

Innovation and Social Entrepreneurship

Business Models

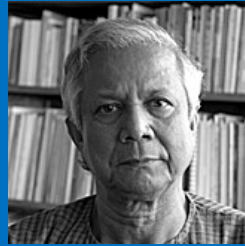
Jon Kolko

The logo consists of the lowercase letters 'aac4d' in a bold, sans-serif font. The 'a' is red, the first 'c' is purple, the '4' is grey, and the second 'd' is green. The letters are arranged horizontally and are slightly larger than the text above them.

aac4d

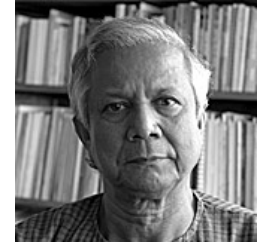
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Business Models



Building Social Business Models

Muhammad Yunus, et al



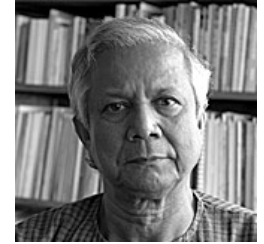
“In the capitalist system, two extreme types of corporate bodies can be distinguished. On the one hand, companies can be seen as profit-maximizing businesses, whose purpose is to create shareholder value. On the other, non-profit organizations exist to fulfill social objectives. ... A social business borrows from both these entities: it has to cover its full costs from its operations, and its owners are entitled to recover their invested money, but it is more cause than profit-driven.”

What is “shareholder value”?

What is a “social objective”?

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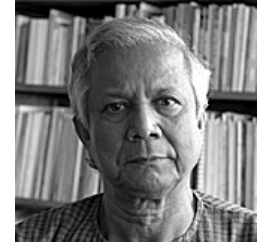


“When you are running a social business, you think and work differently than if you were running a charity, even though your objective is different from a profit-maximizing company. At the same time as trying to achieve their social objective, social businesses need to recover their full costs so they can be self-sustainable. Their owners never intend to make profits for themselves (there are no dividends), but they are entitled to get their money back if they wish.”

Explain this. What profit is he referring to – a salary? Something more?

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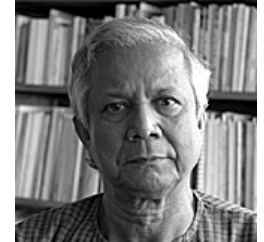


“Lesson 1: Challenging conventional wisdom... Grameen Bank’s business model therefore challenges several standard banking assumptions, including the beliefs that loans cannot be granted without collateral and that ‘entrepreneurship’ is a rare quality among the poor.”

What is the conventional wisdom that you are challenging and disrupting?

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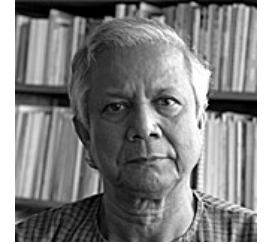


“Lessons 2: Finding complementary partners... The main advantage of collaborative agreements lies in the pooling of resources and knowledge leveraged by the partners, which may in turn lead to the development of a broader portfolio of resources for firms in the network.”

Who are your potential partners? What are you doing to engage with them?

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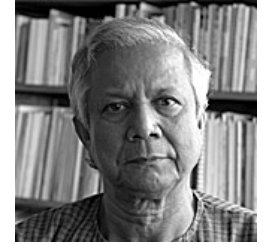


“Lesson 3: Undertaking continuous experimentation... the fundamental nature of business model innovation means that simple market studies or client surveys are inefficient and not very useful: the people surveyed are unable to project themselves into this ‘radical newness.’”

What does this say about things like focus groups or contextual research?

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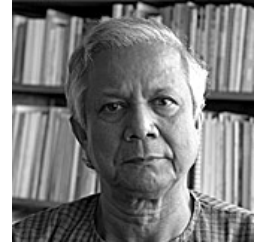


“Lesson 4: Favoring social profit-oriented shareholders...
In building social business models, the value proposition and the value constellation must be constructed through innovative links between all stakeholders, including shareholders.”

What does this mean?
When will it be relevant
to you?

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“Lesson 5: Specifying social profit objectives clearly... while financial profit is implicit in conventional business model innovation, social business models need to define their objectives clearly.”

What is your objective,
stated clearly and
concisely?

Is this on your website?

The Meaning of “Social Entrepreneurship”

J. Gregory Dees



“In the 20th century, the economist most closely associated with the term was Joseph Schumpeter. He described entrepreneurs as the innovators who drive the ‘creative-destructive’ process of capitalism. In his words, ‘the function of entrepreneurs is to reform or revolutionize the pattern of production.’ They can do this in many ways: ‘by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on.’ Schumpeter’s entrepreneurs are the change agents in the economy. By serving new markets or creating new ways of doing things, they move the economy forward.”

How do you feel about this definition?

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[Peter Drucker] says, “this defines entrepreneur and entrepreneurship—the entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”

How do you feel about this definition?

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“Value is created in business when customers are willing to pay more than it costs to produce the good or service being sold. The profit (revenue minus costs) that a venture generates is a reasonably good indicator of the value it has created. If an entrepreneur cannot convince a sufficient number of customers to pay an adequate price to generate a profit, this is a strong indication that insufficient value is being created to justify this use of resources.”

Describe the process of *value creation*, and *convincing*.

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“Markets do not work as well for social entrepreneurs. In particular, markets do not do a good job of valuing social improvements, public goods and harms, and benefits for people who cannot afford to pay... Social entrepreneurs operate in markets, but these markets often do not provide the right discipline.”

What does this mean?
Do you agree?

The Meaning of “Social Entrepreneurship”

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“Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created: Because market discipline does not automatically weed out inefficient or ineffective social ventures, social entrepreneurs take steps to assure they are creating value. This means that they seek a sound understanding of the constituencies they are serving. They make sure they have correctly assessed the needs and values of the people they intend to serve and the communities in which they operate. In some cases, this requires close connections with those communities.”

How can you ensure this heightened sense of accountability remains during and after your pilot?

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What is a business model?

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