

Three cases against social entrepreneurship and a few suggestions on how to overcome them

Solving the big problems of the world is an overwhelming task. We might think it is impossible to make a real impact without fundamentally rethinking basic concepts, such as capitalism, inequality, equity, and changing society as a whole. However, if we break down these huge concepts into their components and trying to solve the small problems one by one we can make a much greater impact. I will suggest a possible framework to make a real difference in every area of people's lives.

Secondly: quite often after we design a product or service that we think is sustainable and has the potential to make a big societal impact we often realize, people don't find it attractive enough to use it. On the other hand, solutions that are more attractive to a large number of people are often environmentally disastrous or unsustainable if we try to implement them on a larger scale. The question is: how can we design a product or service that is attractive to individuals, applicable in a small community, and sustainable on a larger societal scale.

Thirdly: most social ventures are considered less sustainable and profitable than traditional for-profit businesses. Most significantly organizations that rely on donations as a primary source of income are especially vulnerable in times of economical downturn. Is there anything we can do about it?

Are the "big problems of the world" too overwhelming?

When entrepreneurs think about big social problems they can easily get overwhelmed. Even if we just write down the following words: poverty, health crisis, educational reform, large-scale social change - we can get paralyzed by the magnitude of the problem.

However, after finishing this course and also reading books and research papers on this topic I noticed a recurring theme. *Abhijit Banerjee* and *Esther Duflo* (Banerjee et al., 2011) argue we should break down huge concepts into their small components and tackle them one by one. This way we can make real progress and achieve a much greater impact.

However, if we don't want to lose sight of the big picture and end up neglecting important aspects of the problem we have to find a holistic approach that is detailed enough to embrace all the aspects of human life.

A theory developed by researchers *Carol D. Ryff* and *Corey Lee M. Keyes* could be a possible solution. In 1995 they proposed a *6-factor model of wellbeing* (Ryff et al., 1995) which covers every area of life. Based on this holistic framework we can dive deep into the different realms of wellbeing and find possible solutions to improve the lives of people who are living in poverty.

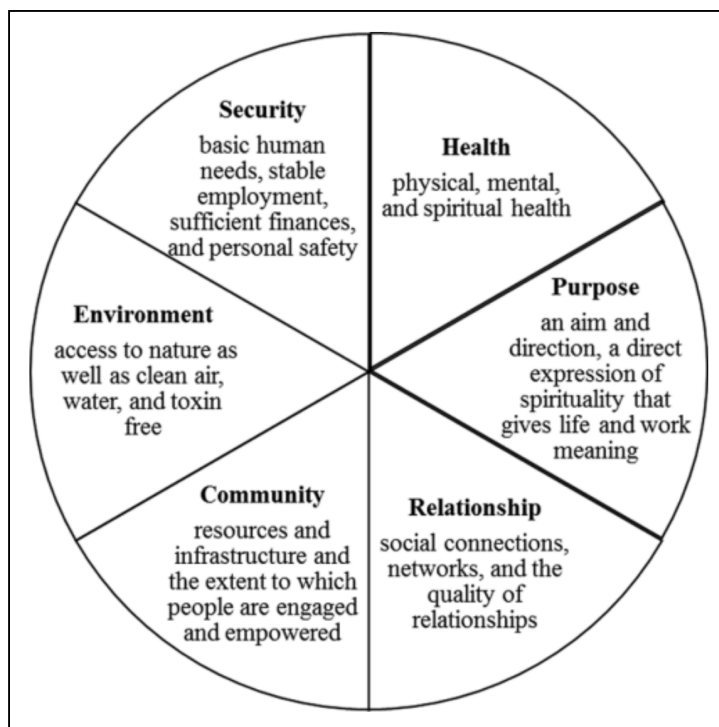


Figure 1. The 6 dimensions of the Wellbeing Model.

Source of the figure: (Pruinelli et al., 2017)

Who is the real customer of a social venture? A few words on the problematic nature of social value proposition.

According to *Greg Dees*, social entrepreneurs pursue new opportunities, innovate and ultimately create public value (Bornstein et al., 2010). However, in addition to creating real public value, a social entrepreneur also has to consider the needs of a community and provide

tangible value for the individuals at the same time. The value proposition of a social enterprise has to be a multi-level one.

If an organization provides value just for the individual it might end up neglecting the long-term perspective and destroying the environment and ultimately society itself. The other common mistake is when the value proposition of an organization focuses just on the community or society as a whole. If an organization neglects to satisfy the short-term needs of the individual customer it might end up designing products or services nobody wants. (Blank, 2005).

In my opinion, the great challenge of creating a good social value proposition is to align all three, often opposing interests. But if we could achieve this we can create an organization that can prosper both in the short-term and long term, considering the needs of every stakeholder. The responsibility to align short-term and long-term interests rests on the shoulder of the social entrepreneur.

Since Aristotle, many great thinkers have believed that the ultimate meaning of life is happiness. Everything we want and desire and pursue is just a means to achieve ultimate happiness. In his 2004 book, *Mihály Csíkszentmihályi* (Csíkszentmihályi, 2004), explains the strong correlation between business success and happiness. He argues: "(...) *any commodity that reaches the market, from food to books, from airplane travel to banking (...) its market value ultimately depends on the anticipated happiness it is expected to provide.*"

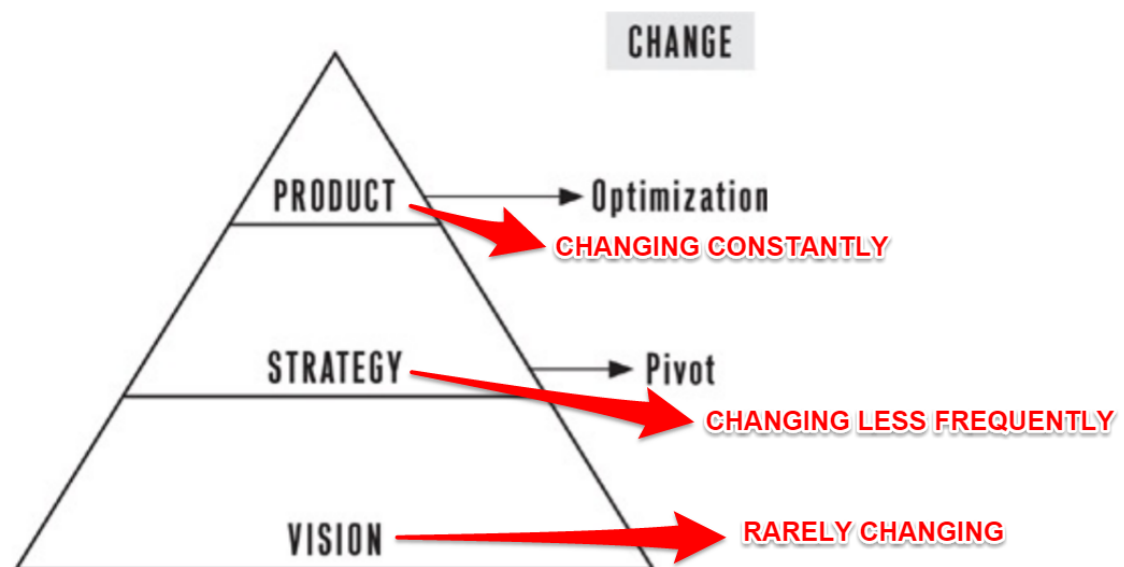
However we humans have often mistaken the long-lasting deep life satisfaction with short-term pleasure. We more often than not obey the law of least effort (Zipf, 1949), even if we know that making small short-term sacrifices can lead to much greater overall benefits (Fredrickson et al., 2013); (Wood, 2010). This phenomenon is known from the dawn of society. *Aristotle* called it the opposition between *eudemonic* and *hedonic* happiness (Aristotle, 1996). Psychologists might call it "*time inconsistency bias*" (Wong, 2008), the tendency to think fundamentally differently about the present and future effort and reward. Or we might call it our inner fight between *immediate* and *delayed gratification* (Mischel et al., 1970). This phenomenon is working not just in our personal everyday decisions but on a larger societal scale as well. As Hebrew University of Jerusalem professor *Yuval Noah Harari* puts it: we, as a society, have global issues but we only have local answers (Harari, 2018). We have long-term problems but we only have short-term solutions.

A possible way to solve this problem is to develop a value proposition framework designed especially for social ventures. It would have 3 components:

1. **Social dimension:** the product or service has to be designed according to a social purpose. We might call it "vision-level".
2. **Community dimension:** the product or service has to fit into to environment of a smaller community in which is distributed. It has to be scalable and easily adaptable for other communities as well. We might call it "strategy-level".
3. **Personal dimension:** the product or service has to be attractive enough for a large number of individuals who are willing to pay for it or at least use the solution. We might call it "product-level".

This concept has many similar points with the theory presented by *Eric Ries* as a part of the "Lean Startup Methodology" (Ries, 2011), which has its roots in the works of *Steve Blank* (Blank, 2012). I borrowed the following table from Eric's book, *Lean Startup*, with small modifications.

The idea also resonates with the concept of "Triple bottom line". However, this concept mainly focuses on people.



Source of the figure: (Pruinelli et al., 2017)

Is social entrepreneurship fundamentally unsustainable?

Today, in times of a global pandemic and extreme uncertainty governments and big businesses trying to cut costs as much as possible. In times of economic downturn, many social organizations that are relying on donations as a primary source of income are

struggling to stay alive. Even in good economic times, social purpose organizations are rarely identified as engines of economic growth and prosperity. Why it has to be this way? Is there and solution to make social businesses more sustainable? Or even recognized as a strong contributing factor to economic growth?

I was agonizing over this question for years until I came across an article that helped me to see the problem from an entirely new perspective.

In 2011 *Michael E. Porter* and *Mark R. Kramer* published an article in the Harvard Business Review, titled: "*Creating Shared Value*" (Porter, 2011). They compare the concept of creating shared value with other initiatives, such as fair trade. "*Early studies of cocoa farmers in the Côte d'Ivoire, for instance, suggest that while fair trade can increase farmers' incomes by 10% to 20%, shared value investments can raise their incomes by more than 300%.*" For a family who is living below the poverty line, a 300% increase in profit can mean proper nutrition, access to education, healthcare services and it can even be a life or death difference. Applying the concept of shared value on a large scale can create an incredible amount of wealth, it can be a catalyst of growth. In my opinion, it has the potential to allow millions of people to join the middle class, further increasing consumption, demand for products and services, and economical growth. Applying the concept of creating shared value to social ventures can be a real long-term competitive advantage (Michelini, 2012). It can increase short-term profitability and long-term sustainability at the same time. Some experts believe the concept needs improvement (Crane, et al., 2014), however in my opinion it is still one of the most promising ideas for change out there.

In summary, it could be a good way to think about huge overwhelming concepts and the biggest problems of the world as small, individual parts of a larger system. If we try to attack each small problem one by one we could perhaps make a bigger impact.

A social venture has to simultaneously satisfy the needs of the individual customer, the small community, and society as a whole. A possible way to achieve this is to have a multi-level focus while designing products and services. This way we can make it attractive to the individual, fit in the social environment of a small community and make a difference on a larger societal scale at the same time.

By applying the concept of creating shared value we can simultaneously increase the short-term profitability and long-term sustainability of a business. Social ventures have the potential to become a catalyst of change and a powerful engine of economic growth.

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