

ENTREPRENEURSHIP AND DESIGN THINKING

LECTURE 12: SOCIAL ENTREPRENEURSHIP

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Overview

- The last lecture looked at family business, where we focused on the following
- What constituted a family business
- The characteristics of a family business
- Their contributions to the global economy
- Succession plan and its importance in family businesses
- Dynamics and conflicts in family business and how
- The current lecture we will look at different aspects of social entrepreneurship

Learning Outcomes

- Define and outline characteristics of social entrepreneurship
- Differentiate social entrepreneurship from the traditional entrepreneurship
- Outline types of social enterprises
- Examine business model for social enterprise
- Apply design thinking for social good
- Challenges and opportunities for social entrepreneurs

Introduction

- Social entrepreneurship is a branch of entrepreneurship which focuses on social value creation as its primary mission
- Social entrepreneurs utilize sustainable and innovative business models to solve pressing problem in the society

- Any profit generated is reinvested to further social or environmental goal rather than to the shareholders

Characteristics of Social Entrepreneurship

- **Society-oriented:** The mission of these enterprises is driven by the need to solve pressing issues in society rather than profit maximization. Some of the focus could be education, inequality, refuge, sanitation.
- **Community engagement:** Such enterprises are likely to co-create the solution with the people it is likely to benefit from it.
- **Innovation:** Social entrepreneurs are creative usually moving from the normal solutions to address the need of the society
- **Impact:** The social impacts of these enterprises are clear and measurable, normally around the society and environment
- **Sustainability:** The enterprises are focused on long-term and financial sustainability

Difference between social and traditional entrepreneurship

- **Focus:** Social entrepreneurship is primarily focused on creating social or environmental impact and bringing a positive change in this. For traditional entrepreneurship focus is on creating economic value, generating profit and growing the business
- **Success measurement:** For social enterprises, success is usually in terms of the impact they have had on the community on the specific issue it was to handle such as poverty. For traditional entrepreneurship, success is measured on the basis of financial performance and aspects such as market growth.
- **Profit:** To social enterprises, while profit generation is important it is often secondary to the social mission they have. For traditional, entrepreneur, profit is the primary objective and almost every decision is driven by the financial motive
- **Stakeholder focus:** The social enterprise focuses on a wider spectrum of stakeholders and engage deeply with the community. For traditional entrepreneurs,

the focus is so much on shareholders, customers and employees as the attention is on shareholder value maximization.

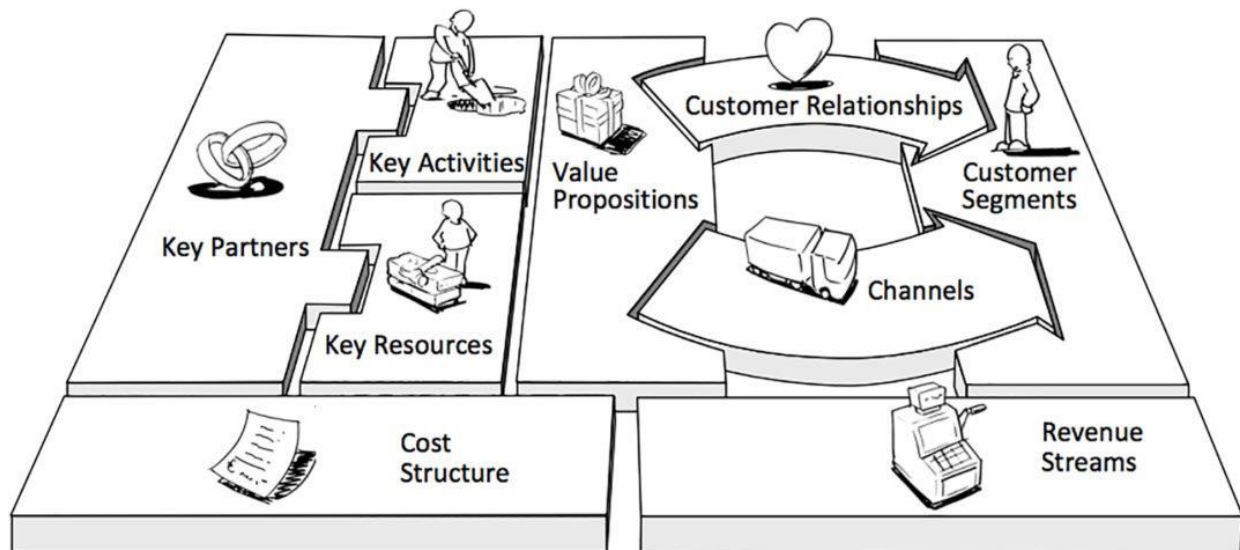
Types of Social Entrepreneurship

- **Non-Profit Organization:** These organizations focus on addressing the issue(s) in the society without primary focus on making profit. They are reliant on donation and grants
- **For profit:** These aim at generating profit while achieving social or environmental goals. Recall the [Ecopost](#) I share in our earlier lecture, this is a good example in this category
- **Hybrid:** These are those enterprises that may have both mission that is non-profit and profit structures, where a portion of their profits may be invested in their social initiatives. Examples here may include one-for-one or buy-one, give one model such as TOMS Shoes, Warby Parker, Two Degrees Food and Soapbox Soaps.
- **Cooperatives:** These are started and operated by a group of people who have come together with a common goal. They mainly focus on community development and empowerment.
- **Community led project:** These are initiatives started by locals or groups within the community to address a specific issue, they rely on volunteers and support from the local community.
- **Socially responsible business:** This is a business which in its quest for profit incorporates social responsibility such as ethics and being environmentally friendly.
- **Microfinance institutions:** These institutions provide financial services to the bottom of the pyramid who may not access the mainstream banks with the goal of empowering them economically. A good example is Grameen Bank in Bangladesh.

Business Model of Social Enterprise

- Recall lecture six where we looked at business model
- Business model represents how a business creates, delivers, and capture value
- Simply it is how a business/organization makes money
- The 9 components that we looked at are represented in Figure 1.

Figure 1. Business Model Canvas



Adapted from 'Business Model Generation', Alexander Osterwalder, Wiley 2012.
www.businessmodelgeneration.com
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- For a social enterprise there might be a few changes in the model

1. Value proposition

- For a social enterprise it includes both financial and social aspects.

- It must clearly define the societal problem being addressed and the tangible benefits to the society
- For instance, [Ecobana](#) is a Kenyan company that makes sanitary pads from organic materials, they are not only cost effective but also environmentally friendly

2. Target audience

- A social enterprise may have dual target audiences
- One being the customer who may benefit from the product, or the service being offered
- Second it could be the community who may be benefiting from the social or environmental impact of the enterprise
- The Ecopost that we gave as an example in our earlier lecture, has its customers who buy from it the plastic post and fencing solution, while the community from where they collect the plastic waste from enjoy a cleaner environment.

3. Revenue Streams

- Social enterprise develops revenue stream model that will ensure long-term sustainability
- Therefore, the usual streams such as sales of goods and subscriptions may be present in their model
- Grants and donations may be added to their stream
- Impact driven partnerships with such bodies as government, private companies may also be present

4. Customer relationship

- Remember this talks about how you build and maintain relationships with your customers
- For a social enterprise, they are more deeply connected with their customers emotionally since they are tackling a pressing need in the community

- They are likely to use community engagement, customer support, and educational workshops
- [Lionlights](#) a social enterprise in Kenya that produce solar light that mimic presence of human being which deter lions from attacking homesteads and domesticated animals employ educational workshops with the local communities

5. Channels

- This represents how a firm deliver its value proposition to its customer segments
- It could be online, physical stores or community centers or through partnerships with other organizations
- Social enterprise may mostly utilize direct distribution to the community so that they can take advantage of the opportunity to educate them or via partnership with an organization that supports the good course

6. Key Activities

- These represents the critical actions that a social enterprise must take to achieve its mission
- They might include production, outreach, marketing, training, and advocacy
- The key aspect here is that the activities must be impactful
- The actions are designed to cause positive change in the society
- For a social enterprise, training, education and advocacy may feature prominently

7. Key resources

- These are essential assets that an enterprise needs to be able to deliver its value proposition
- It includes human resource, physical resources, intellectual resources as well as the financial resources

- Bear in mind that such resources in a social enterprise should help it to achieve its social or environmental goals alongside financial return
- The resources especially human will be skewed towards social impact, impact measurement, people who are good in engaging the community, people who are skilled in fundraising,

8. Key partnership

- These are key external organizations or individuals that will help the social enterprise to achieve its mission
- As we noted in lecture 6, these represent the three legs in a three-legged stool who if removed the social enterprise will literally collapse
- They may include the community, government, NGOs or other social enterprises

9. Cost Structure

- Social enterprise is highly driven by the need to be efficient
- The focus is so much on cost effective methods that do not compromise the quality or impact of the solution
- This ensure that the beneficiaries who in most cases are at the bottom of the pyramid access the product
- The Ecobana, we cited earlier sources the raw materials from local available banana fiber hence lowering the cost of the pads and making them available to many girls in the country

Using Design Thinking for Social Good

- As we saw in lecture two, design thinking is a powerful tool that can be used to address complex societal problems
- The approach is human-centered, therefore prioritizing the would-be user in crafting the solution
- Solutions are grounded on empathy which is achieved via understand and observe phases of design thinking process

- Collaboration is key for social good to be achieved, working closely with the community will ensure that they provide solution to their own challenges
- Prototyping principles of fail fast learn faster is useful in delivering social good, it encourages the experimentation mind for entrepreneurs who want to do good for their community
- Empowering community is at the heart of doing social good. By co-creating with the community, they are able to contribute to solving their problems.

Challenges for social entrepreneurs

- **Access to capital:** Unlike the for-profit enterprise, social ones may have a hard time convincing funders and financial institutions as they are often thought of as high risk.
- **Balancing between mission and profit:** the dual objectives that we talked about at the beginning of this lecture may be a tough one. The need to cause social or environmental impact while being financially sustainable is not easy (Sotikare, 2023).
- **Measuring social impact:** Usually this is not an easy task and developing the tools and having personnel who can do it may be expensive
- **Legal framework:** different countries have different legal requirements on how social enterprises must be run. In other countries such laws are absent or always evolving.
- **Market perception:** Acceptance by the community and consumer is not as fast, to convince them to prioritize impact over cost may be a challenge
- **Scalability:** Growing social enterprise while remaining true to the mission may not be an easy task for an entrepreneur, equally, what works well in one community may not work in another.
- **Diverse stakeholders:** social enterprises have diverse stakeholders with diverse expectations unlike in a pure for-profit business. Stakeholders such as beneficiaries

are not easy to deal with. The enterprise must showcase a high level of accountability and transparency given the presence of donations and grants.

Opportunities for Social Entrepreneurs

- There is **growing acceptance** of the model by the consumers, and they are becoming more conscious of social and environmental issues. This has seen increased demand for products and services from such businesses
- **Growth of supporting ecosystems:** we have witnessed an increase in number of impact investors, incubators, and accelerators focused on social enterprises (Sotikare, 2023).
- **Policy and institutional support:** In many countries now, there is growing policy support for social enterprise in areas such as tax incentives and favorable laws.
- **Access to global markets:** Those addressing issues such as climate change are likely to have global appeal with their products, this can be made possible through the online platforms.

Topic Review

- We have looked at what constitutes social enterprise as compared to the traditional entrepreneurship
- We examined the unique characteristics of social enterprises
- We looked at the different types of social enterprises
- We explored the uniqueness of social enterprise business model
- We pointed out how design thinking can be used for social good
- We finalized with challenges and opportunities for social entrepreneurs

Reference

Sotikare, T. (2023, August 1). The Power of Purpose-Driven entrepreneurship — How social entrepreneurs are changing the world. *Entrepreneur*.

<https://www.entrepreneur.com/leadership/how-social-entrepreneurs-are-changing-the-world/456407>