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Social entrepreneurship: Creating new business models to serve the poor

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Abstract The term "social entrepreneurship" (SE) is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy. Social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society. One social entrepreneur, Ibrahim Abouleish, recently received the "Alternative Nobel Prize" for his Sekem initiative; in 2004, e-Bay founder Jeff Skoll donated 4.4 million pounds to set up a social entrepreneurship research center; and many social entrepreneurs have mingled with their business counterparts at the World Economic Forum in Davos. Social entrepreneurship offers insights that may stimulate ideas for more socially acceptable and sustainable business strategies and organizational forms. Because it contributes directly to internationally recognized sustainable development (SD) goals, social entrepreneurship may also encourage established corporations to take on greater social responsibility.
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1. Services are failing the poor

Human needs and wants are fundamental drivers of companies' decisions as to which products or services to produce. Yet, despite the seemingly unlimited nature of human needs, companies struggle to find new markets and value propositions, and for large corporations the quest for growth has become a holy grail. Two fundamental rules seem to apply. First, in industrialized countries, many people are unwilling to pay enough for certain products and services they want. This is a fact that became painfully clear to some "dotcom" startups in the nineties: While the free services they offered were used by millions, they found it impossible to implement fees for their services when venture capital dried up. Second, the very basic needs of millions of people in non-industrialized countries remain unmet, mainly because these potential customers are willing but unable to pay for products and services that would satisfy their needs. However, that is not the only reason why those unsatisfied needs have failed to attract the business com-

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munity in search of new markets. The World Bank (2003) maintains that services to satisfy basic human needs, particularly those that contribute to health and education, are failing poor people in terms of access, quality, and affordability. The main reason for this failure appears to be the fact that public spending does not reach the poor and, if it does, service provision is often inefficient and of poor quality.

Increasingly, corporations are expected to take responsibility for meeting social and environmental challenges more proactively, so as to achieve a more sustainable pattern of development. The most widely used definition of sustainable development (SD) is one put forward by the World Commission on Environment and Development (1987), which says that SD is: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." To operationalize this definition, the United Nations defined a set of Millennium Development Goals (MDGs), based on a resolution adopted by the General Assembly in September 2000. These MDGs comprise eight specific, quantifiable and monitorable goals (with 18 targets and 48 specific indicators) for development and poverty eradication by 2015. Goals include human rights, health, education, and environmental issues. The efficiencies of markets, combined with the resources and managerial expertise of large multinationals, are considered crucial success factors in achieving these goals. As Margolis and Walsh (2003) point out, "Manifest human misery and undeniable corporate ingenuity should remind us that our central challenge may lie in blending the two." United Nations Secretary-General Kofi Annan, in his address to the World Economic Forum on January 31, 1999, called on global business leaders to embrace a set of shared values and principles in the areas of human rights, labor standards, and environmental practices. Kell and Levin (2002) describe the formation of a Global Compact network consisting of several hundred companies, dozens of NGOs, major international labor federations, and several UN agencies to collaborate in creating a more stable, equitable, and inclusive global market by making shared values and principles an integral part of business activity everywhere. Likewise, the European Commission (2002) has called for more direct corporate social responsibility (CSR) as a business contribution to sustainable development. Despite these welcome commitments, the United Nations Development Programme Human Development Report (2003) provides evidence that, for many people on this planet, life remains grim, and hope for improving their situation is frail.

2. A new phenomenon: Social entrepreneurship (SE)

A growing number of initiatives all over the globe seem to be defying the obstacles that have prevented businesses from providing services to the poor. Collectively, those initiatives constitute a phenomenon that has been dubbed "social entrepreneurship". Employing novel types of resources and combining them in new ways, SE is a rich field for the discovery of inspired models of value creation. The following three case examples set the stage for an attempt to provide a perspective on the field:

2.1. Case 1: The Institute for OneWorld Health (USA)

Victoria Hale, a research scientist with Genentech and former reviewer of New Drug Applications for the Food and Drug Administration, was aware of the economic and logistical barriers that prevented pharmaceutical companies from developing drugs for Third World countries. To overcome these barriers, she founded OneWorld Health as the first US non-profit pharmaceutical company. OneWorld Health has adopted an entrepreneurial business model to deliver medicines to those most in need in developing countries. It aims to redesign the whole value chain of drug delivery, and so challenges traditional profitability thinking, which seems incompatible with developing the much needed cures.

Large philanthropic organizations and governments provide much of the initial funding. Being a non-profit company is an enabling structure for social value creation, as OneWorld Health can access capital that business entrepreneurs usually cannot. OneWorld Health has established a new set of partnerships aimed at creating value for everyone involved. Biotechnology companies find an attractive outlet for intellectual property that might otherwise remain idle because it does not meet their criteria for financial returns to bringing the medicines to market. Compassionate research and development efforts attract scientists and volunteers willing to donate time, effort, and knowledge to the project. Companies strive to utilize and integrate the scientific and manufacturing capacity of the developing world to deliver affordable, effective, and appropriate new medicines where they are most needed.

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