

## Network of Global Agenda Councils

### Discussion highlights on **Social Entrepreneurship**

at the Summit on the Global Agenda, Dubai, United Arab Emirates 7-9 November 2008

*This reflects work that is still in progress. It will continue to be updated and revised.*

*The views expressed here emerged from the Council meeting and do not necessarily reflect the views of the World Economic Forum or those of all the Council Members.*

#### 1) What is the state of the world on this issue and how is the economic crisis impacting it?

We possess solutions to many of the world's most pressing problems addressed at this meeting – proven solutions that have been implemented at significant scale – and yet those solutions, created by social entrepreneurs, remain largely unknown to the world's leading business people, government officials and citizens.

There is consensus that social entrepreneurship remains in an “emerging excitement” phase. In some regions it is still in its infancy. The field has established itself in academia. The concept is widely embraced by the next generation: “Social Entrepreneurship is as well-known among university students as Twitter and Facebook.” However, if we take into consideration the public at large, it is not yet mainstreamed. While it is generally acknowledged that entrepreneurship is essential for a healthy economy, it is not yet accepted that social entrepreneurship has the same importance for a thriving society.

This lack of awareness poses significant challenges – both in terms of sustaining momentum and interfacing effectively with governments and businesses. Two significant problems the Council addressed are:

- 1) Lack of quantitative evidence: While the leading social entrepreneurs have clear metrics and evaluation systems in place, the quantitative evidence to prove the value and/or opportunity of social entrepreneurship in general is still missing.
- 2) Spread of solutions: The challenge is to scale them. We don't know how to leverage social entrepreneurs the way we know how to leverage business entrepreneurs.

### **Effects of the Crisis**

#### **Challenges**

- It is likely that social entrepreneurs will face funding challenges – although it's still too early to predict.
- Working capital and short-term credit are already proving to be challenges for social businesses.
- Some organizations meeting social needs will shrink, disappear or merge.

#### **Opportunities**

- Can we show that more ethical businesses, or businesses that serve the Base of the Pyramid, will be more resistant to the current downturn? For example, the original “sub-prime lenders” around the world are social businesses like Shorebank, in Chicago, which have successfully been lending money to low income clients for 30 years. Today their portfolios continue to perform with the same 2% default rate.
- People who reduce their philanthropy may be drawn to social investing, because of its stress on cost-effective social impact and preservation of capital.
- The funding and liquidity restrictions will increase the demand for innovative ideas and foster innovation and creativity.
- Social entrepreneurship also provides powerful opportunities to deliver meaning at a time when other “returns” are not looking very exciting.
- New talent could be attracted to the field: Income drops in business and banking might tip the scales for people who were already interested in social entrepreneurship but, up to a few months ago, couldn't bear to forego the lucrative salaries.

2) What should be done to improve the state of the world on this issue and by whom?

### **Raising Awareness with the Audience of the World Economic Forum**

The Council believes that the World Economic Forum is a powerful and highly leveraged venue to raise awareness of social innovation. We therefore proposed a number of activities that engage World Economic Forum Members, participants and broader audiences.

We propose that the Forum consider creating a publication that would highlight some of these ideas. It could be thought of along the lines of a must-read publication entitled: *“Ten innovations that have changed the world that you probably have never heard about”* or *“Ten business models that are changing their industries and what they tell you about the future.”*

This briefing document would provide:

- An overview of experiences from social entrepreneurship relevant to the Forum's participants
- Path-breaking social investment opportunities
- Concrete examples of new business models and products
- Examples of successful government-social entrepreneur partnerships providing big political pay offs and major social benefits

The Council believes that to successfully relay the potential of social entrepreneurship to busy people in a way that would shift behaviour, priorities and even life, exposure must be transformative.

Forum Members could see the work of social entrepreneurs firsthand and develop relationships at the site of the intervention. The Forum could broker these exchanges. If they are successful, the stories of engagement could be documented and retold to others.

The Council also proposed offering sessions at World Economic Forum events where short quality films about social entrepreneurs are shown – highlighting both their impact and the innovative business models they have come up with, and the emotional force of their stories to deepen the emotional and intellectual appreciation of the work of social entrepreneurship. The films could be followed up with panel discussions.

### **Social Investment and Philanthropy**

In an intensive meeting with the Council on Philanthropy and Social Investing, the disconnect between social investors and social entrepreneurs was discussed. Investors felt not many social entrepreneurs had the capacity for large investment – making it difficult to justify due diligence expenses. In addition, financial savvy required for financial investment was also seen as lacking. Philanthropic grants were seen as a way to bridge the gap by preparing profitable social entrepreneurs with the financial skills necessary to secure social investment. From the corporate perspective, the conversation for companies in the present crisis has to pragmatically shift from a CSR/philanthropy report to a social investment fund that invests in social entrepreneurs or goes towards funding internal projects focused on long-term sustainability.

### **The Social Entrepreneurship Field**

Within the field of social entrepreneurship, the focus on scaling innovation should encompass organizational considerations like building a cohesive network of funders and intermediaries who consolidate the most successful solutions rather than reinvent the wheel.

In addition, the field desperately needs advances in metrics and rigorous data development – data that is persuasive to business people and governments. Foundations or academic institutions can develop industry standards, measurement tools and performance data. Additionally, these constituencies can design forms to assist in product development for social enterprises.

It is clear that World Economic Forum constituencies stand to benefit by learning more about the innovation of social entrepreneurs and influence the future of the world.