

# Social Entrepreneurship

*An introduction to impact driven business development*

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# Social Entrepreneurship

Outline of the presentation:

- Entrepreneurship
- Social entrepreneurship in practice
- Entrepreneurial climate / culture?
- Conclusions and discussion

# Part I

## Entrepreneurship

# Assignment

Please DO NOT cooperate! For yourself.

***Draw an Entrepreneur & draw "Entrepreneurial success"***

# Entrepreneur (internationally)

- >99% human being
- Where from: >80% Man
- Where from: >80% Suit
- Where from: >80% Tie
- Where from: >80% Smiling / success

Subjects today:

- What is an entrepreneur and why do we need them?
- Myths and prejudice about entrepreneurship
- Context of entrepreneurship: function in development of the society

# My country: The Netherlands

- Rather entrepreneurial country
- We had to...



Kom verder



...develop ourselves as trading nation







## The Most Entrepreneurial Countries

1 Uganda 28.1%	2 Thailand 16.7%	3 Brazil 13.8%	4 Cameroon 13.7%	5 Vietnam 13.3%
6 Angola 12.4%	7 Jamaica 11.9%	8 Botswana 11.1%	9 Chile 11%	10 Philippines 10.5%
11 China 10.2%	12 Indonesia 10.1%	13 Ecuador 9.9%	14 Burkina Faso 9.7%	15 Guatemala 9.2%

## The Least Entrepreneurial Countries

1 Suriname 0.2%	2 Puerto Rico 1.3%	3 Italy 1.3%	4 Japan 1.3%	5 France 1.7%
6 Kosovo 1.8%	7 Sweden 1.9%	8 Croatia 2%	9 Spain 2.2%	10 Luxemburg 2.3%
11 Finland 2.3%	12 Germany 2.3%	13 Russia 2.4%	14 Ireland 2.5%	15 India 2.5%

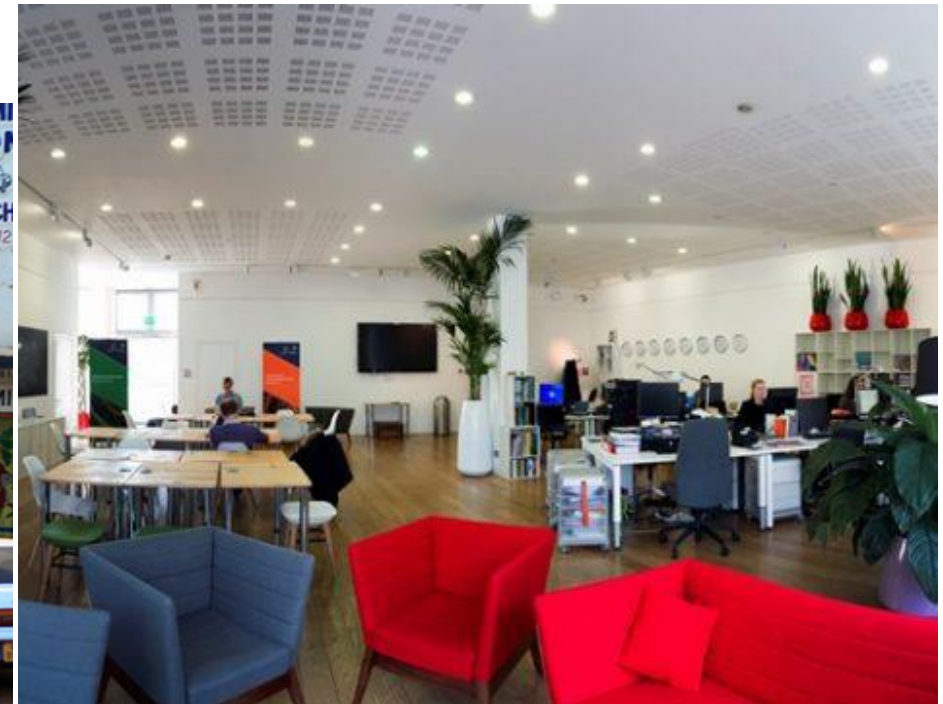
# Entrepreneurship

Strong correlation between underdevelopment and percentage of people being entrepreneurs.

Does it mean that entrepreneurship is something undesirable?

# How to explain this?

- Bazaar economy (necessity driven entrepreneurship)
- Innovation driven entrepreneurship



# Entrepreneurship

According to different  
writers

Lot's of different  
ideas/definitions about  
“the entrepreneur”

Author(s)	Characteristics	Norma- tive	Empiri- cal
Davids	Ambition; desire for independence; re- sponsibility; self confidence		x
Dunkelberg and Cooper	Growth oriented; independence oriented		x
Durand	Achievement motivation; locus of control; training		x
Gasse	Personal value orientation		x
Hartmann	Source of formal authority	x	
Hisrich and O'Brien	Self discipline and perseverance; desire to succeed, action orientation; goal orienta- tion; energy level		x
Hornaday and Aboud	Need for achievement; autonomy; aggres- sion; power; recognition; innova- tive/independent		x
Hornady and Bunker	Need for achievement; intelligence; crea- tivity; energy level; taking initiative; self- reliance; leadership; desire for money; recognition desire; accomplishment drive; power affiliation; tolerance of uncertainty		x
Liles	Need for achievement		x
McClelland	Risk taking, need for achievement		x
Mill	Risk bearing	x	
Palmer	Risk management		x
Schumpeter	Innovation, initiative	x	
Sexton	Energetic/ambitious; positive reaction set- backs		x
Sutton	Desire for responsibility	x	
Timmons	Drive/self-confidence, goal orientated moderated risk taker; internal locus of control; creativity/innovation	x	x
Wainer and Rubin	Achievement; power affiliation		x
Welsh and White	Need to control; responsibility seeker; self-confidence/drive; challenge taker; moderate risk taker		x
Winter	Need for power	x	

# Myth and reality

Scott Shane, book: Illusions of Entrepreneurship.

Top ten myths:

- 1. It takes a lot of money to finance a new business**
- 2. Venture capitalists are a good place to go for startup money**
- 3. Most business angels are rich**

# Myth and reality

- 4. Startups can't be financed with debt**
- 5. Banks don't lend money to startups**
- 6. Most entrepreneurs start businesses in attractive industries**
- 7. The growth of a startup depends more on an entrepreneur's talent than on the business he chooses**

# Myth and reality

**8. Most entrepreneurs are successful financially**

**9. Many startups achieve the sales growth projections that equity investors are looking for**

**10. Starting a business is easy**



# Small and Medium sized enterprises

How important are small and medium sized enterprises for the economy? (Definition?)

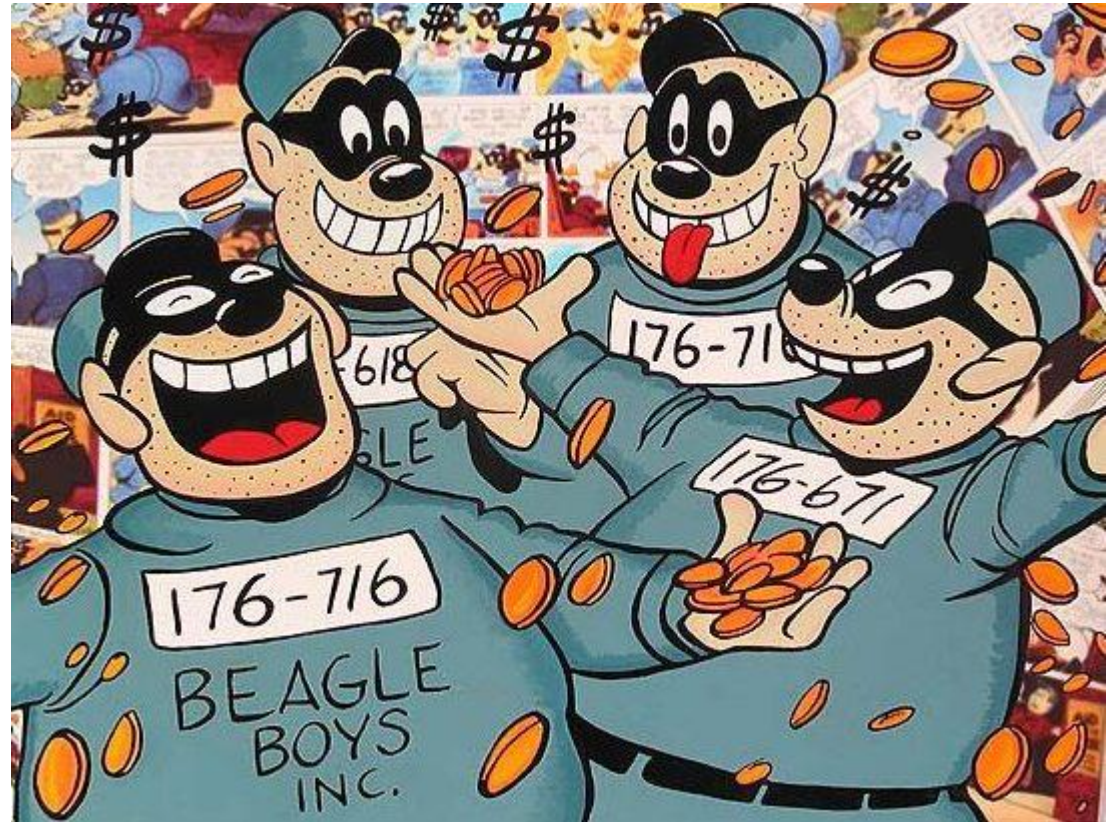
What is the percentage of people employed in SMEs?



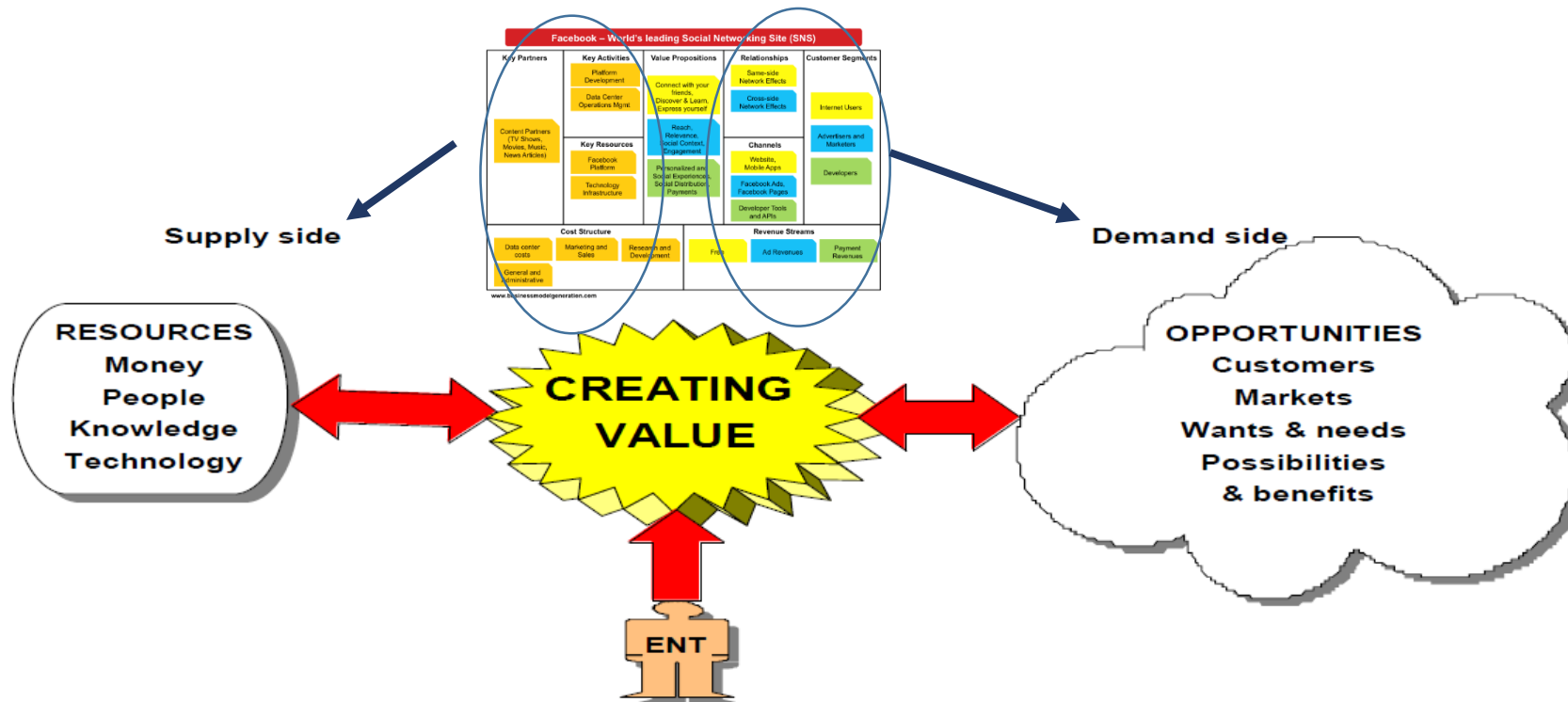
Company category	Staff headcount	Turnover	Balance sheet total
Medium-sized	< 250	≤ €50 million	≤ €43 million
Small	< 50	≤ €10 million	≤ €10 million
Micro	< 10	≤ €2 million	≤ €2 million

# Entrepreneurs are opportunity seekers...

Are these therefore entrepreneurs?



# Entrepreneurship: *Creating value for customers*



Example of a tool to use: the Business Model Canvas: <https://youtu.be/QoAOzMTLP5s>

# “Building a Rainforest”

Most successful innovative entrepreneurial ecosystem in the world, Silicon Valley in California.

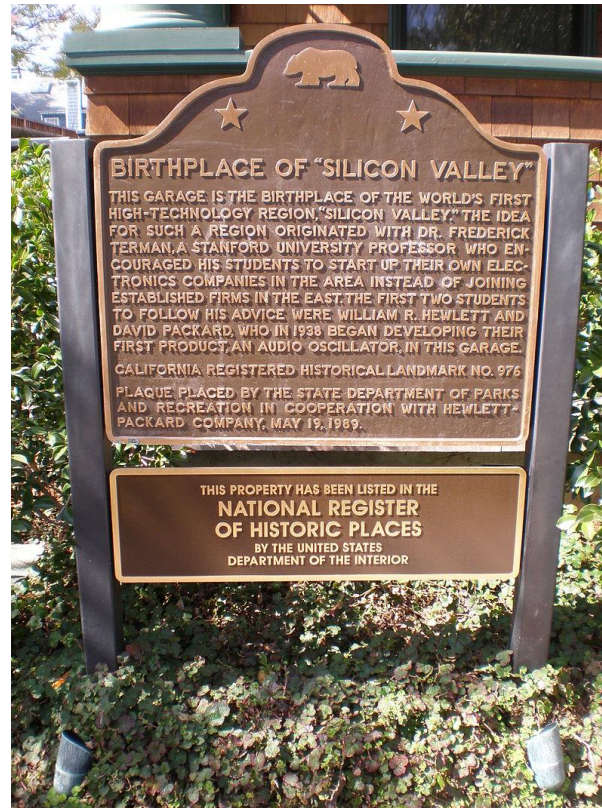


1930s: Jan Broek, geography of the Santa Clara Valley. “Dry, not very attractive living environment without much chances for development”

2010s: Hwang & Horowitz, most successful technology transfer area in the world. One of the most value creating regions in the world.

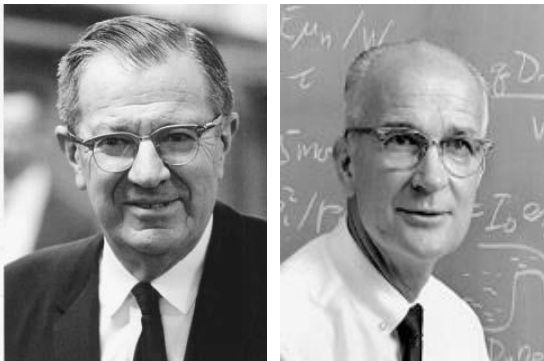


# How did it happen?



# How did it happen?

University teachers & administrators (Fred Terman) of Stanford university stimulated talented students to start their own business, and invested in them. Breakthrough came when the team lead by William Shockley invented the transistor.



The conditions for success were already created by the work of Terman with his efforts to create a business & science park, to attract innovative companies.

# Role of Entrepreneurs

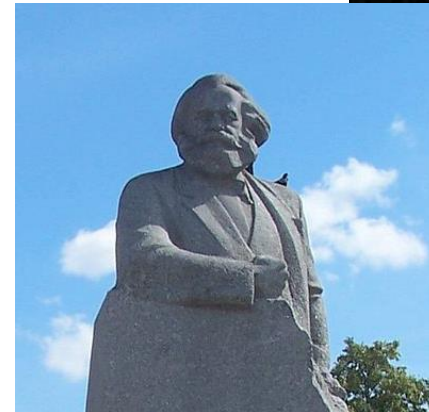
The role of entrepreneurs is those of the so-called: “*Free spirits*”, who initiate innovation and creative destruction (new replaces old). According to Schumpeter.



# Role of entrepreneurship

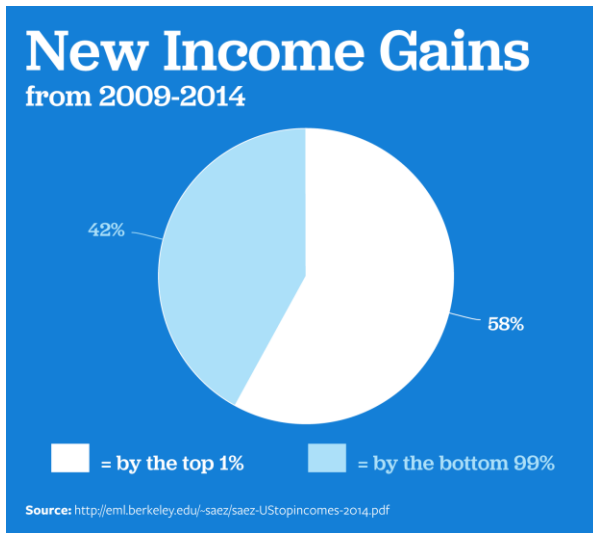
*“Slowly but surely, entrepreneurship will disappear, in its place will be large corporations who by means of their capital have all the power and control.”* Joseph Schumpeter (Capitalism, Socialism and Democracy, 1942)

*“The economic system is shaped by the accumulation of capital by the rich. There will be less and less opportunities for the common man. This will lead to a revolution”.* Karl Marx

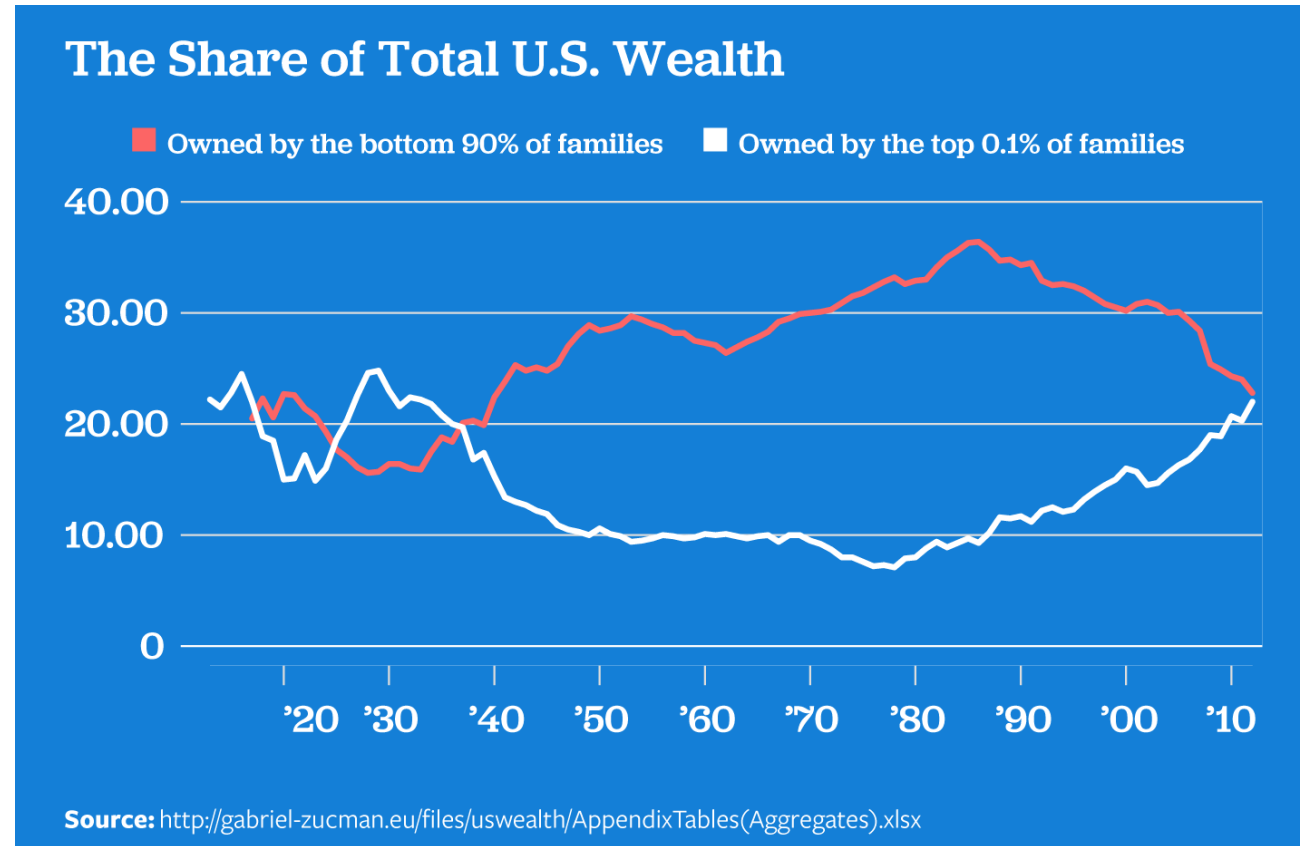




# Wealth inequality: bad for entrepreneurs?



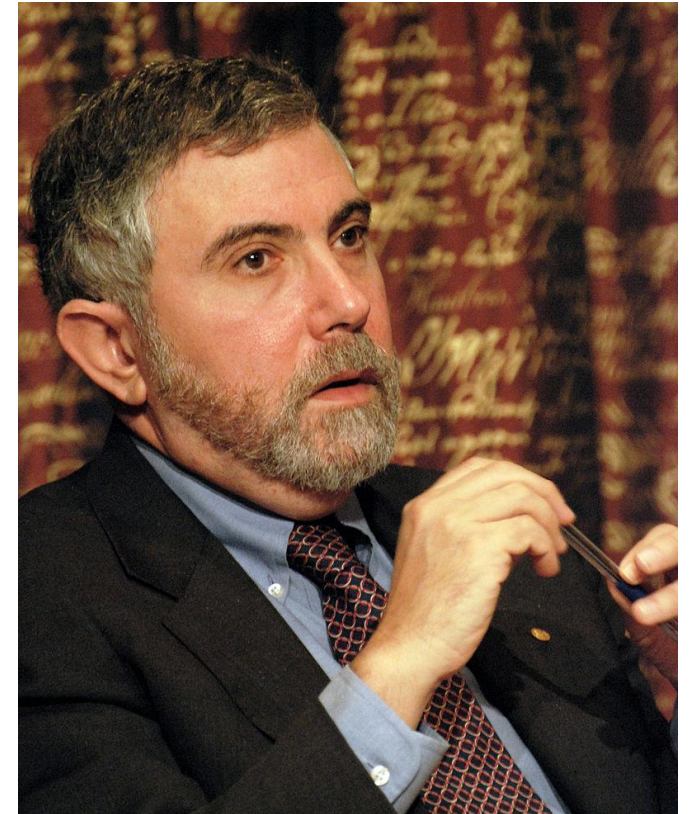
*“The three richest persons on this planet own as much as the 48 poorest nations combined”, OECD 2011*



# Technology causes Economic Growth

Paul Krugman, new growth theory:  
Through *technology* economies can truly grow.

Real economic development is only possible with technological development.



So... we need tech entrepreneurs only?

# Entrepreneurs as seekers of niche markets

Friedrich Von Hayek: *“Out of seemingly chaos, economic order and structure will appear automatically, driven by market forces”.*

Entrepreneurs are perfect in spotting and using “market imperfections”



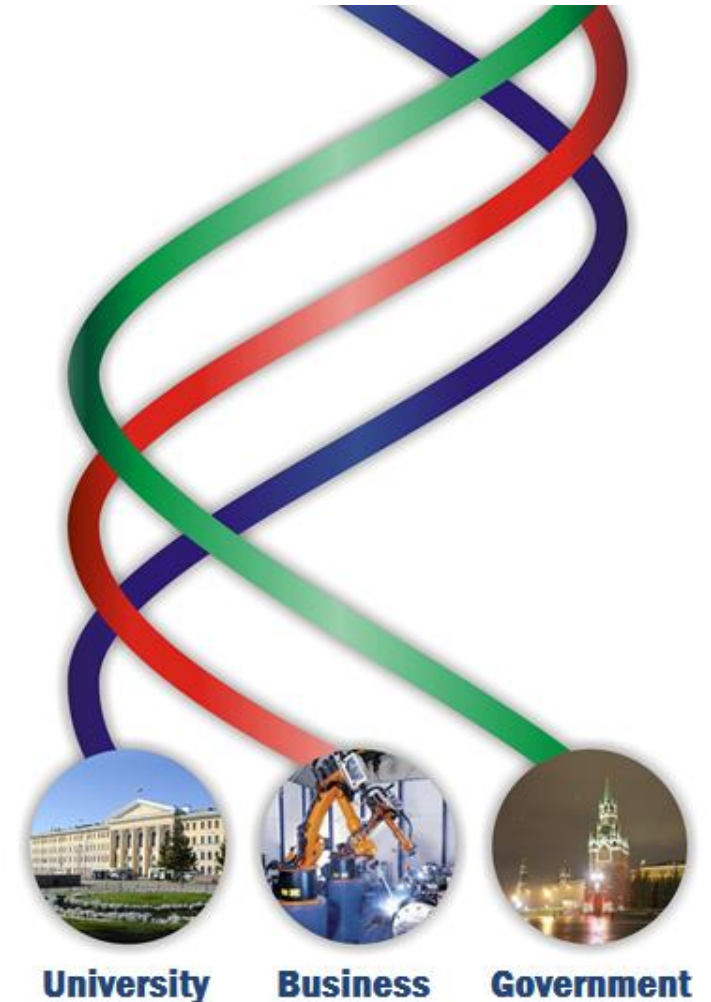
# Importance of entrepreneurship

- Until approximately 1980: **Large corporations** cause economic growth
- After 1980: **SMEs** cause economic growth (80% of new jobs) (See study of David Birch, 1979 and neo-liberal thought).
- 1990s / 2000s: Maybe it is still the **large corporations** that create economic growth... (See study “myth of SMEs as job generators” of Harrison, 1994)
- 2000s / 2010s: Maybe it is the **supply chain network** / business clusters / **creative** businesses that are important (Down, 2010; Florida, 2017). → See also Triple Helix frameworks

# Innovation driven entrepreneurship

“Problems to solve” are (often) so complex that partnerships in society are necessary to unlock true value for the customers!

When the cooperation between stakeholders is inefficient or even disturbed... entrepreneurs are left at a distance (in comparison with other regions/countries).

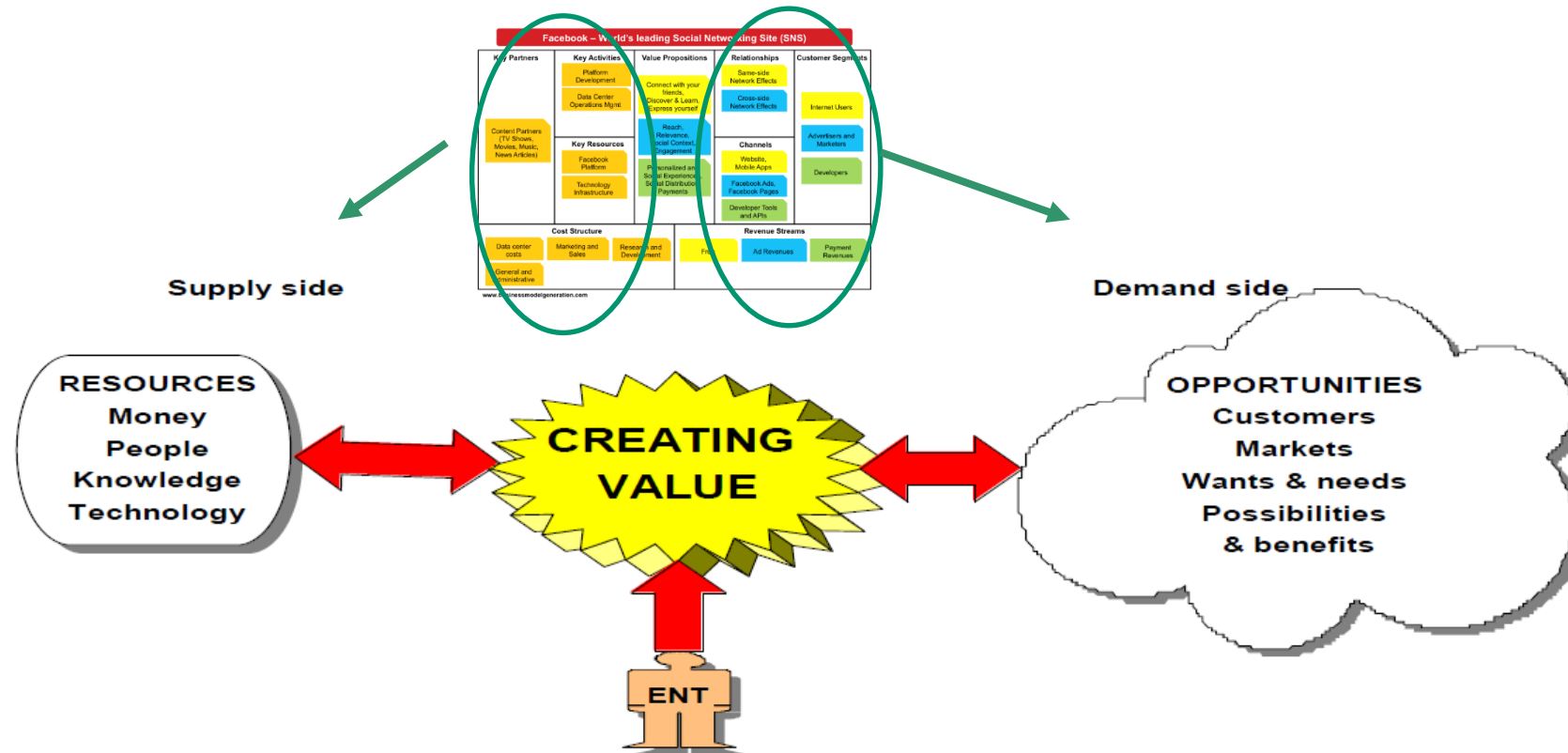


Kom verder. Saxion.

# Entrepreneurs vs. managers Effectiveness vs. Efficiency?



# Entrepreneurship: *Creating value for customers*



# Assignment 2

PLEASE **DO** COOPERATE

- Make groups of maximum 4 persons
- Draw an entrepreneur & entrepreneurial success *together*.



# Results (internationally)

Usually results on 3 levels:

- Items above personal level (common wealth / added value).
- Items on personal level (happiness / lucky / good life)
- Items below personal level (money/ office / factory)

## Social Entrepreneurship

# Social Entrepreneurship

*“Whenever society is stuck or has an opportunity to seize a new opportunity, it needs an entrepreneur to see the opportunity and then to turn that vision into a realistic idea and then a reality and then, indeed, the new pattern all across society. We need such entrepreneurial leadership at least as much in education and human rights as we do in communications and hotels. This is the work of social entrepreneurs”*

**Bill Drayton, founder of Ashoka: Innovators for the Public**

# Definitions

Social Entrepreneurship is about creating impact in society: or otherwise said: changing society for the better.

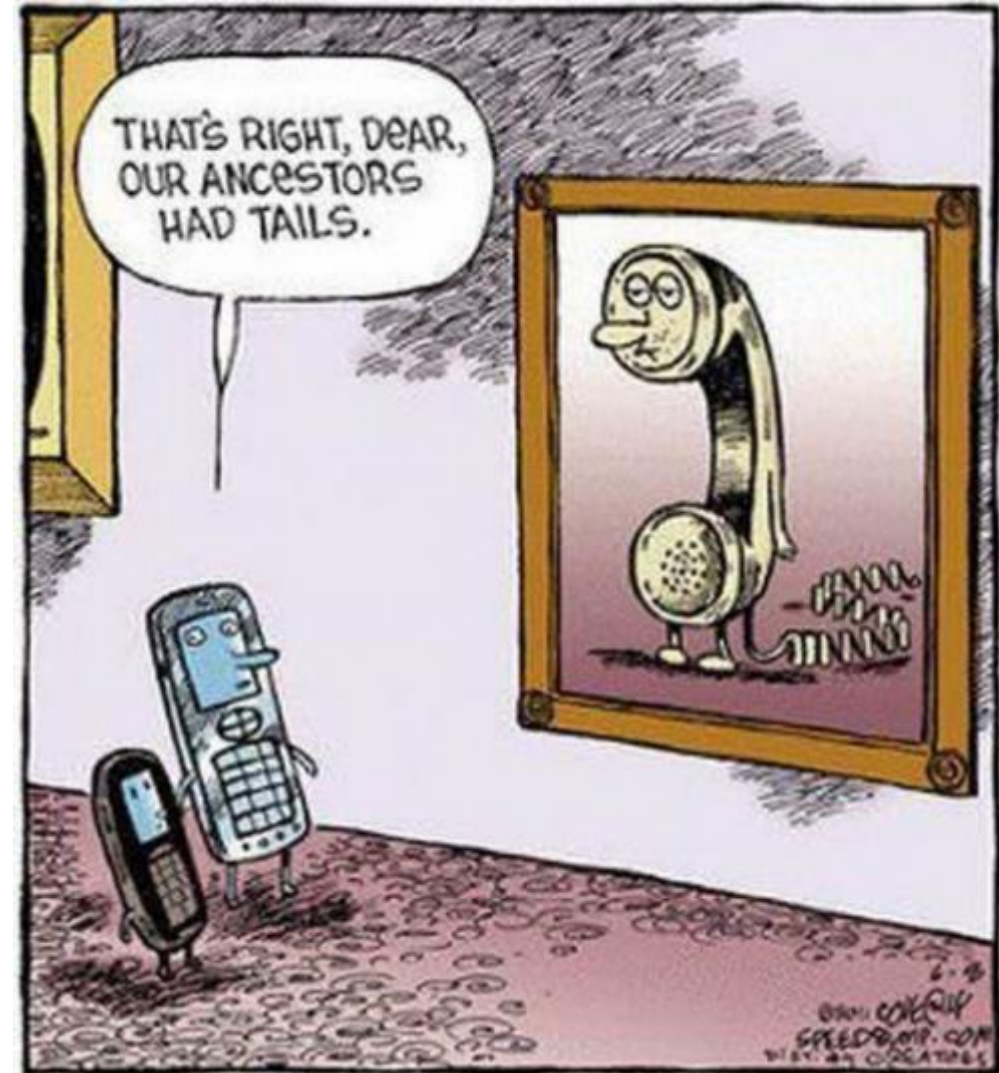
Characteristic is for social entrepreneurs is that they don't aim for profit maximization for shareholders, but instead try to put back profits of their operations in developing their business to bring even larger impact to society.

# Definitions

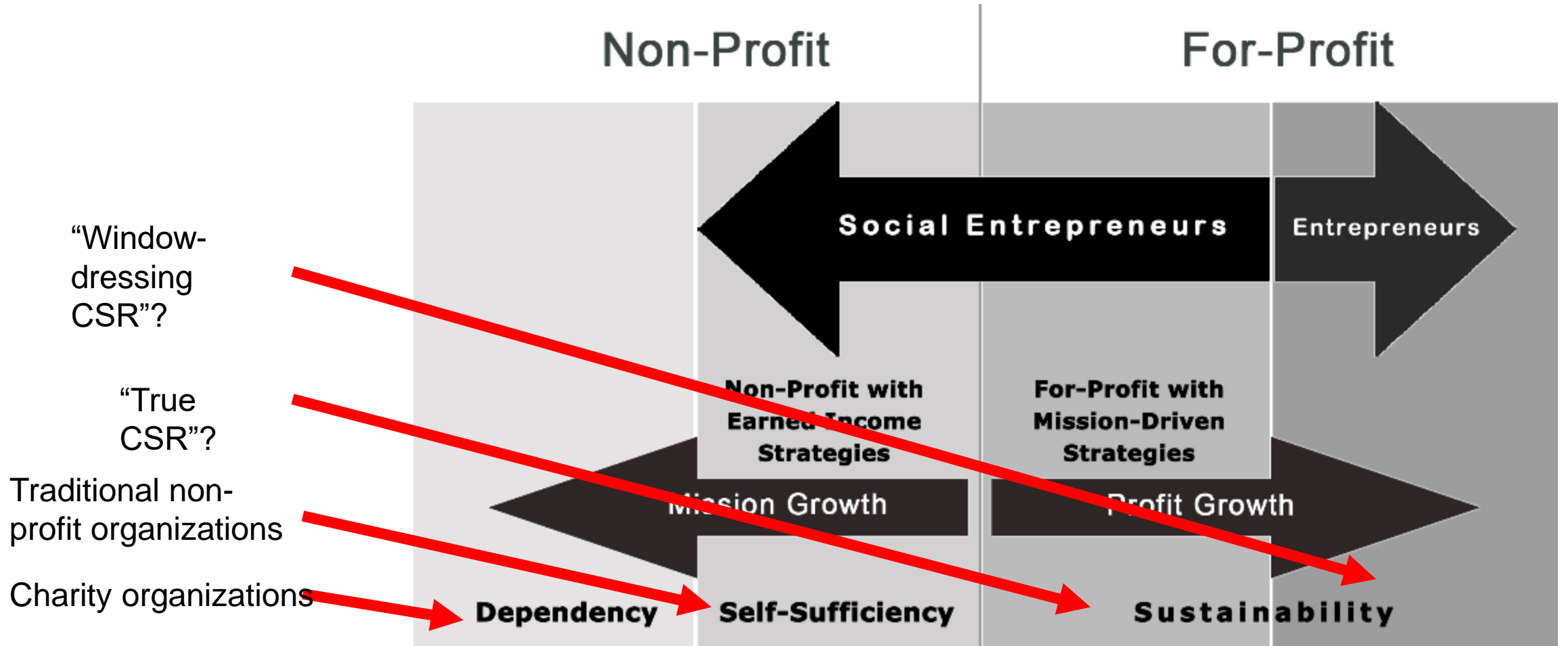
Problem: Definition is rather vague...

For example: What means “Impact in society?”

Or what means “Changing society for the better?” → Better for whom?



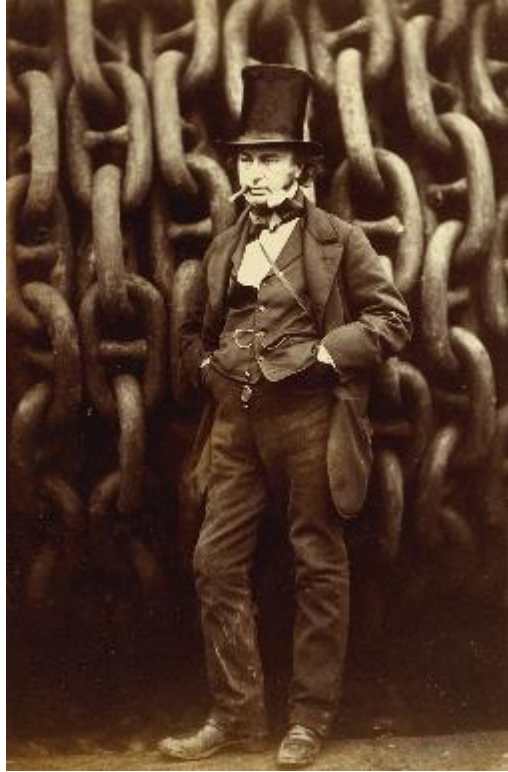
# Types of (Social) Entrepreneurs



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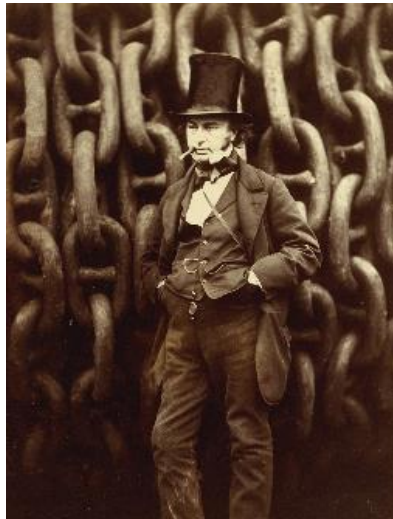
# Social Entrepreneurship or not?



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# Social Entrepreneurship or not?

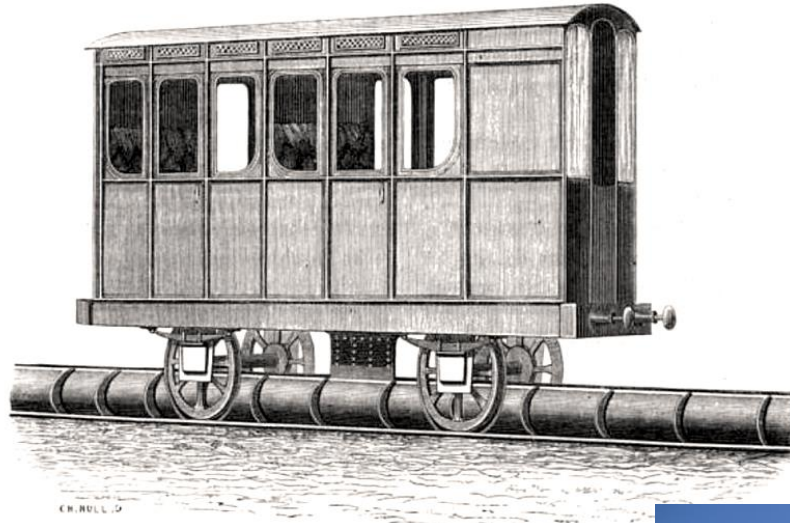
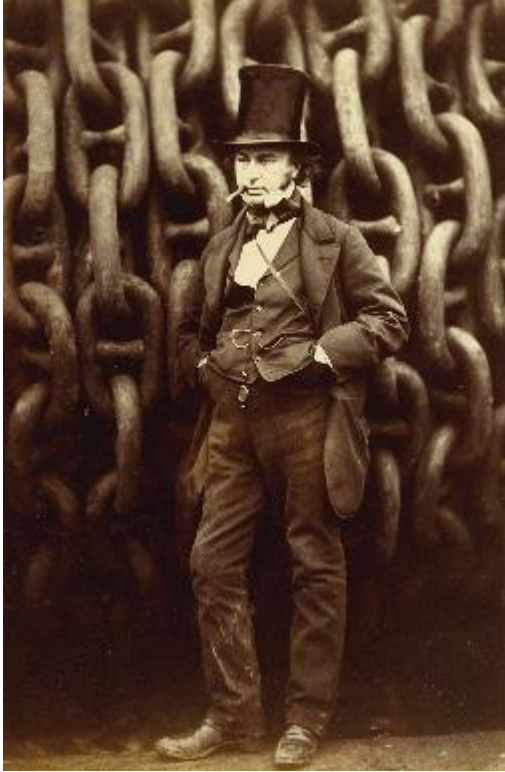




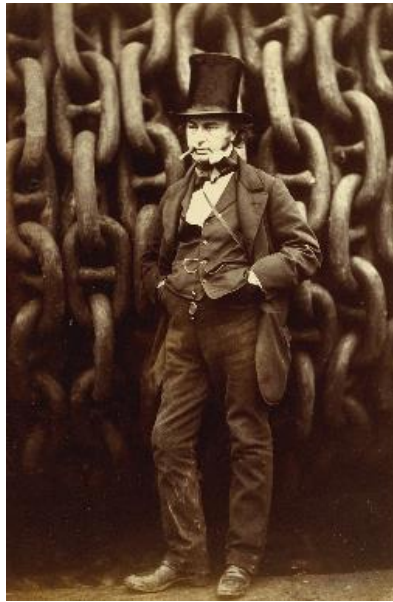
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# Social Entrepreneurship or not?



# Social Entrepreneurship or not?



# Necessity of social entrepreneurship?

Why we need social entrepreneurs?

- Stewardship for the planet
- Love and compassion for our fellow human beings in need
- Drive to solve seemingly unsurmountable problems

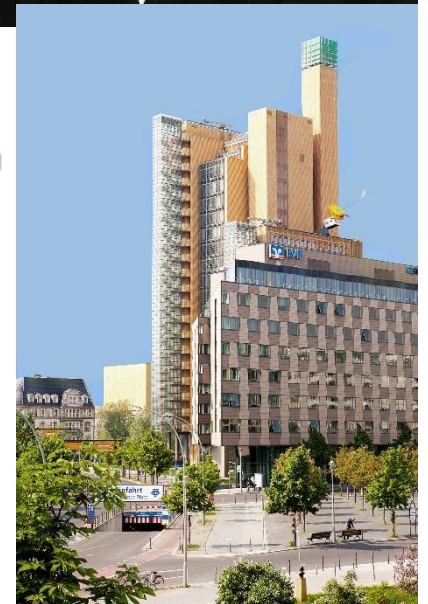
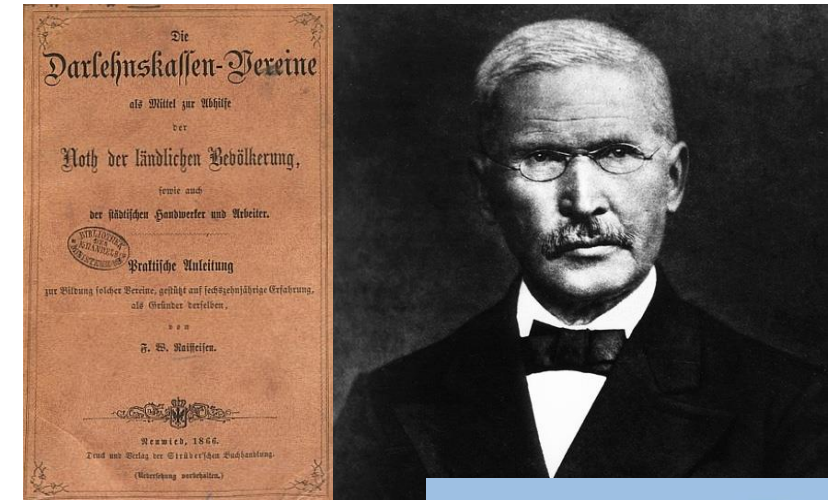


# Examples of social entrepreneurship

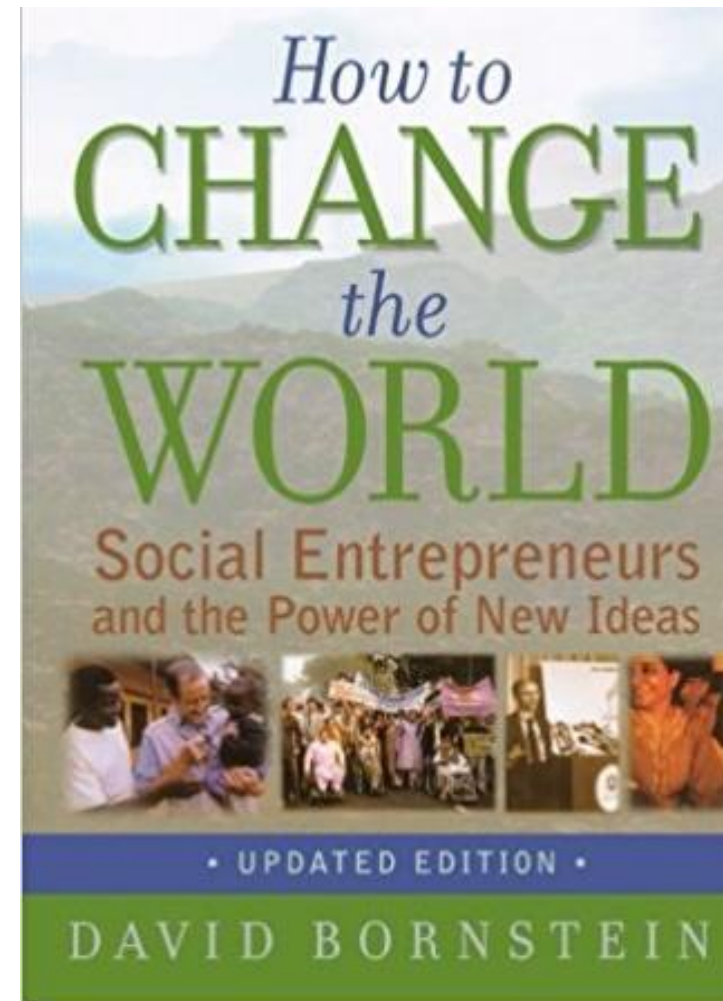
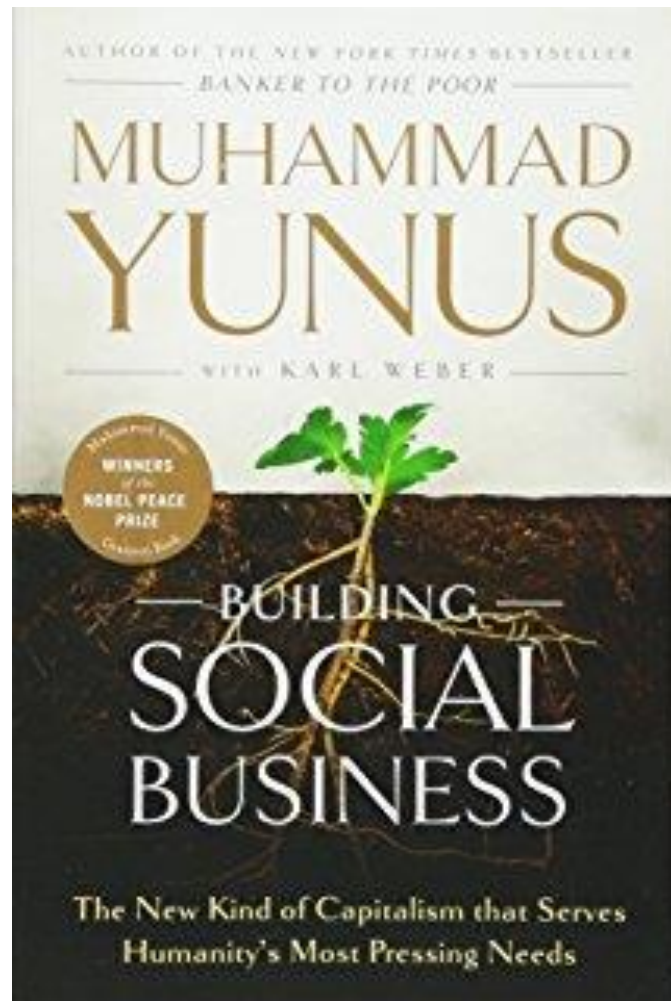
## Wilhelm Raiffeisen

During his life (1818 – 1888), mayor of several small rural communities.

- Was touched by the poverty stricken rural population
- Worked with companies on charity and donations to help them
- Later turned to the idea of *self-help* for the poor, followed by *self-governance* and *self-responsibility*



# Examples of social entrepreneurship

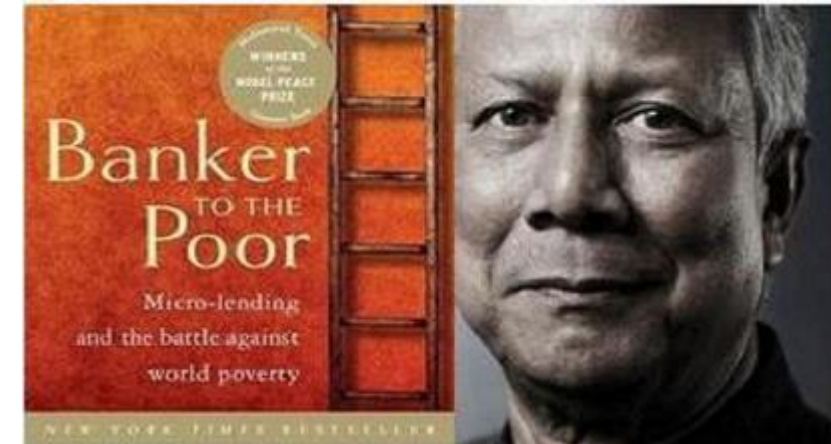


# Examples

## Muhamed Yunus - Bangladesh

### Grameen Bank – Banker to the poor

- Left the academic world when he observed an opportunity to make an impact in society
- Took at least two decades of trial and error to reach a “sustainable business model”
- A lot of opposition: “It cannot work, it is a stupid idea etc.”
- Belief in an idea: “Entrepreneurship is the best way out of poverty”



# Microfinancing... Does it work?

- A lot of criticism on microfinancing... And from many directions.
  1. Is lack of investment capital really the problem?
  2. Exploitative lending techniques
  3. No real evidence that it solves poverty for the poorest

Still... A step in the right direction?



# Microfinancing vs. traditional investing

To understand why creating jobs, not offering microcredit, is the better solution to alleviating poverty, consider these two alternative scenarios:

- (1) A microfinancier lends \$200 to each of 500 women so that each can buy a sewing machine and set up her own sewing microenterprise, or
- (2) a traditional financier lends \$100,000 to one savvy entrepreneur and helps her set up a garment manufacturing business that employs 500 people.

In the first case, the women must make enough money to pay off their usually high-interest loans while competing with each other in exactly the same market niche. Meanwhile the garment manufacturing business can exploit economies of scale and use modern manufacturing processes and organizational techniques to enrich not only its owners, but also its workers (Karnani, 2007).



# Examples

Jadwiga Łopata – Poland

Organization for organic farmers in Poland (ICPPC)

- Aiming to preserve the Polish countryside
- Development of eco-tourism potential
- Fighting GMO foods
- Results: Poland has opt-out of Brussels regulations on admission of GMO crops.



# Examples

## Erszébet Szekeres – Hungary

Assisted living for handicapped people,  
Alliance Industrial Union

- Alternative for institutionalization of handicapped people
- First non-profit private organization in Hungary in 1985
- Fighting prejudice / social stigma

<https://www.youtube.com/watch?v=30IRenKMsU0>



# Examples

## Vera Cordeiro - Brazil

Medical attention for children in slums:

- When sick, they were cured in hospital
- But...once back in the slum, bad conditions and health deteriorated.
- Family support



# Examples

Jill Vialet – USA “Positive Chaos”

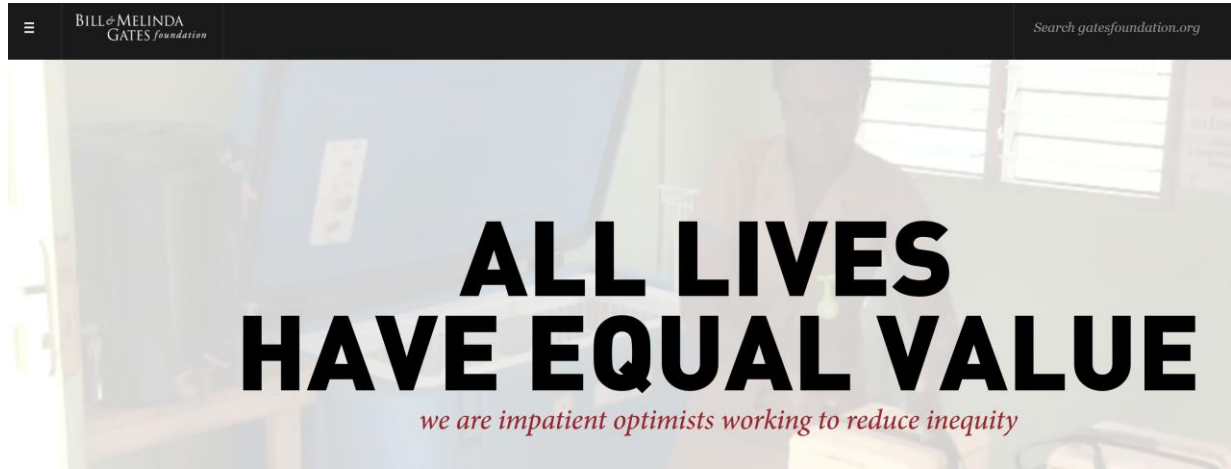
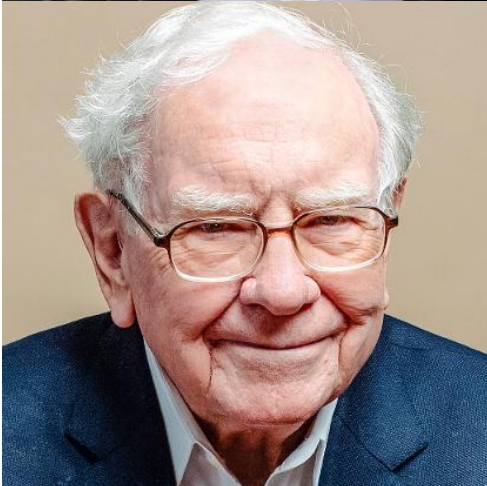
School breaks become shorter and shorter: fear of parents, digital devices and no attractive playgrounds etc.

Developed a way to make playing outside both safe, efficient and attractive:  
Company Playworks.

Focuses on poor neighborhoods.



# Social entrepreneurs?



Bill & Melinda Gates foundation:

- Fighting poverty
- Improving education
- Improving health care
- Better access to IT

# Problems understanding social entrepreneurship

1. Effectiveness of social entrepreneurship as a theoretical concept
  - Railroad and mobile phones
2. Success / failure rate of social entrepreneurs
  - Several success stories worldwide...but how many succeed?
3. What is the worldwide social impact?
  - “Too early to tell”

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verder

SAXION

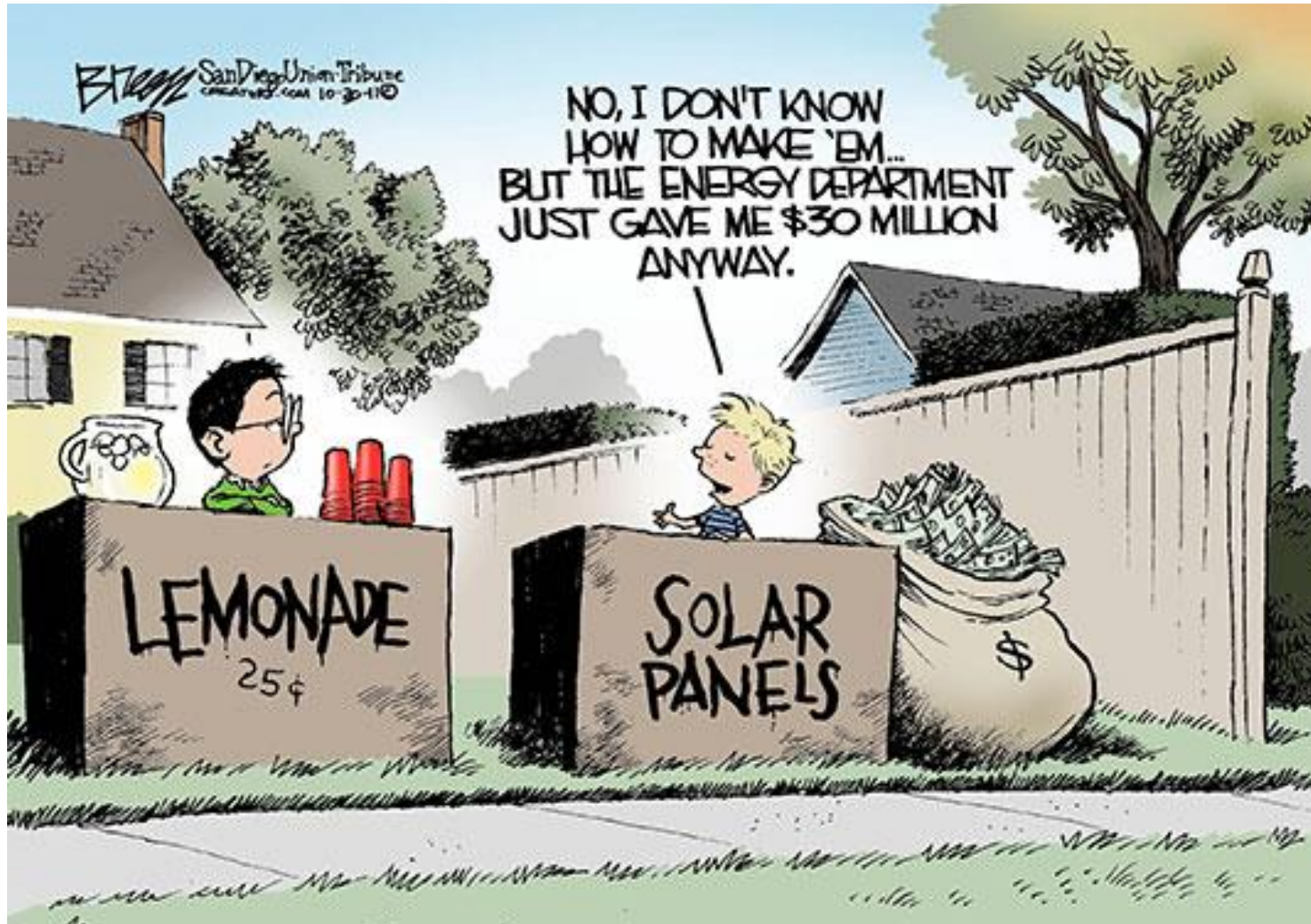
# One of the most effective social entrepreneurs of history

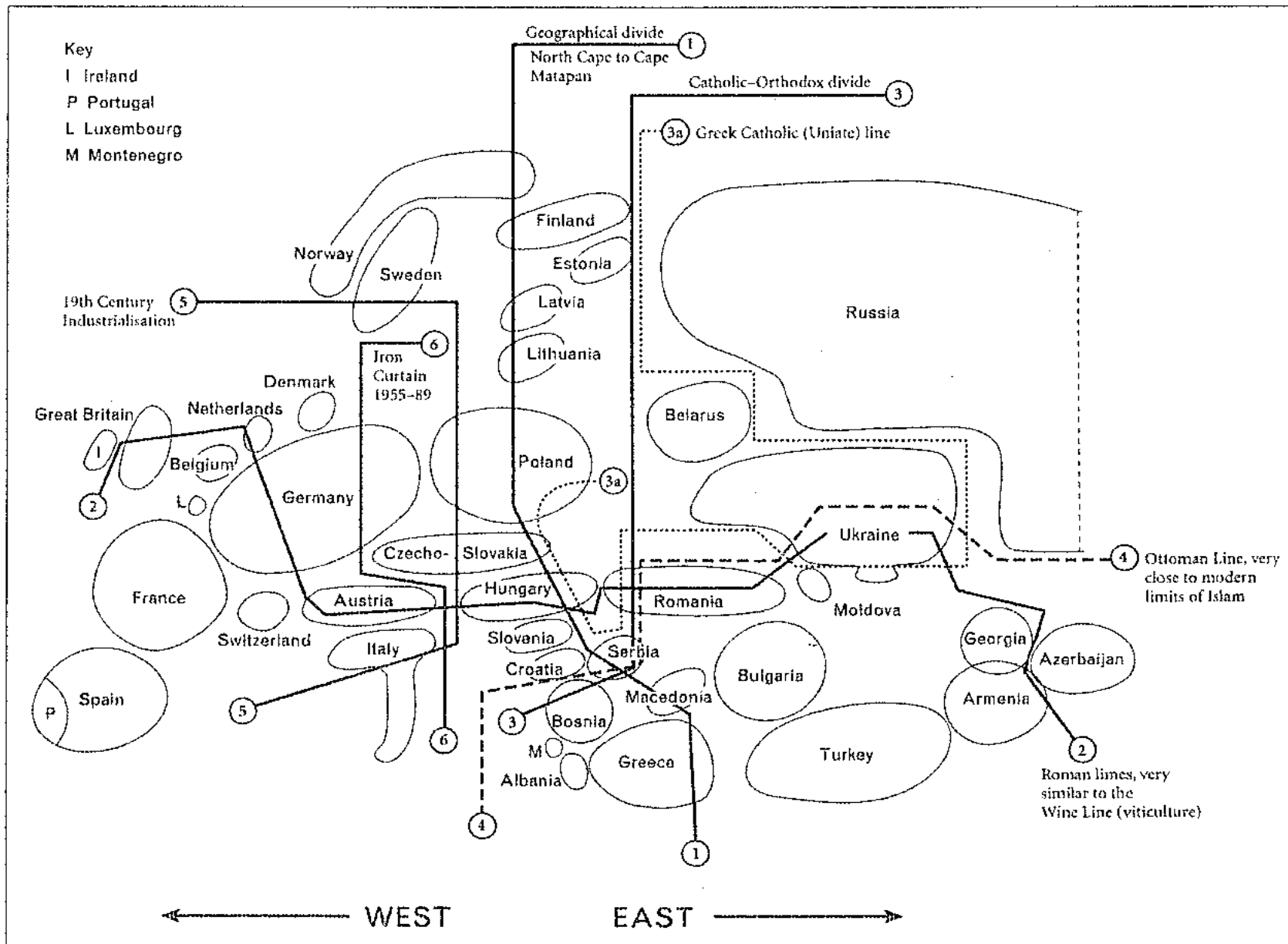


## The “entrepreneurial climate”



# What is a good entrepreneurial climate?





Are there obstacles for a good entrepreneurial  
climate in Eastern Europe  
(more than in Western Europe)?

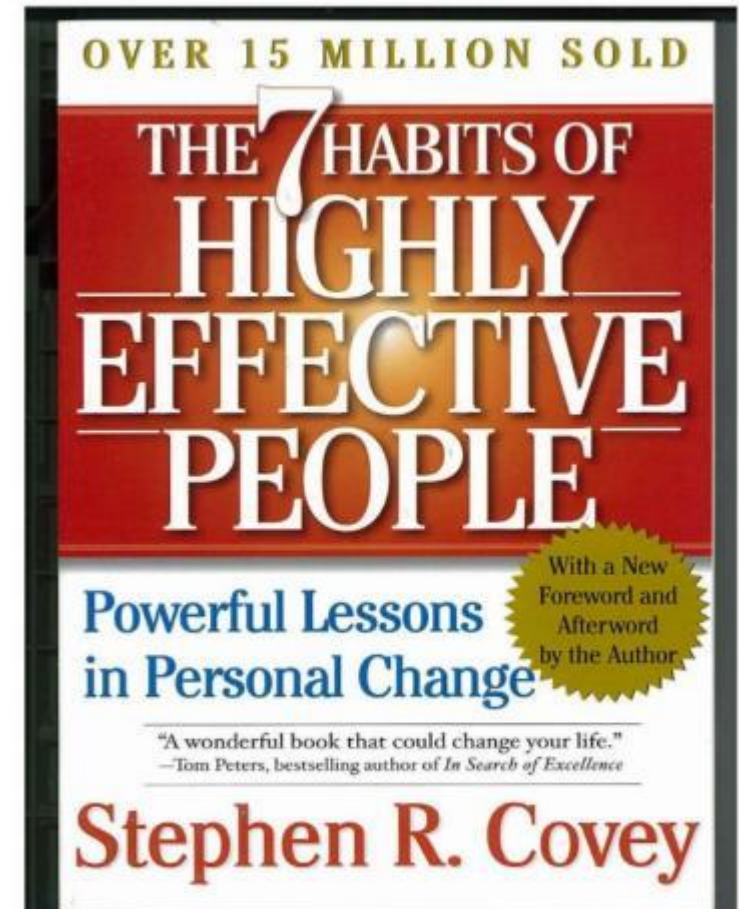
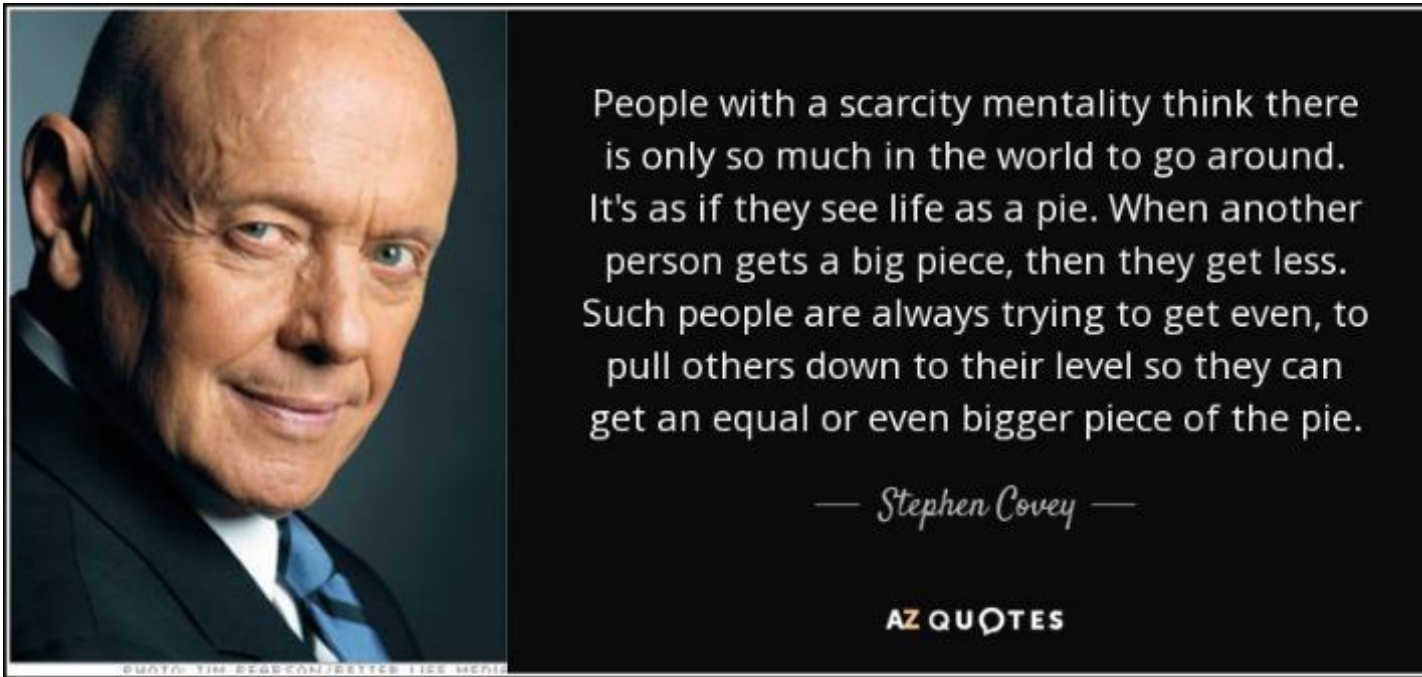
If yes, which?

# In general

Obstacles for a good entrepreneurial climate:

- Shortage of material resources
- Low trust society / win - lose attitude
- Substantial patron - client relations
- Political troubles / lack of accountability / weak states

# Shortage of material resources



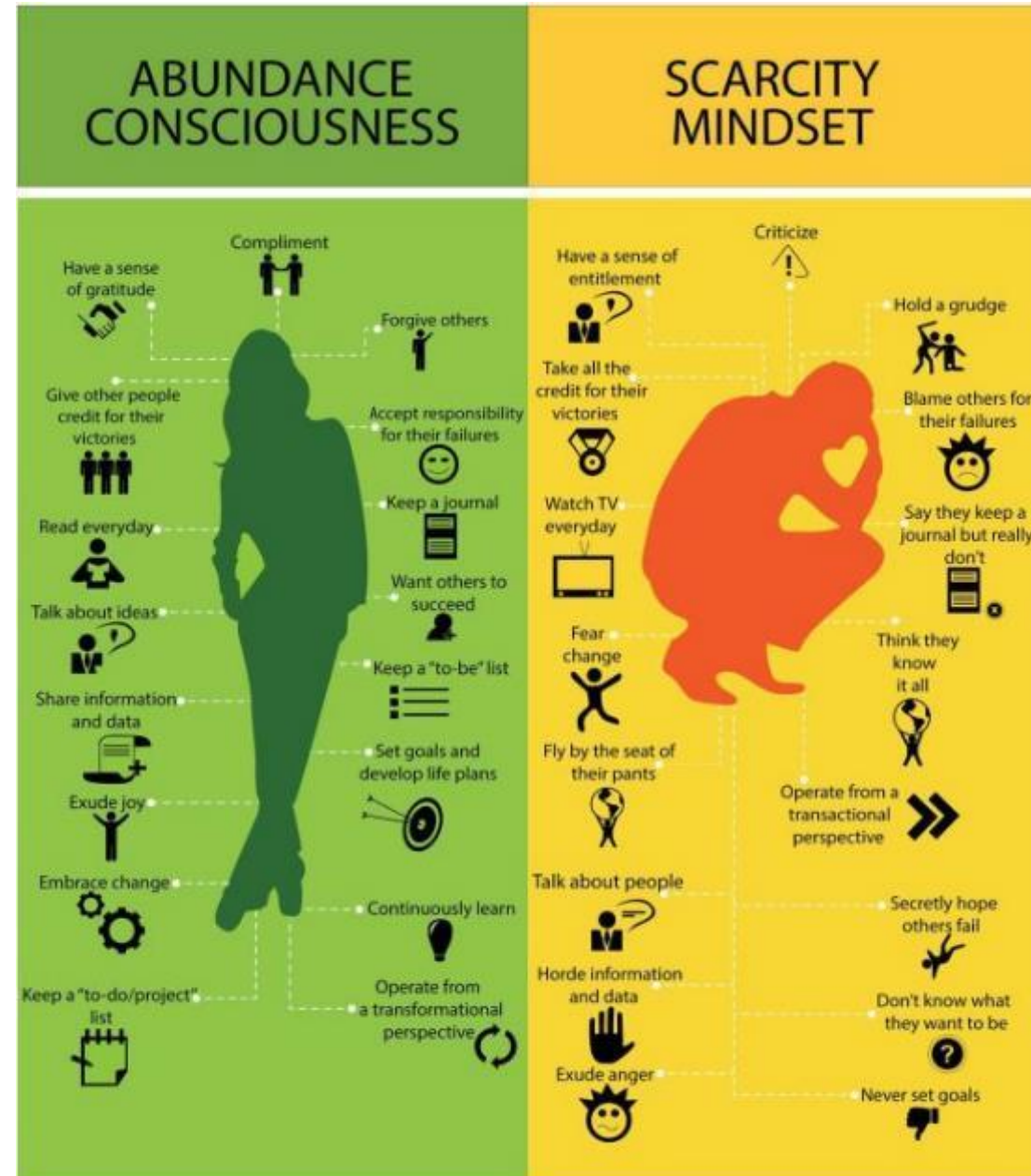
# Shortage of material resources

Psychology behind poverty and scarcity.

Vicious circle...



LEADERS WITH A SCARCITY MINDSET	LEADERS WITH AN ABUNDANT MINDSET
Resource constrained	Prioritize better
I win/you lose	I win/you win = we all succeed
Lack of trust	Trust = relationships
I have the answers	Together, we can find the answers
Cost control	Investment with a return
Focus on costs	Focus on results
Buy time/hours	Buy desired outcome/results
I expect bad news	I expect high performance
Micromanagement	Stewardship
Stress and frustration	Confidence and success



# Low trust society

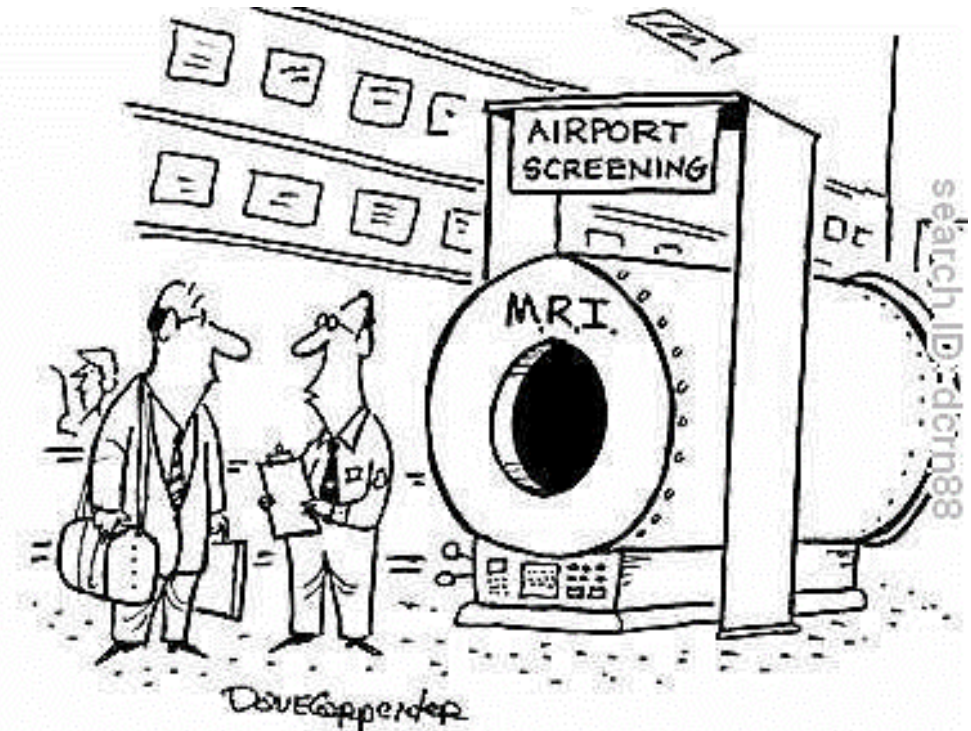




# Low trust – example



Rising class of  
securocrats in  
European  
countries



“We’re very thorough at this airport.”

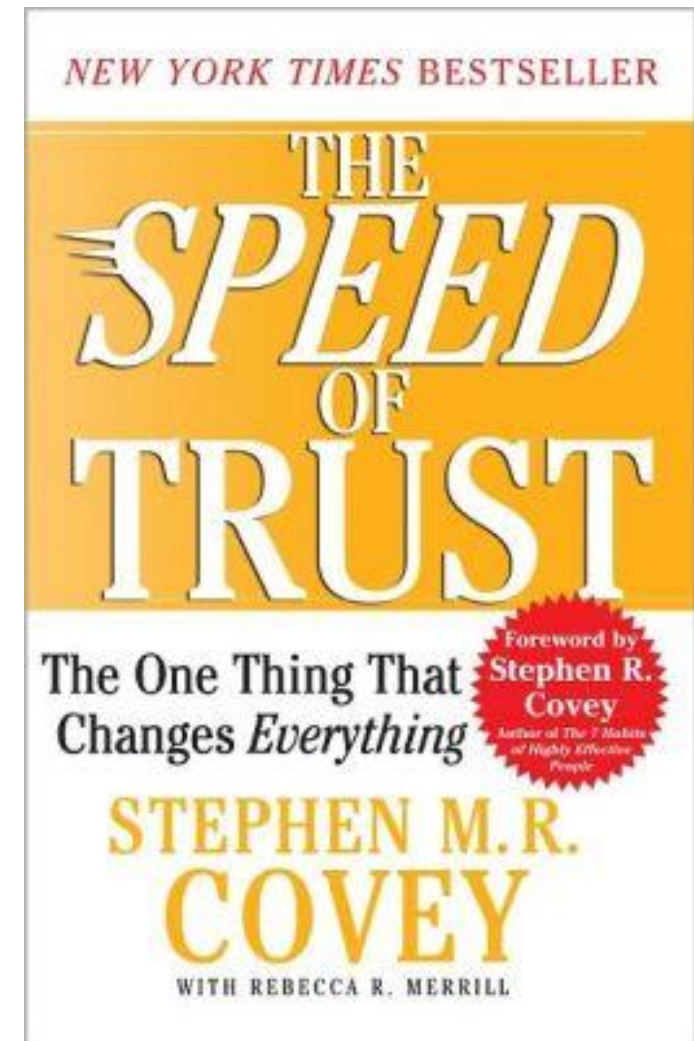
Emergence of  
conspiracy  
theories

Airports accused of keeping  
queues long so they can cash in  
on £5 fast-track lanes



# Why is trust so important?

- High trust lowers transaction costs in any field in society.
- Less need for expensive lawyers and complicated procedures
- More room for creative & innovative behaviour
- Faster speed of operation → lower transaction costs



# Trust & The economy

Richer countries have higher levels of trust



# Trust

*“High trust is generally good for societies. The problem however is that when you are the only trusting person among a society of thieves and swindlers, it is not going to help you a lot...”, Francis Fukuyama.*

Fukuyama: Trust and leadership can only thrive in states where institutions function. The problem is that we don't really understand how these institutions came into being and why they function as they do.



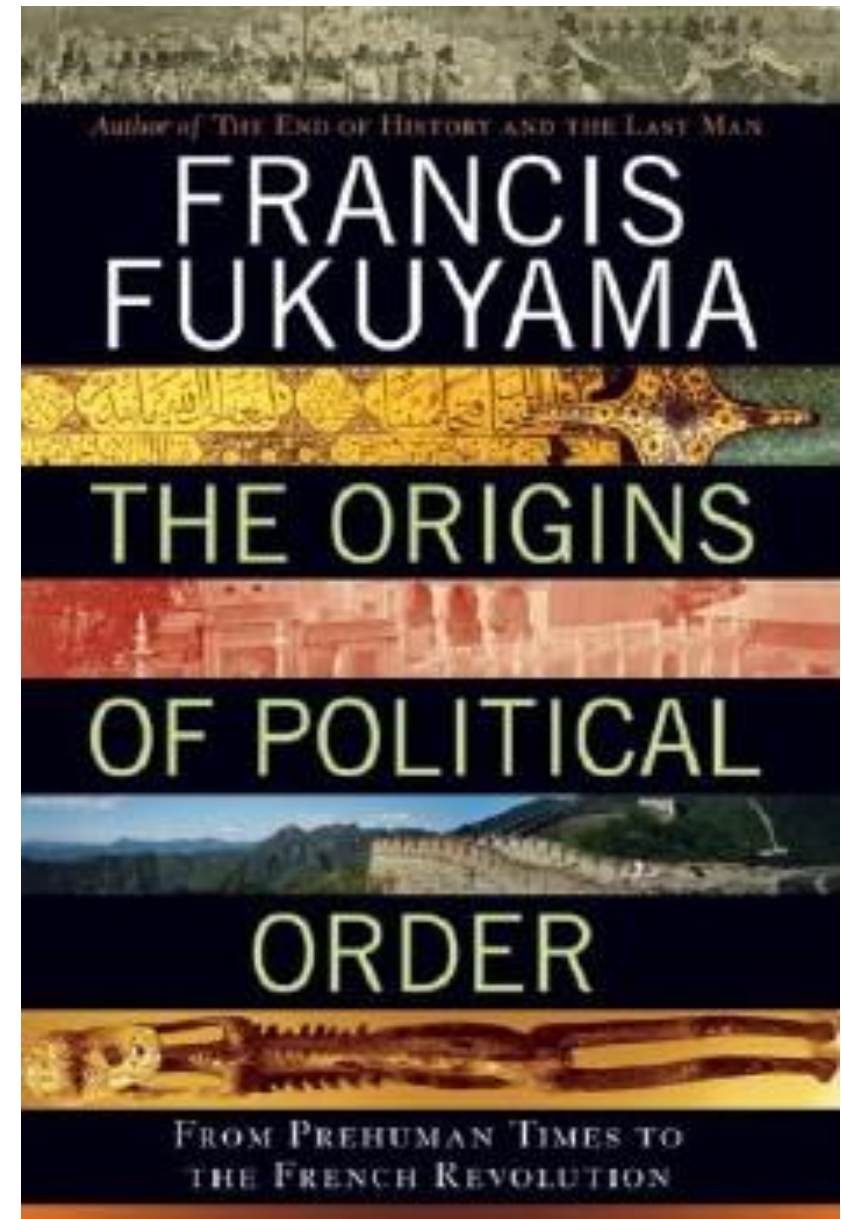
# Necessary institutions for development

- A strong state: monopoly of power.  
Opposite: weak state, “state in a state”, inability to collect taxes.
- Rule of law: impartial jurisdiction based on laws, not on power / influence.  
Opposite: class justice
- Accountable government: transparent and possible to correct.  
Opposite: dictatorship / tyranny, patron – client relation systems

Francis Fukuyama: Humanity has two important “genetic” characteristics:

1. They want to take good care of their children & next of kin. (Those who have political / economic power will be able to do that, leading to the formation of elites).
2. The “give something, take something” principle.

From: The Origins of Political Order



# Good leadership

Crucial to organizing modern well-functioning democracies with a high wealth society is the transformation of government & politics:

- Max Weber: Development of an impersonal administration (Bureaucracy), based on meritocratic ideals.
- Fukuyama: Change of political parties from interest groups (union of ...) into programmatic parties (socialist, liberal, Christian democratic, green etc.). Not just by name, but by vision.
- Acemoglu & Robinson: Limitation to the power of the elite, checks and balances, transformation to inclusive governments
- Kjellén: Strong state, able to enforce control over its subjects.

# Impersonal bureaucracy

- Specialized roles.
- Recruitment based on merit (e.g. tested through open competition).
- Uniform principles of placement, promotion, and transfer in an administrative system.
- Careerism with systematic salary structure.
- Hierarchy, responsibility and accountability.
- Subjection of official conduct to strict rules of discipline and control.
- Supremacy of abstract rules.
- Impersonal authority. (e.g. Office bearer does not bring the office with him).
- Political neutrality.





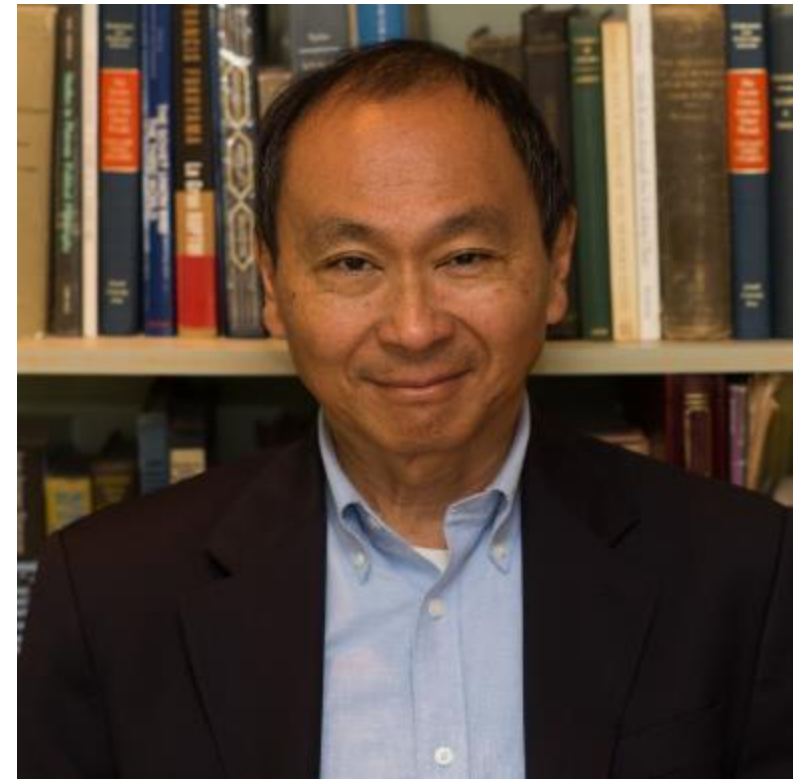
# Change of political parties

In many young democracies, political parties are representing the interest of:

- Ethnic groups, clans, tribes etc.
- Religious minorities
- Patron – client related

In more mature democracies:

- Systems of thought that are interethnic, interreligious and non-patron client relation oriented.
- For example: Liberalism, Human Rights, Socialism, Christian Democracy etc.

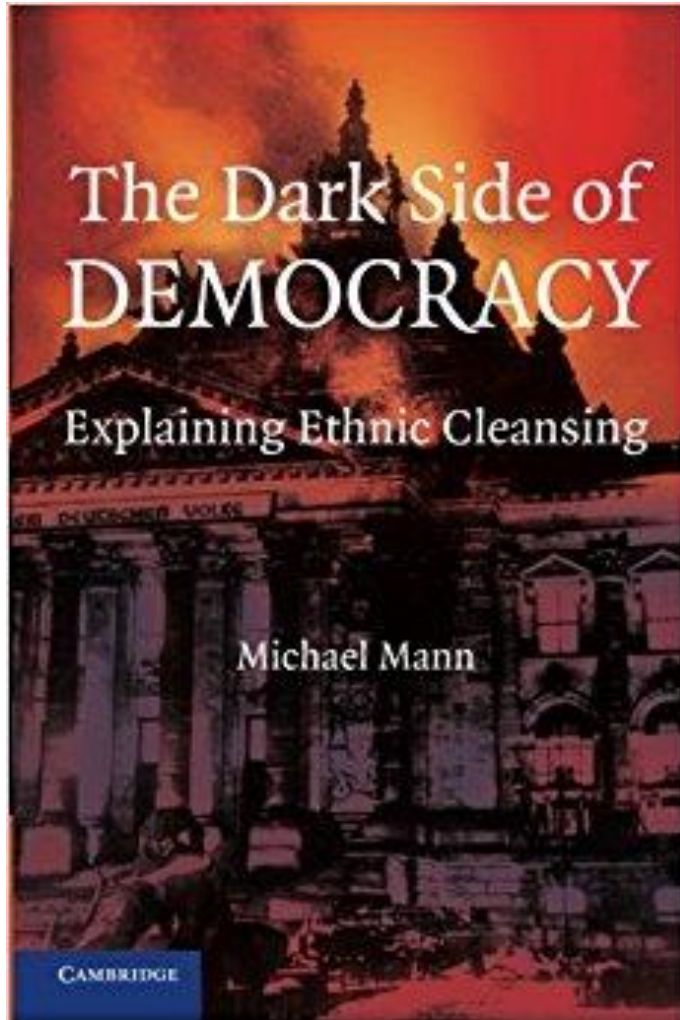


# Papua New Guinea – Big Men of the Wantok



# Dark side of Democracy

Especially young democracies will often act violently against minorities. Demos = Ethnos.



# Strong state

Rudolf Kjellén: Any successful state has more or less managed to gain autarky.

Strong state is required for true development.

The state controls the society like the brain controls the body, by means of law and the military.



# (Non) Accountable government: Patron client relations



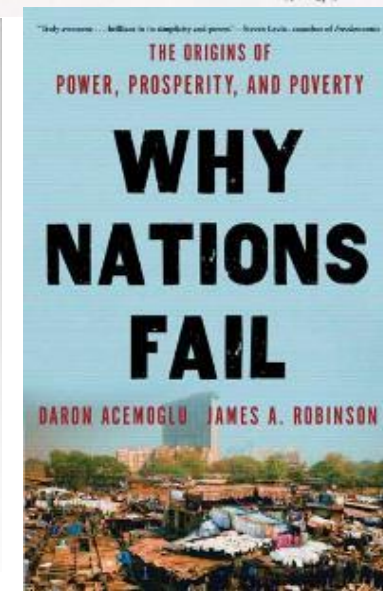
# Limitation of the power of the elite



# Why nations fail



Cartoon about investing in Egypt



# Limiting the power of the elite

Trust and development comes with “inclusive” institutions as opposite to “extractive” institutions.

Inclusive institutions aim to spread welfare and re-divide income among the entire population. Extractive institutions seek to profit only the elite and the ones in power

