

## **Social entrepreneurship and the next generation of giving**

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It is no longer considered gauche to give to someone in the developing world with the expectation that the money be returned. Nearly everywhere you look "social entrepreneurship" is being used in lieu of "philanthropy" and "charitable giving."

Kiva.org President Premal Shah's work as a social entrepreneur began during his time as a principal product manager at the online payment company PayPal. Shah developed the idea of online giving through microfinance and left PayPal in October 2005 to start Kiva.org.

Kiva allows online users to provide micro-loans of as little as \$25 to small business owners in 60 countries. Kiva has since facilitated more than \$250 million in loans, and it continues to grow. One of Kiva's greatest accomplishments, according to Shah, is that the organization has set the bar for similar internet microfinance operations.

"Social entrepreneurs want their idea to spread," Shah said in a phone interview. "There's over 20 Web sites that look a lot like Kiva, and we're trying to help them out — to help them get traction as well."

Today, the term "social entrepreneurship" lies at the heart of a growing movement of socially motivated thinkers and businesspeople. These individuals, said investment firm founder Bill Drayton, are more than market professionals. Rather, they invest in social change just as one invests in capital.

"Their goal is to get the system to evolve in the fundamental pattern-change ways that will help the children, the parents, the society — the whole thing," Drayton said in a phone interview. "They see a problem, and they can't imagine stopping and being happy in life until they've changed the pattern in the field."

Examples of social entrepreneurship are not confined to either the business or the non-profit sectors. Instead, social ventures, including well-known organizations like Grameen Bank in India or Teach for America, often blur traditional organizational lines. And the idea that for-profit companies can generate social good is not new, according to Phil Buchanan, president of the nonprofit Center for Effective Philanthropy.

"For decades, foundations and major individual philanthropists have brought more than just financial resources to bear," said Buchanan. "So much that gets packaged as innovation is just a surfacing of what's been going on for a long time. It's not new, but it's important. It plays out in very different ways."

### **Who is a social entrepreneur?**

An entrepreneur is an individual who brings energy, business rigor, intelligence and resourcefulness to a problem, upsetting the status quo, says Kiva.org's Shah. Social entrepreneurs see a societal issue and apply the same principles.

"They won't stop until everyone sees what they see," said Shah. "There's a greater movement of people being their best selves and doing what they can do to effectuate the change they want to see."

The term resulted from the marriage of two words that, 30 years ago, were in the process of migrating away from one another. And, in the intervening period, a number of terms have been used in an attempt to describe this activity.

In the late 1970s, Drayton developed his own phrase, "Innovators for the public," while an English entrepreneur named Michael Young introduced what he called "social innovation."

Drayton's phrase was meant to describe individuals who merge entrepreneurial instincts with a deeply-rooted commitment to social change. The term itself did not stick, but the idea did.

"Society needed to unite 'social' and 'entrepreneur,'" Drayton said. So, around 1980, when he founded his nonprofit, Ashoka: Innovators for the Public, Drayton coined a new term: "social entrepreneur." In the 20th century, a movement of socially motivated individuals might also have been described as volunteerism or charity. Today, however, the movement reflects a changing view of humanity's role in the world, said Shah.

"I think the world is moving from wanting to own and earn things to wanting to feel and belong to something bigger than ourselves," said Shah.

### **A need for widespread innovation**

The rise of nonprofit collaboration stems from a society-wide sense that social problems need innovative solutions that are not likely to emerge from the government, said Greg Dees, co-founder of the Center for the Advancement of Social Entrepreneurship at Duke University during a phone interview.

"We see our government struggling, and that's true around the world," continued Dees. "We need private resources and private resourcefulness."

By "private resources," Dees means more than just money. Social entrepreneurship, as a field, focuses more on people and their new ideas than traditional philanthropy alone, according to Kriss Deiglmeier, executive director of Stanford's Center for Social Innovation.

"Philanthropy is just the money side," Deiglmeier said. "To drive a social innovation to scale, it takes a person with the right skill set — people who are systems thinkers, collaborators, empathetic innovators."

But innovators and entrepreneurs do not work in isolation. They require teams and structures in order to be effective, said Dees. In social entrepreneurship, however, particular organizational structure can vary.

For example, some social ventures, such as Kiva, emphasize the innovation aspect of entrepreneurship. Others, like Ashoka, emphasize the enterprise, or the business side.

This distinction forced entrepreneurs to support one of two schools of thought in the field for many years, according to Dees. Now, though, most people see that the business model and the innovative solution itself are inextricably and delicately intertwined.

"It is inherently challenging trying to run a for-profit model embedded in social innovation," said Deiglmeier. "It's hard on a day-to-day basis. The capital markets have not evolved to a point that's real supportive of social innovations."

Part of the difficulty lies in trying to apply universal metrics to all social ventures, according to the Center for Effective Philanthropy's Buchanan. In the for-profit business sector, there are universal measures, such as financial profitability or growth that allow very different companies to gauge performance using the same measures. In the nonprofit sector, that uniformity does not exist.

"Assessment becomes very much connected to specific goals," Buchanan said. "You have to be very thoughtful about developing a set of indicators that, taken together, allow you to get a sense of whether you're moving in the right direction or not."

Kiva uses three criteria to measure its effectiveness: scale of impact, depth of impact, and the operational sustainability of Kiva as a nonprofit organization.

While scale measures the number of loans Kiva provided, depth of impact attempts to evaluate the narrative of the lives changed by Kiva loans.

"Numbers don't really tell you the depth of the impact," said Shah. "We want to move beyond the numbers to a little bit of the 'how.' Did we change this person, or reach the person we wanted to reach?"

But the Kiva-model is not the end-all, be-all solution for all social problems, according to Deiglmeier. Many social problems will require collaboration between business, non-profit and government sectors. Ultimately, the creation of a functioning social entrepreneurship model requires thinking globally. For example, Drayton refers to this collection of teams at Ashoka as "collaborative entrepreneurship." He said he sees it as the future of the social entrepreneurship movement.

"We bring the best social entrepreneurs from all around the world and think together: What are the patterns, what's possible, where do we have to go, and how to do we get there," he said. "They're not afraid of scale. They love it."

The same cannot be said for everyone, according to Shah.

"If we talk about the world's biggest problems, it becomes disempowering and you don't even know what step one is," he said.

But, according to Shah, "step one" is basic and fundamental.

"Step one is doing the smallest possible thing in this moment," he said. "And then step two will present itself."

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