

# MANAGEMENT 3548

## Social Entrepreneurship

*Being Awake to Opportunities  
brilliantly disguised as unsolvable problems*

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January 17, 2018

MISSION, OPPORTUNITY, STRATEGY

# CLASS TOPICS

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- Mission Statement, Opportunity, Key Strategies
  - Theory of change
  - Design for scale...strategy (activities and milestones)
  - Single best measure of success
  - Exemplary Ventures
  - Fundacion Paraguaya (SSAS)
  - Living Goods
- Life cycle stages: Preparing to scale
- January 22: Report #1 (Exercises 4.1 – 4.3)
  - Class presentations (3 slides to professor by midnight 1/21/18)
- Aravind Questions (for discussion of case on January 24)

# MISSION, OPPORTUNITY, STRATEGY

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1. What is the theory of change for each of these ventures?
  - Grameen Shakti
  - Sankara
  - Fundacion Paraguaya (SSAS)
2. What “customer” behaviors must they influence?
3. How do their strategies contribute to the likelihood of success?
4. Ten word mission statement and single best measure of success?



*Logic models work backwards from outcomes and impact to the resources/inputs and activities required to achieve these benefits.*

# THEORY OF CHANGE

Grameen Shakti, Sankara, Fundacion Paraguaya (SSAS)

# BASIC KNOWLEDGE

## Collective Intelligence

*Doug Engelbart*

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A focused mission with a clearly defined theory of change that logically links strategies to a specific outcome measure strengthens discipline in value creation *and* capital efficiency (cost/outcome).

# MINIMUM CRITICAL SPECIFICATIONS CHECKLIST

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## Mission, Opportunity, and Strategies

- Defines opportunity and key strategies
- States mission in less than 10 words
- Specifies single measure of success
- Outlines path to sustainability and scalability

# Exemplary venture: Fundacion Paraguaya (SSAS)

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*Provide practical entrepreneurial education that enables graduates to achieve financial success*

<http://skoll.org/organization/fundacion-paraguaya/>

# REAL IMPACT

Know your **real** mission.  
Measure the right thing.  
Get real numbers.  
Show that it was you.



# REAL IMPACT

## A **REAL** MISSION

Ten words or less

Verb. Target. Outcome.

# REAL IMPACT



“Save kids’ lives in Africa”

<http://skoll.org/organization/living-goods/>

# REAL IMPACT

## MEASURING THE RIGHT THING

Try this:

The single best indicator



# REAL IMPACT



“Change in child mortality rate”

# REAL IMPACT

## GETTING REAL NUMBERS

Start on day one.

The right baseline, the right interval.

Sample enough of the right thing in the right way.

(Make friends with a good statistician)

# REAL IMPACT

Attribution: showing it was you.

## COUNTERFACTUAL

What would've happened without you?

A satellite map of a river region, likely in Southeast Asia, showing a large river (Mekong River) and surrounding land. The map is overlaid with a semi-transparent blue rectangle containing text. The text reads "two." and "Matched controls".

two.

Matched controls

Roka Ar  
Kraom

Mekong  
River

at



# RANDOMIZED TRIALS

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# REAL IMPACT



“Change in child mortality rate”

SCALABLE  
IMPACT

LASTING BEHAVIOR

Living goods: 17 home health practices

SCALABLE  
IMPACT

## LASTING BEHAVIOR

The walk-away test:

WHAT HAPPENS WHEN THE DONOR LEAVES?



# LIVING GOODS

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**AMBITION FOR CHANGE:** Create a sustainable enterprise that not only delivers exceptional public health returns on minimal investment, but also serves as the conduit for innovative products helping poor consumers save money on fuel, improve crop yields, power lights and cell phones, and have clean water.

**PATH TO SCALE:** Franchising through partner networks, partnerships with Government Ministries of Health. Plus organizations, agencies, and networks with existing capacity to deliver financial services, products, and technical assistance to rural communities add LG franchises to their service portfolio.

**BUSINESS MODEL:** Sales recover product costs and generate retail margin to pay health workers; wholesale margin covers distribution costs.

# LASTING IMPACT

## MOTIVATION



# SCALABLE IMPACT

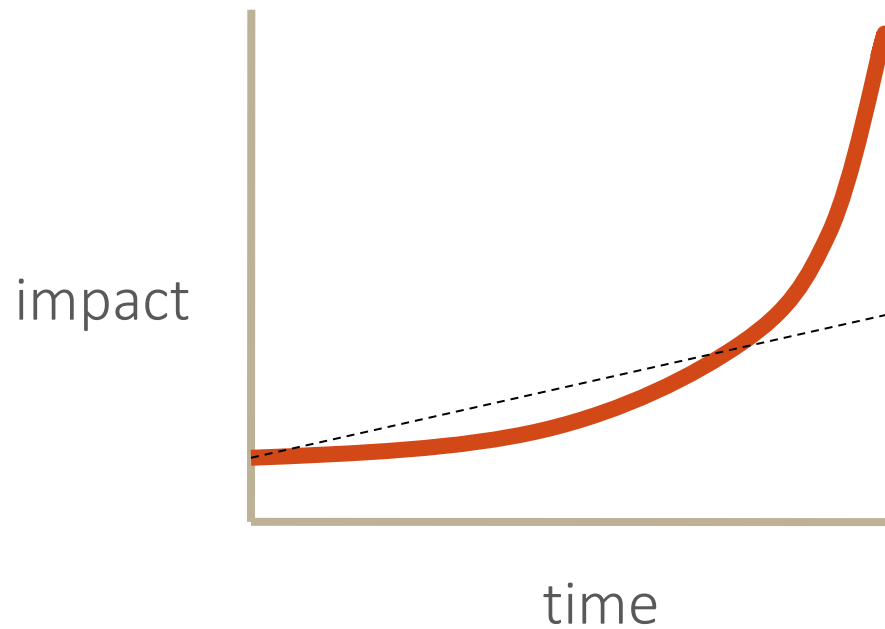
## BANG FOR THE BUCK

Living goods:

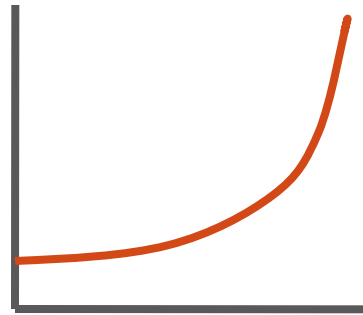
Cost per child < \$5 life saved

# SCALABLE IMPACT

...that goes to scale



# SCALABLE IMPACT



Big bang for the buck.  
Easy replication.  
Right route to scale.



# ROUTES TO SCALE

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1. **Government:** Aid, welfare, progressive policy
2. **Big Nonprofits:** Philanthropy or charity
3. **Replication through Networks**
  - **Affiliation:** Co-opt other organizations/ network of networks
  - **Dissemination:** Imitation / Social movements / Viral Spread
4. **The Market:** Scalable business models\*\*
  - Branching or franchising
5. ***Disruptive Technology*\*\***
  - Lower cost, less wealthy, greater convenience

# LASTING CHANGE AT SCALE

Real impact.

Lasting behavior.

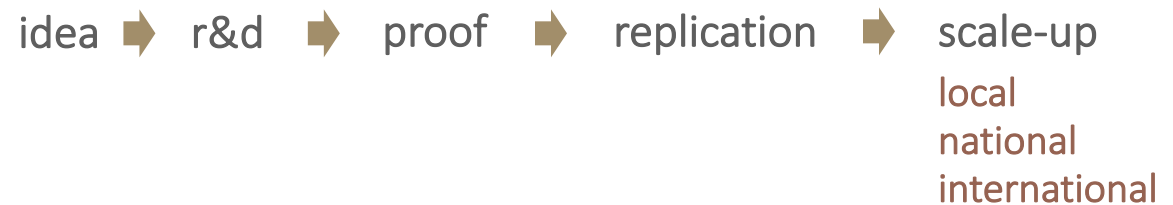
Big bang for the buck.

Easy replication.

Right path to scale.

# SCALABLE IMPACT

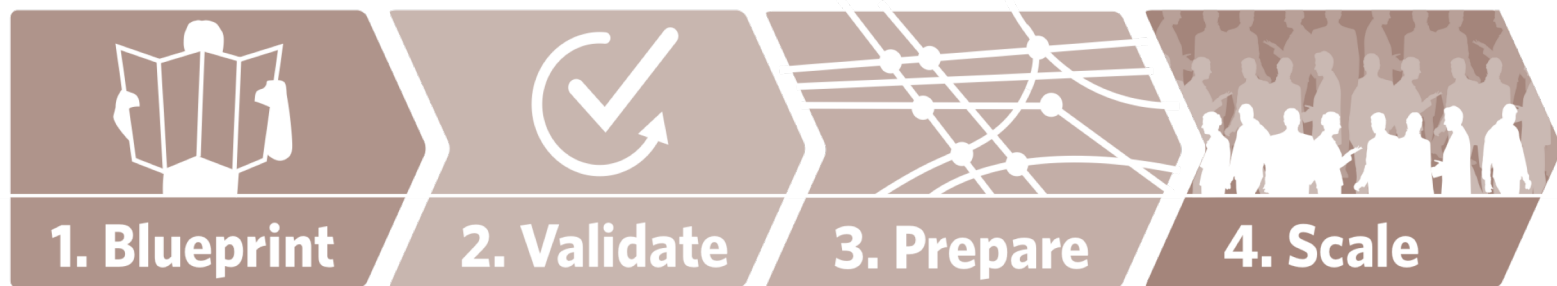
## STAGES: *Blueprint to Scale*



# STAGES: From Blueprint to Scale

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Monitor's research has identified the following four stages of pioneer firm development that are distinct both from the firm's experience and the investor's perspective:



In 2013 the GSBI transition from an *incubator* to an *accelerator* model shifts program and mentor focus to a greater emphasis on the *activities* and *end-milestones* associated with stage 3 and 4 firms.

<http://www.beyondthepioneer.org/>

# KEY ACTIVITIES

TABLE 1: Four Stages of the Pioneer Firm's Journey

STAGE				
	<b>1. Blueprint</b>	<b>2. Validate</b>	<b>3. Prepare</b>	<b>4. Scale</b>
	<i>Developing the blueprint for the future business</i>	<i>Testing and refining the business model</i>	<i>Enhancing the conditions required for scaling</i>	<i>Rolling out the model to reach large numbers of customers and/or suppliers</i>
<b>KEY ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• Understand customer needs</li> <li>• Develop initial customer proposition</li> <li>• Develop business plan</li> <li>• Develop core technologies and/or product prototypes</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct market trials</li> <li>• Test business model assumptions</li> <li>• Refine business model, technologies and/or product as required</li> </ul>	<ul style="list-style-type: none"> <li>• Stimulate customer awareness and demand</li> <li>• Develop supply chains, upstream and downstream</li> <li>• Build organizational capability to scale: systems, talent, plant, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Move into new geographies and segments</li> <li>• Invest in assets and talent</li> <li>• Enhance systems and processes</li> <li>• Exploit scale efficiencies</li> <li>• Respond to competitors</li> </ul>

Where is your organization on this continuum; what are its challenges?

# NEEDS AND MILESTONES



1. Blueprint



2. Validate



3. Prepare



4. Scale

## KEY NEEDS

- |  |   |  |   |
|--|---|--|---|
| <ul style="list-style-type: none"> <li>• Innovation capability</li> <li>• Strategy development and business planning</li> <li>• Talent networks</li> <li>• Seed funding</li> </ul> | <ul style="list-style-type: none"> <li>• Operationalizing the model</li> <li>• Focus on cost, value and pricing</li> <li>• Learning orientation and flexibility</li> <li>• Innovation capability</li> <li>• Funds to facilitate market trials and refinement</li> </ul> | <ul style="list-style-type: none"> <li>• Marketing strategy and execution</li> <li>• Supply chain design and implementation</li> <li>• Systems and processes</li> <li>• Talent and networks</li> <li>• Funds for marketing, supply chain, fixed assets, inventory</li> </ul> | <ul style="list-style-type: none"> <li>• Competitive strategy</li> <li>• Realizing scale efficiencies</li> <li>• Risk management</li> <li>• Formalization of impact standards and expectations</li> <li>• Stakeholder management</li> <li>• Funds to support expansion</li> </ul> |
|--|---|--|---|

## END MILESTONES

- |   |   |   |   |
|---|---|---|---|
| <ul style="list-style-type: none"> <li>• Compelling initial business plan</li> <li>• Demonstrated core technologies and/or product prototype</li> </ul> | <ul style="list-style-type: none"> <li>• Refined business model, technologies, product</li> <li>• Validation of viability and scalability</li> <li>• Indication of customer demand</li> </ul> | <ul style="list-style-type: none"> <li>• Strong customer awareness and demand</li> <li>• Effective supply chains</li> <li>• Organizational systems, talent, assets in place to support scaling</li> </ul> | <ul style="list-style-type: none"> <li>• Sustainably reaching all BoP customers and/or suppliers</li> </ul> |
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# ARAVIND: Assigned Discussion Questions

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What is Dr. V's vision?

How does Aravind segment its market?

How does the *McDonalds* operating model work in the context of Aravind?

Discuss with reference to specific:

- Processes
- Metrics

Can this (Aravind) model be replicated by others?

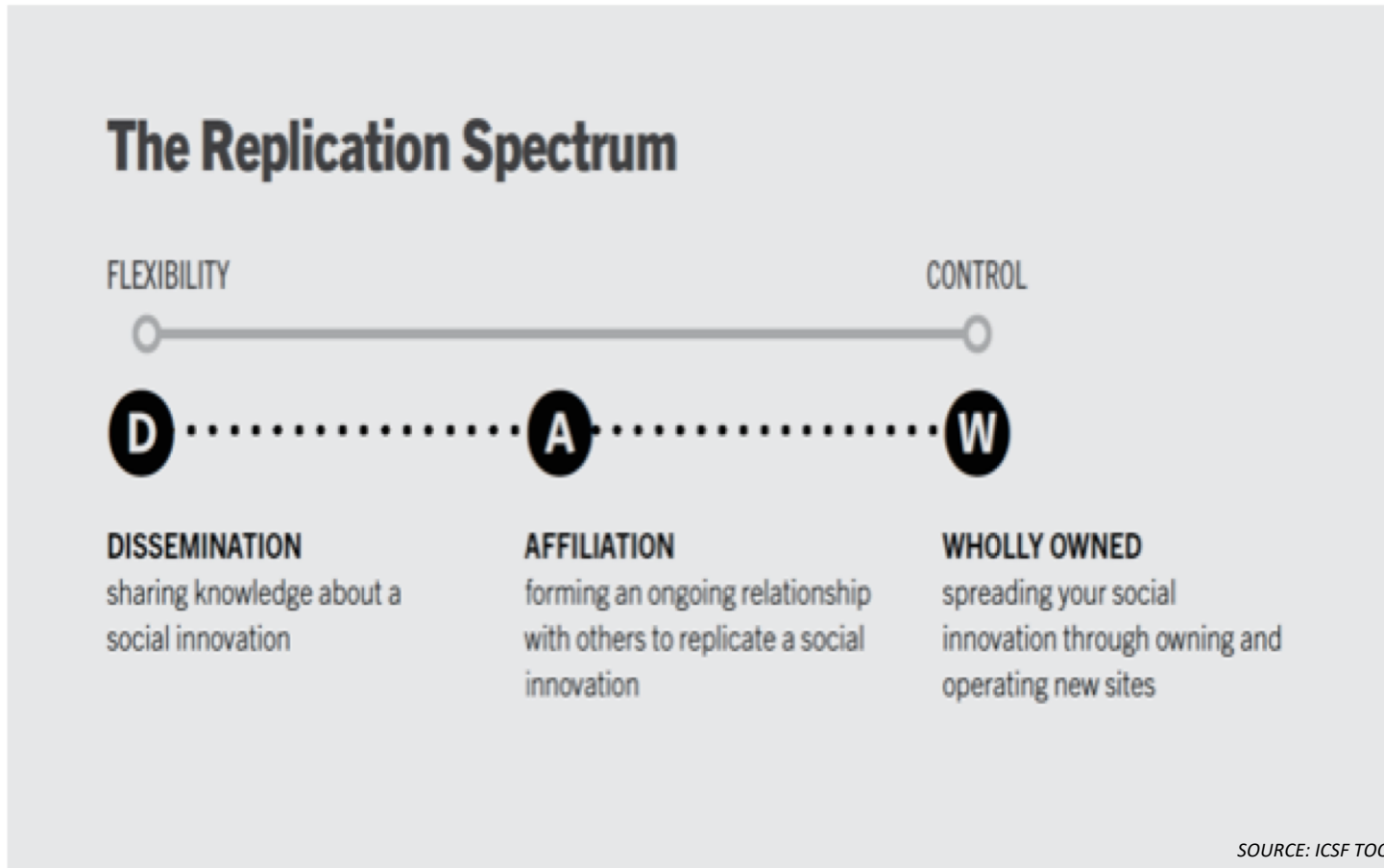
**Two-page outline of responses due at start of 9/4/16 class**

# Optional Slides

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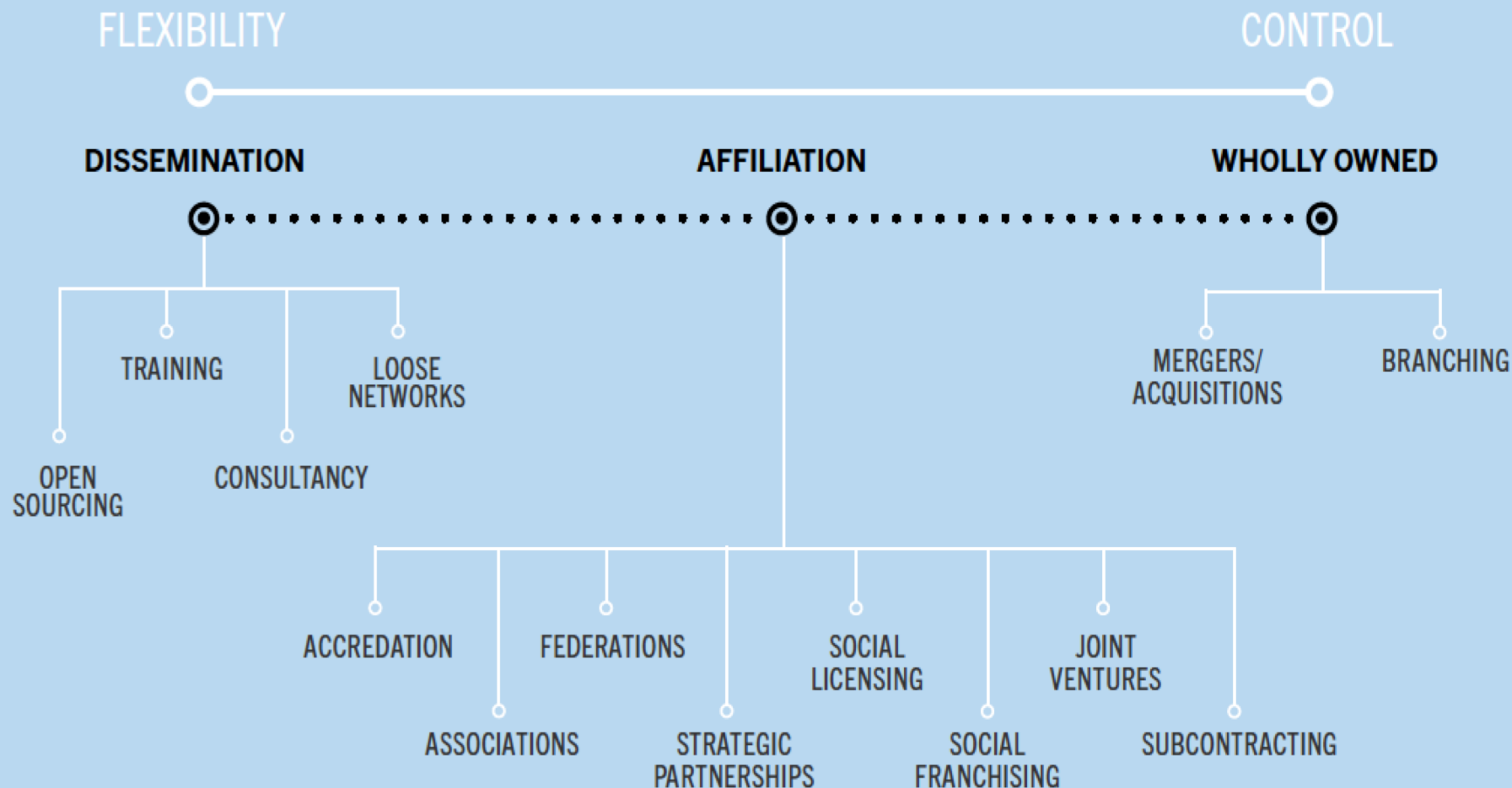
# DIFFERENT WAYS TO REPLICATE



# SCALING by (Social) Franchising



# Spectrum of replication models



# Structural Flaws: Why Few Social Business Scale

Al Hammond, Ashoka

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Knowledge of basic business tools

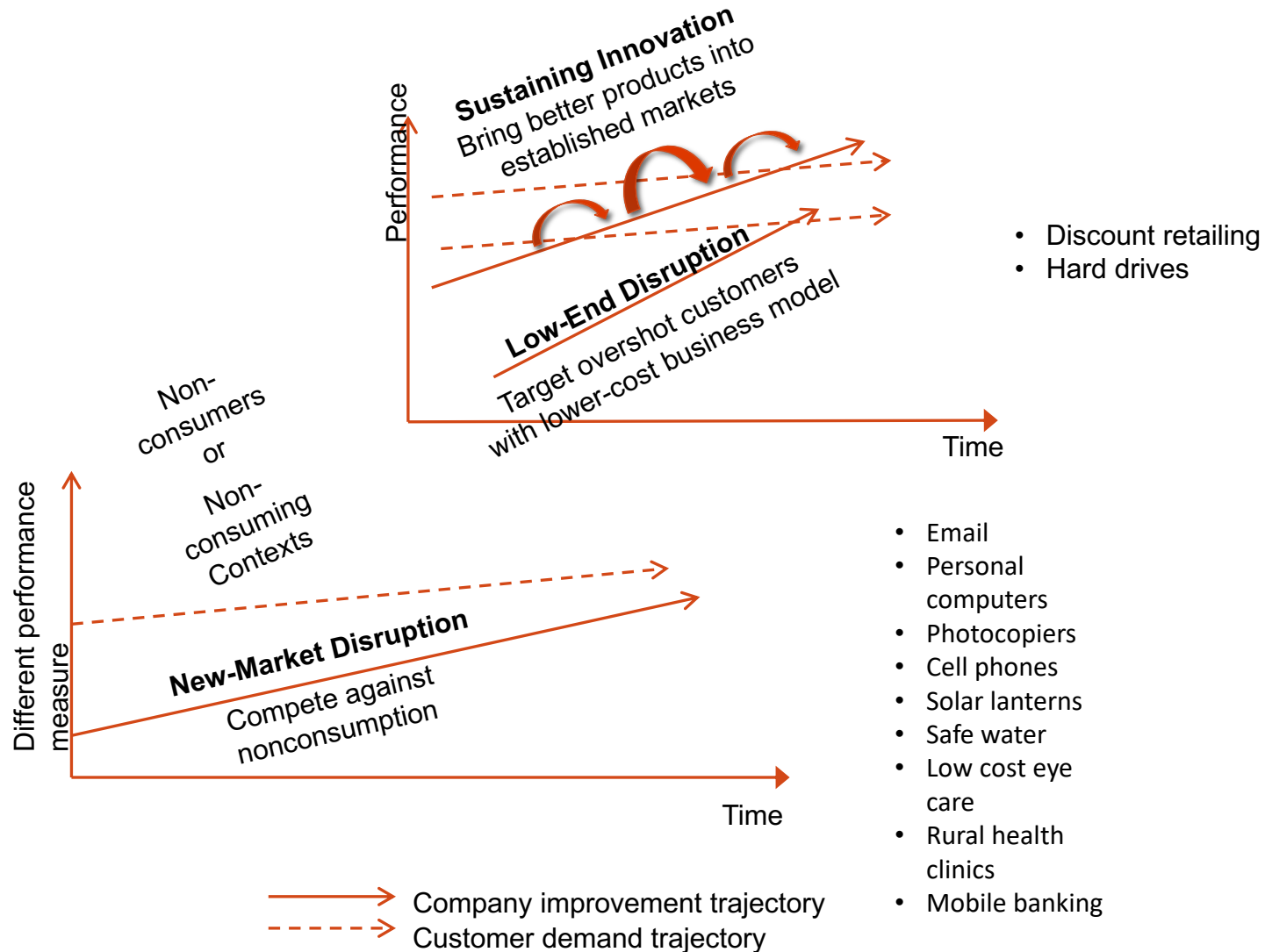
Building a diverse supportive ecosystem

- Strategic level (technology sourcing, global fundraising, etc.)
- Operational level (market creation, distribution, local talent, etc.)

Co-creating a solution

- Strong personal relationships
- Social capital / trust

# DISRUPTIVE INNOVATION (Technology)



# DISRUPTIVE INNOVATION QUESTIONS\*\*

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Can it be used by *less skilled* customers?

Can it be provided by *less-skilled* individuals?

Is access more decentralized than current alternatives?

Is cost of product or service lower than existing solutions?

Do existing organizations think that the target customers are undesirable?