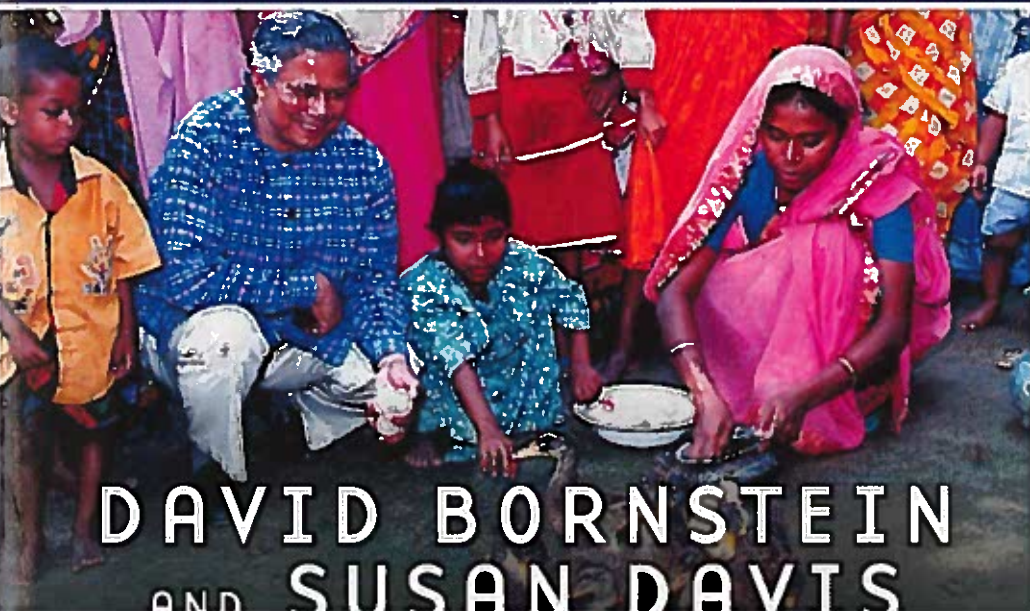




SOCIAL ENTREPRENEURSHIP

WHAT EVERYONE NEEDS TO KNOW[®]



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are witnessing in the field of social entrepreneurship is the intersection of these forces as they unfold.

Who are the pioneers?

Even before the language of social entrepreneurship had been invented, it was clear that not all social purpose organizations—so-called nongovernmental or nonprofit organizations—performed equally well. Just as some businesses grow faster and are more profitable than others, some organizations achieve more social impact per dollar than others. And two groundbreaking examples of social entrepreneurship occurred in one of the poorest countries in the world: Bangladesh.

Bangladesh was born in 1971, in the wake of a massive cyclone and a war of independence that left the country in devastation. Up to five hundred thousand people died from the 1970 Bhola cyclone. During Bangladesh's war of independence, the Pakistani army raped hundreds of thousands of girls and women and murdered more than a million people. Cholera, typhoid, starvation, and other diseases claimed the lives of up to two million more. Ten million refugees fled to India.

The war and cyclone generated sympathy and outrage on a global scale. International development agencies converged on Dhaka, ready to provide aid. The conventional practice at the time was for development assistance to flow directly from governments of wealthy countries to governments of poor countries, and from the top to the bottom through local government channels. However, large amounts of free money will almost always produce corruption, and Bangladesh's nascent government—which included idealistic freedom fighters as well as political cronies—was unprepared to handle

basic functions, let alone a massive relief and reconstruction effort. Relief that was supposed to be spent on food, medicine, housing, and schools was siphoned off at every level. Some estimated that only ten to twenty percent of the aid actually reached the poor.

This problem was not unique to Bangladesh. Globally, vast amounts of foreign aid, like wealth from natural resources, have ended up enriching elites in poor countries and subsidizing businesses in wealthy ones. A great deal of aid money has gone to pay high-priced Western consultants whose advice and decisions affect countless lives in developing countries. Although many consultants fly in and out of countries too quickly to gain a meaningful understanding of local cultures or conditions, they are rarely held accountable for wasteful or harmful programs that stem from their recommendations.

In Bangladesh, the influx of aid snowballed, until it came to represent 90 percent of the country's development budget. Billions of dollars were spent on projects—road construction, electricity generation, and agriculture development—that were prioritized by foreign donors and made sense on paper but often fell apart on the ground or produced benefits that bypassed the poor. The legacy of this aid is a culture of dependency and corruption that continues to distort Bangladesh's economy and government.

However, foreign aid did support some highly positive changes in Bangladesh when it was deployed to help finance—but not to control—citizen organizations that were founded by local social entrepreneurs. The two most famous examples are the Grameen Bank (the "Village Bank") and the Bangladesh Rural Advancement Committee (now known as BRAC).

After the war of independence, Bangladeshis around the world had abandoned lucrative careers in order to help rebuild

their country. Among this group were Muhammad Yunus and Fazle H. Abed. Yunus, an economics professor who had completed a PhD at Vanderbilt University in the United States, established the Grameen Bank, a for-profit, antipoverty bank whose majority shareholders were the women villagers it served. Abed, a former executive at Shell Oil, founded BRAC, a nonprofit organization involved in rural education, health care, microfinance, and social and economic development.

At the time, aid was heavily paternalistic. The relationships between donors and recipients carried overtones from colonialism. By contrast, Grameen and BRAC operated under the presumption that Bangladeshis were capable, and they sought to build capacity and self-reliance within the country. They focused not just on material poverty but on dignity, eschewing charity in favor of respectful transactions.

Instead of hiring foreigners, they hired locals, and rather than dole out jobs to family friends, as was a commonplace practice, they hired staff members through competitive processes. And they refused to turn a blind eye to bribery, something many aid donors did in order to get their projects moving. Most of all, they were single-mindedly focused on efficiency and results. They counted and measured everything: every loan granted and repaid, every female child educated, every package of oral rehydration salts distributed. They tried to be responsive to their clients and prided themselves on their ability to help villagers recover quickly after natural disasters.

To develop solutions, they experimented continuously. Each launched countless variations on microfinance and rural enterprise development. BRAC led the way in Bangladesh, creating high-performing village-based schools and community health programs. In *Freedom from Want*, Ian Smillie

examines how Abed opened up space in BRAC for staff members to take risks, pursue innovative ideas, and share their learning widely within the organization—while maintaining tight quality control. Both Yunus and Abed had the advantage of knowing they were in business for the long haul. They knew that if an idea or program failed, they could shut it down, absorb the lesson, and try something else. And many failures did ensue; some even grew into crises. But they used the failures as opportunities to think deeper about how to solve the country's problems. Foreign aid workers typically had little time for trial and error. Like politicians, they needed success in two-year cycles, because that was the average stint before they moved on.

Although aid donors had only sporadic exposure to Bangladesh, they often tried to impose their development ideas on Grameen and BRAC. Both organizations revolted, essentially saying: You can decide not to fund us. But you *cannot* touch our management. When it comes to Bangladesh, we know best.

Such defiance from recipients was unheard of. At the time, however, the aid industry was experiencing a backlash, and donors were feeling vulnerable. Journalists and other researchers had begun examining the track record of the so-called lords of poverty and revealing it to be unremarkable at best and disastrous at worst. To maintain political viability in their home countries, donors began hunting for organizations that could deliver results. Grameen and BRAC were the top contenders. They were meeting with striking success and had demonstrated the capacity to grow and maintain quality.

During the 1980s and 1990s, the Grameen Bank and BRAC used their bargaining leverage to negotiate unprecedented financing terms. They pressed donors, mostly governmental and multilateral aid agencies, to commit hundreds of millions

of dollars in grants, low-cost loans, and loan guarantees to finance expansions. Never before had social entrepreneurs received funding on this scale. Moreover, the funding came as upfront capital, like investments, which allowed the organizations to execute against their own multiyear growth plans. The results were a world apart from anything the field of international development had yet seen.

Grameen and BRAC reached national scale in Bangladesh, each employing tens of thousands of staff members whose work touched the lives of tens of millions of Bangladeshis in almost every one of the nation's seventy thousand villages. Like great businesses, as they grew, they *improved*, adding new services, using technology more effectively, and spawning imitations. They built cultures of pride and optimism.

Today, despite Bangladesh's enduring poverty, its continuing saga of corruption and factional violence, and its vulnerability to cyclones and floods, the country has managed to expand its economy, reduce poverty by half, achieve significant improvements in maternal and child health, and increase rates of primary education. Except for Sri Lanka, it is the only South Asian country that has achieved parity in school access between girls and boys. Close to a fifth of Union Parishad officials (locally elected government administrators) come from families served by the Grameen Bank or BRAC. In recent national elections, more women voted than men.

The Grameen Bank and BRAC demonstrated that it was possible to mitigate poverty on a massive scale. They achieved new levels of success by departing from the historical pattern of social problem solving. Rather than implement preset policies through bureaucracies in a top-down fashion, they *grew* solutions from the bottom in a process characterized by trial and error, continuous iteration, and a sharp focus on results.

Together, these organizations helped shift the global development paradigm. They showed that the poor were powerful agents, not just needy beneficiaries. And they demonstrated the dramatic benefits of placing women, rather than male heads of households, at the center of development processes.

Over the past twenty years, thousands of development experts, academics, journalists, businesspeople, policy makers, and philanthropists have come to Bangladesh to apprentice themselves in a place that some call the Silicon Valley of social innovation. Yunus and Abed have traveled around the globe speaking to countless audiences and launched spinoff organizations to spread their work in dozens of countries. Microfinance, an idea that was treated as a crazy experiment twenty-five years ago, is now a global industry.

Although Grameen and BRAC behaved more like successful businesses than social programs, people didn't explicitly refer to Yunus and Abed as "social entrepreneurs" until the term was popularized by the organization Ashoka during the 1980s and 1990s. Ashoka, a global organization headquartered in Arlington, Virginia, was founded in 1980 by Bill Drayton, an American who had previously worked as a management consultant and an assistant administrator in the Environmental Protection Agency.

During the 1960s and 1970s, Drayton had traveled extensively in India, where he was influenced by the work of leaders such as Gandhi, Vinoba Bhave (founder of the "land gift" movement), and Verghese Kurien (architect of the "white revolution," which transformed dairy production). Each of these individuals had built organizations that realized radical visions for change.

What Drayton saw in his travels was that Indians across the country were doing the same. A generation after independence,

Indians were feeling more confident and assertive about their future. They were building organizations at every level to address social ills that had been ignored. Drayton spoke with many groups advocating ideas to reform Indian society—everything from improving sanitation to encouraging political participation from low-caste groups to creating new legal structures to protect the rights of women. Not all the groups were effective. He began to spot a pattern: the organizations that were making a difference had both a good idea and an unusually committed, creative, and action-oriented person at the helm: an idea champion or entrepreneur. He believed that these entrepreneurs had enormous potential to lead change efforts, but they were hobbled by many factors: they didn't have much money; they were misunderstood by their families and friends; and they often felt vulnerable and insignificant, isolated from one another and largely ignored by the media, the business sector, and the government.

He envisioned an organization that could support them. He named it after an Indian emperor, Ashoka, who lived roughly 2,200 years ago and is considered by many historians to be among the most benevolent and practical rulers in history. Some of Ashoka's ancient administrative reforms anticipated twentieth-century public works programs like those of the New Deal.

Drayton's organization began searching for social entrepreneurs in India in the early 1980s and, shortly thereafter, in Indonesia and Brazil. The goal was to lend financial support, credibility, and the strength of a global fellowship to entrepreneurs like Yunus and Abed at the moment when their work was poised to "take off." As a former management consultant, Drayton also recognized the need to build bridges between the social sector and the world of business, which historically had attracted most of society's entrepreneurs. Drayton and

his colleagues developed a process for identifying "Fellows" using structured interviews that examined lifelong behavior patterns, the social impact of their ideas, the creativity of their problem solving, and their trustworthiness and personal integrity. Over the past three decades, Ashoka has supported more than two thousand Fellows from seventy countries, many of whom have achieved social impact at national and international levels.

Since the 1980s, many other organizations have emerged which have played critical roles building the field of social entrepreneurship. The New York-based Echoing Green Foundation has supported nearly five hundred early-stage social entrepreneurs from forty countries, inspiring many to pursue this career out of college. New Profit, Inc., based in Boston, was one of the first groups to meet the need for growth funding among high-impact organizations in the United States. In recent years, it has also led the way in strengthening the relationship between social entrepreneurs and U.S. policy makers. The Geneva-based Schwab Foundation for Social Entrepreneurship has raised the profile of social entrepreneurs in the international business community and media through its linkages to the World Economic Forum and its awards programs. And the Skoll Foundation has played a central role drawing international attention to the work of social entrepreneurs through its media efforts, its global award and fellowship programs, and its annual Skoll World Forum held at Oxford University, which has become the flagship event in the field.

What does a social entrepreneur do?

We are surrounded by good ideas and effective models: we know how to teach disadvantaged kids to read, reduce energy

consumption, and improve health care while reducing its cost. We even know how to eliminate much of the bullying that takes place in school yards. At some level, all of these problems are being solved in the United States and Canada today. But what we don't know how to do is to take the knowledge we possess in bits and pieces and implement it at the scale of the problems we are facing. Many, if not most, international development and government schemes begin with impressive pilot projects and end with disappointing results. In their article "Social Entrepreneurship: The Case for Definition," Roger L. Martin and Sally Osberg argue that the role of the social entrepreneur is to move society from a "stable but inherently unjust equilibrium" to a "new, stable equilibrium" that releases potential and alleviates suffering on a major scale. Social entrepreneurs work to ensure that sensible ideas take root and actually change people's thinking and behavior across a society.

Reforms at this level frequently require systems to change, which has always been extraordinarily difficult. Six hundred years ago, in *The Prince*, Niccolò Machiavelli observed:

[T]here is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new. This coolness arises partly from fear of the opponents, who have the laws on their side, and partly from the incredulity of men, who do not readily believe in new things until they have had a long experience of them.

The system changer must therefore overcome apathy, habit, incomprehension, and disbelief while facing heated resistance

from those with vested interests. Social entrepreneurs have to figure out how to make it happen.

Given the difficulties, it's easy to understand why serious problems *don't* get solved more readily in modern democracies, where governments balance the conflicting interests of millions of people, including powerful elites, while under intense scrutiny to produce short-term results.

Consider the absurd demands we make on our governments. Policy makers must appear decisive and resolute, with ready answers at their fingertips for all manner of problems. An open and deliberative problem-solving approach, informed by trial and error, is practically impossible to institutionalize in such an environment. As a result, policies tend to be shaped by executive or legislative staff members who are removed from the details of implementation yet under intense time pressures to come up with comprehensive solutions or "plans." Consequentially, national policies are regularly based on assumptions that get tested largely after they become law.

Anyone who has tried to advance a change that runs counter to the interests of well-organized groups—the oil or bank lobbies, the teachers union, or the National Rifle Association, for example—knows how routinely promising ideas are killed without fair hearings. Americans are worried that their banking, health, education, and criminal justice systems are profoundly inadequate for today's challenges. Few disagree about the need for reform, yet many insiders battle to defend the status quo.

New ideas are often rejected by the very people who stand to benefit from them, especially if they feel imposed upon or baffled by the proposed changes. One of the biggest problems in the field of information technology is "system rejection": employees simply refuse to use new computer systems that

companies have spent billions to develop. In public education, about half of all new teachers leave the profession within five years, which is another form of system rejection. Yet their unions, protective of hard-won battles, frequently stand in the way of reforms that might bring successful educators more job satisfaction and better pay.

Many ideas get off to a good start but get watered down in the implementation. The problem may be that the agency or institution advancing the idea is unable to grow and maintain quality, one of the toughest organizational challenges. Perhaps it can't afford to hire people who have experience managing growth. When quality deteriorates, motivation wanes. Or perhaps a crisis strikes—a political upheaval, a stock market plunge, a natural disaster—and a fragile organization is washed away before it is able to establish roots.

There are countless unforeseeable dangers that can kill a good idea. From the perspective of a theoretician, a new idea may be interesting in and of itself. From the perspective of an entrepreneur, it makes no sense to talk about an idea without talking about the details of implementation, which include such things as how to finance the work, how to motivate staff and clients, and perhaps how to build a political constituency or engage organized opponents. And the answers, of course, are always changing.

If an important new idea is to achieve major social impact, it needs a force to drive it forward that can be counted upon to provide the care, energy, resourcefulness, and stubbornness necessary to navigate the idea through the system. Social entrepreneurs must attract attention and funding, overcome apathy and opposition, shift behavior and mobilize political will, continually improve the idea, and take care of all the details in painstaking fashion, no matter how long it takes.

Ashoka's key insight was that if you want to predict how things will turn out for a new idea, your best bet is to focus on the person behind the idea. Does the person have the ability and motivation to guide a team that can overcome what may be an inexhaustible supply of obstacles, setbacks and heartbreaks? Is the realization of the idea the most important thing in the world for this person, or close?

In the cases of the Grameen Bank and BRAC, Yunus and Abed had each embarked on long struggles marked by disappointments and setbacks. In the beginning, they were very much alone. People told Yunus that the Grameen Bank would burst "like a balloon." Others told Abed that he was foolish to leave his high-paying job at Shell Oil. Both experienced personal losses. Both had to contend with religious fundamentalists, military dictators, socialist revolutionaries, and, perhaps toughest of all, a habit of corruption that sapped the trust out of every transaction. Both worked intentionally to "market" their ideas, repeating the same stories over and over to help mobilize resources, form partnerships, disarm enemies, and woo political power brokers. Both were committed to seeing this process through to its end, even if it took their whole lives.

The role of the social entrepreneur can be understood through these examples. Social entrepreneurs initiate and lead change processes that are self-correcting, growth-oriented, and impact-focused. They create new configurations of people and coordinate their efforts to attack problems more successfully than before. It's a complex role that involves a great deal of listening, recruiting, and persuading. It takes a curious combination of sensitivity and bullheadedness, humility and audacity, and restlessness and patience to lead a change process in the face of indifference, habit, fear, resource constraints, vested interest, and institutional defenses.

The job can be boiled down to one essential function: the social entrepreneur helps others to envision a new possibility, appreciate its meaning, and recognize how it can be broken down into doable steps that build momentum for change.

The process described above can't work if people lack a sense of ownership for the change. It can't work if there is insufficient space for experimentation or if people are unwilling to talk about failure. It can't work if the daily pressures make it impossible to stay focused on the long-term goal. If we consider the structural constraints in different sectors, the need for social entrepreneurship becomes abundantly clear. A business that doesn't promise profits within five to seven years will not attract conventional investment, no matter how important its products. An idea that doesn't fit within the political shutter speed will face an uphill battle in government. (It's easier to get politicians to spend money on incarceration than on early childhood education.) To orchestrate positive long-term changes, we need people who think beyond quarterly reports and news and election cycles, and who persist in the absence of short-term rewards or recognition. We need people who possess a ground-level view of problems and a mountaintop vision, who have a talent for building teams and the freedom to experiment. We need natural institution builders who care more about solving social problems than becoming personally wealthy.

Finally, it's important to reemphasize that social entrepreneurship is a *process* that involves more than the founders of organizations. Many extraordinary people work closely with social entrepreneurs for years without receiving public recognition, including many "intrapreneurs," who drive considerable innovation within their organizations. Examples include Dipal Chandra Barua in the Grameen Bank, Aminul

Alam in BRAC, and Sushmita Ghosh in Ashoka. To be sure, founders play central roles initiating and navigating changes processes and marketing ideas. They receive the lion's share of awards and media attention, but they accomplish little by themselves.

What are social entrepreneurs like?

Social entrepreneurs come from all walks of life. Some begin their careers as doctors, engineers, teachers, priests, social workers, clowns, journalists, computer programmers, artists, nurses, businesspeople, and architects. Some get pulled into their work because of friendship or family crises. The Ashoka Fellowship offers the most comprehensive view of the global field of social entrepreneurship. At a gathering of Ashoka Fellows, you might find a twenty-four-year-old factory worker from an Asian slum discussing growth strategies with a sixty-year-old Mexican banker in pinstripes. Next to them an Indian journalist in a wheelchair might be overheard exchanging organizing tactics with a Polish organic farmer, while listening in are an American defense attorney, a former professional surfer from Brazil, a South African pediatrician, and a Bangladeshi garment manufacturer. In the crowd would be MBAs from top universities and villagers with secondary school educations, people who work in laboratories, and people who spend their days where there is no electricity and no running water.

All of them share some basic temperamental qualities. For example, entrepreneurs are comfortable with uncertainty, have a high need for autonomy, and are biased toward action. However, entrepreneurs are not necessarily highly charismatic or confident. Research indicates that their success is less a function of inborn personality traits than the patterns