreneurs may choose to scale up vicariously. Since their activities are commitment based, they would scale up when they meet others who have a similar commitment and share their values. Scaling up would be most appropriate in new geographical areas. They may also scale up methods and processes. For instance, effective adult education methods in agriculture may be applied to nutritional and health education.

With growth, organizations are called upon to make more efficient use of their resources. At one level they apply the learning acquired at the entrepreneurial stage to standardize their activities. Mintzberg (1979) refers to this as a pull toward the machine bureaucracy or the professional bureaucracy. Note however, that standardization implies a lower level of responsiveness to unique needs and expectations. Here it becomes a balancing act for the social entrepreneur. An efficient use of resources implies that more people can be served. On the other hand it does present the possibility that individualized services may be diluted. This dilemma is particularly relevant in healthcare where the fixed costs are very high and the only way to make quality services available to the poor is to scale up and benefit from economies of scale. For example, two hospitals in India, Aravind Eye Hospital and Narayana Hridaylaya both provide high quality surgical services. They have developed efficiencies with a high degree of standardization. However, they maintain personalized and individual contact pre and post surgery where human contact is more important. Thus they balance the pull towards machine and professional bureaucracy by doing a

deeper analysis of the work and how they go about it. More recent developments make extensive use of technology to link scarce resources (qualified specialists) with patients. In these cases, less qualified and lower paid field staff perform early examinations and diagnostics. Only those cases requiring specialist services are linked to qualified doctors via the internet. The specialists and field staff coordinate to provide the care needed.

Mintzberg (1979) discussed the pull to balkanize as organizations attempt to leverage their skills and resources in fields other than their original area of business. We see this as an opportunity to scale up the area of social entrepreneurship itself as there are numerous areas where the knowledge and resources generated in one field of activity may be leveraged in other fields of activity. Our observation is that SE has a highly networked community and the potential to engage in diversification, leverage synergies and serve more people and/or provide more services is huge. Organizations like Ashoka, the Skoll foundation, the Schwab foundation and others enable these entrepreneurs to exchange ideas and support each other.

Finally Mintzberg (1979) argues that as organizations become bureaucratized, they begin to understand the limitations that standardization imposes on them. As a result there are moves to bring more of the entrepreneurial and adhocratic characteristics back to the organization. While Mintzberg's pentagon surely provides us with a framework to develop strategies for scaling up in the context of SE, we believe strongly that we must not lose sight of a critical characteristic that is so important to meeting the social objectives that these entrepreneurs set for themselves—their values. The drive to start and persist with an enterprise with a social mission is usually not an easy task. These entrepreneurs almost always face a major uphill task in mobilizing financial resources. Unlike business entrepreneurship, they can rarely promise investors a high financial return on investment. These activities are often risky and challenge the status quo. Their work is usually among the poor and/or in rural areas. Their working conditions are therefore often limited by traditional business standards. In some cases, like microfinance, they upset traditional moneylenders and therefore may be subject to violence. In fact, poverty alleviation activities will have an impact on local politics, which in turn has implications for the social entrepreneurs. In this context values and commitment are critical ingredients of the field which will be hard to maintain as they scale up and standardize. So the real challenge for these entrepreneurs is to find the appropriate balance.

CONCLUSION

In conclusion, scaling up in the context of SE needs to consciously emphasize the values and intentions that gave rise to the enterprise in the first place. Focusing on social and environmental issues calls for a special type of commitment that is accompanied with a willingness and a passion to overcome all kinds of difficulties. SE's may at times need to sacrifice growth to maintain their focus on their mission. This is likely to be a constant source of tension. In addition, financial returns may be limited forcing the leadership of these organizations to spend time mobilizing funds to sustain themselves financially. These

are emerging issues in the field of SE and we believe that the commitment and passion of practitioners along with their innovativeness will enable them to find ways to address the very large and significant problems that they have had the courage to tackle.

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