

Social Entrepreneurship for the 21st Century by Georgia Keohane



Review by: Brian Doe

This is a recently published book on the subject of achieving social impact through business tools and business resources. The author organizes the topic in the main categories of “*Social Entrepreneurship in the Nonprofit Sector*” and “*Social Impact in the Private Sector*”.

Largely the topic is an evolution through three phases – **Social Entrepreneurship**, when non-profit entities (both traditional non-profits and private foundations with money to give or invest for social impact) use business tools/methods to achieve social impact in their community; **Social Enterprises** when for-profit entities make creating social benefit a critical component of its business, and finally the meeting point of what these two concepts hope to achieve- **Social Innovation** where roles and definitions are blurred to pro-actively solve social problems through private and non-profit sectors, or possibly new combinations of the two- or even long existing combinations of the two.

The book provides a brief overview of these concepts with some anecdotes about a few of the key actors in the social business/entrepreneurship industry- so it wouldn't really be highly valuable for a reader that already follows these trends. The biggest lacking is that it lists a lot of different things happening in the sector with little or no analysis on what is working, what is catching on or what is generally failing. All the anecdotes are seemingly presented as being equally meaningful. Also the author gives short shrift to the range of possibility for “social enterprises” – leaving it at the level of those who invest in social enterprises (as a counterexample to those giving grants to nonprofits), but not really looking deeply at the companies which are actually creating social impact (which to be honest is what I had hoped to get from the book).

Some points which would be most relevant for those already engaged in the “Social Entrepreneurship” world:

Start-up and Mezzanine funding approaches from the new “Venture Philanthropists”- The “business-minded” Foundation sector is often willing to fund riskier start-up ventures for new ideas, or focus on scalability in the “mezzanine” stage of a grantee organization’s lifecycle (post-start up but not yet at high level of scale) and then exit and move on to another project. Many foundations and funders in the “new” philanthropy sector are looking for the next big idea over the “safe” donor investment, while others are looking to see how a proven good idea can be scaled to the level of ubiquitous global private sector brands like Coca-Cola. The challenge for the sector is having a grasp of what constitutes a good idea in areas such as addressing homelessness, poverty or basic literacy- and how they can grasp the historical work done in these areas to create a strong assessment and monitoring system.

The value of a dollar and cost-benefit analysis- Entrepreneurial funders focus on the value of a dollar in a their grant program versus its value applied elsewhere- trying to determine what is the monetary value of benefit from a social benefit provided by funding and how does that compare to other ways in which that dollar could be used. Social Return on Investment calculations try to mirror tools used by Venture Capital organizations, Cost Ratios measure benefits versus cost to compare various different grant programs, while Random Control Trials measure scientifically the benefit achieved from free grant capital in a controlled environment. The practicality and benefit of these exercises remains to be seen but links back to the willingness to invest in start-up initiatives but searching for a good way to measure which new ideas merit funding!

Technology as a Force for Good- A number of donors coming from private sector foundations are focusing on how technology can be used to promote and scale social change. Crowdsourcing donations/fundraising, and innovation challenges are some of the more interesting examples.

InnoCentive invites proposals for innovative solutions to complex problems among a network of 85,000 scientists and scientific organizations through its web platform. A success from this program includes SunNight Solar which is a solar flashlight which can illuminate an entire room- one of the proposed problems posed. **Ashoka's Changemakers** competitions are similar in its methodology- again focusing on risky start-up funding in the social sector.

Mission Related Investing- In the evolution from **Entrepreneurial Grants Programs** (think Corporate Social Responsibility grants companies give) and **Social Enterprises** (businesses created entirely with the purpose of solving social problems)- there have been efforts at **Mission Related Investing**- using capital to invest in firms deemed in some way having positive impacts on social problems rather than using that money to provide grants to NGOs tackling these problems directly. The challenge (and sometimes criticism) for organizations, which often invest their endowments, or companies looking to make a social impact through investment in existing publically traded companies is whether better value comes from investing in possibly lower yielding "socially good" companies, or higher yielding traditional investments which bring more profit that could be used as targeted grants in the field. The Domini Social Equity Fund is one opportunity to invest socially with 400 publically traded companies that have certain "social" standards the Index fund has created. Unfortunately the author gives little guidance on the performance history of such companies!

Learning from Failure- If the private sector is seen as model for tackling social problems, with the tech industry often tied closely to these efforts, then failure/learning/piloting possibly bad ideas can be a mark that organizations or companies to some extent aren't just going after the easy problems or projects. Engineers Without Borders launched a website called **Admitting failure.com** that encourages nonprofits to to share their programmatic failures as a broader learning exercise. This could help change the culture of secrecy and whitewashing of past philanthropy movements. "Failure is only bad if it is repeated" says the head of EWB...of course failure is also bad if it isn't balanced by lots of wonderful successes too I would think.

Future of Innovation and new definitions of social changemakers-One quote in the book highlights that many charities, like hospitals, schools, and arts institutions, already receive a majority of their income from fees for goods and services. Even more non-profits are merging with the private sector in many ways. Meanwhile, private companies are either waking up to the demand for the world's poorest for goods and services, or are adjusting their business missions to explicitly target social problems or needs. One chapter speaks about new corporate forms in which companies with explicit social impact goals become part of a business's' charter (B-Corps, Low Profit Corporations), another chapter provides an overview of hybrid approaches by firms such as Google to create a foundation and a private investment arm for social impact.

The end goal is innovation and impact towards solving social problems, which in the 21st Century is going to be a new frontier and mix of what is traditionally defined as the "Non-profit" and "Private" sectors.