

PROJECT MANAGEMENT & ENTREPRENEURSHIP

KHU-802

Unit 5

Notes

SOCIAL ENTREPRENEURSHIP

Social entrepreneurship is all about recognizing the social problems and achieving a social change by employing entrepreneurial principles, processes and operations. It is all about making a research to completely define a particular social problem and then organizing, creating and managing a social venture to attain the desired change. The change may or may not include a thorough elimination of a social problem. It may be a lifetime process focusing on the improvement of the existing circumstances. While a general and common business entrepreneurship means taking a lead to open up a new business or diversifying the existing business, social entrepreneurship mainly focuses on creating social capital without measuring the performance in profit or return in monetary terms. The entrepreneurs in this field are associated with non-profit sectors and organizations. But this does not eliminate the need of making profit. After all entrepreneurs need capital to carry on with the process and bring a positive change in the society. Along with social problems, social entrepreneurship also focuses on environmental problems. Child Rights foundations, plants for treatment of waste products and women empowerment foundations are few examples of social ventures. Social entrepreneurs can be those individuals who are associated with non-profit and non-government organizations that raise funds through community events and activities.

Benefits:

(a) Easier to raise capital

There are huge incentives and schemes from the government for a social enterprise. Since the investment industry here is ethical, it is easier to raise capital at below market rates.

(b) Easy marketing and promotion

A social problem is being tackled with a solution, it is easier to attract attention of the people and media. The degree of publicity often depends on the degree of uniqueness of the solution.

(c) Likeminded individuals support

It is easier to garner support from likeminded individuals since there is a social side to the enterprise. It is also easier to get people on-board at lower salaries than compared to other industry.

(d) Better customized services

Services in whichever section they may be offered are customized better to suit the needs of the individual or the problem. This is also designed in harmony with all other systems like the environment, society or the people.

(e) Cost effective solutions

Cost effectiveness is another advantage of a social enterprise. The solutions offered by these organisations in the form of either products or services are reasonable than compared to the same service provided by a profit making organisation. Basic amenities like healthcare, education etc. have become very affordable to people with the help of these institutions. Micro finance, for example, today caters not to the poor but to the poorest.

OPPORTUNITIES FOR SOCIAL ENTREPRENEURS

Opportunities for the entrepreneurs are listed below:

(a) Waste Management

Waste management is the corner stone for a clean and green India. Solid-waste management is the collecting, treating, and disposing of solid material that is discarded because it has served

its purpose or is no longer useful. Uncontrolled dumping of wastes on outskirts of towns and cities has created overflowing landfills that have serious environmental implications in terms of ground water pollution and contribution to global warming and the burning of waste leads to air pollution. In the absence of waste segregation practices, recycling has remained to be an informal sector working on outdated technology. Paper and plastic recycling have been especially growing due to continuously increasing consumption levels of both the commodities. Waste management is still largely left to traditional approaches and conventional systems that either don't work or are fraught with gaps in implementation. The current solutions are infrastructure based, require large investments and are always on a catch up mode. This is an unexploited space that need innovative ideas and as an entrepreneur one can make money in this area.

(b) Deep Cleaning Services

Swachh Bharat Mission (SBM), Swachh Bharat Abhiyan, or Clean India Mission is a country-wide campaign initiated by the Government of India in 2014 to eliminate open defecation and improve solid waste management. It is a restructured version of the Nirmal Bharat Abhiyan launched in 2009 that failed to achieve its intended targets. Phase 1 of the Swachh Bharat Mission lasted till October 2019. Phase 2 is being implemented between 2020–21 and 2024–25 to help cement the work of Phase 1. Initiated by the Government of India, the mission aimed to achieve an "open-defecation free" (ODF) India by 2 October 2019, the 150th anniversary of the birth of Mahatma Gandhi through construction of toilets. The objectives of the first phase of the mission also included eradication of manual scavenging, generating awareness and bringing about a behaviour change regarding sanitation practices. The second phase of the mission aims to sustain the open defecation free status and improve the management of solid and liquid waste, while also working to improve the lives of sanitation workers. Cleaning

industry is still untapped and it needs entrepreneurs to step in and change the face of the sector by using their innovative skills and techniques.

(c) Green Infrastructure

Nature can be used to provide important services for communities by protecting them against flooding or excessive heat, or helping to improve air, soil and water quality. When nature is harnessed by people and used as an infrastructural system it is called “green infrastructure”. It is most often associated with green storm water management systems, which are smart and cost-effective. Storm water is described as the “water that originated from natural precipitation” but is blocked from seeping into the ground and becoming a part of the underground natural water system. Roadways, compacted soils, parking lots and similar impervious developments don’t allow the natural runoff, thus risking the safety of life and property above ground. One heavy rainfall in cities like Delhi and everything comes to a standstill. Storm water management aims to restore the natural water cycle as closely as possible. While cities still remain impervious, smart storm water management replicates the natural underground aquifers and even allows for the reuse in water-intensive activities like farming. The simplest storm water management technique is water storage tanks that collect the excess precipitation. This water can be treated and recycled for urban purposes like plumbing, sprinkling, and even indoor uses like washing. The main problem in rural areas is impermeable surfaces (e.g. caused by roads and buildings) and overstrained sewer systems. In rural areas it can lead to erosion of agricultural land. Furthermore, this water could be used for agriculture and drinking water. Beside techniques that can be implemented in rural and urban areas there are specific tools for rural areas and agriculture land. For example, spate irrigation, rooftop harvesting. Green Infrastructure provide huge opportunities for entrepreneurs in future.

(d) Water Management

Water is one of the most important element of life. But the scarcity of drinking water, is appalling. In today's time, access to clean water is the biggest achievement for any family living in remote areas of the country. As an entrepreneur one can figure out the best way to solve this problem with the help of entrepreneurial skills.

SOCIAL ENTREPRENEURSHIP SUCCESSFUL MODELS

The social enterprises come up with innovative as well as people-friendly solutions to bring a positive change in the society. What makes them different from the corporate world is their basic aim; they work for the people who live below poverty line and offer flexible working environment to people. Although the concept of social entrepreneurship has been around since 1960s and is promoted by many individuals

(a) The Skoll Foundation (North America)

Founded by Jeff Skoll, the first president of ebay, the Skoll Foundation supports the social enterprises and highlights their work by establishing their partnerships with Sundance Institute and NewsHour with Jim Lehrer.

(b) NIKA Water Company

NIKA water company is another social enterprise in America. The company sells bottled water in the country and brings clean water to the developing world with its profits. It uses its 100 percent profit in the activity.

(c) Grameen Bank (Bangladesh)

Social enterprise is not a new concept but it started becoming popular only in 1960s. There may be different rules and regulations for social enterprises around the world but their basic concept remains the same. Their ultimate aim is to serve the people of the society who are at the bottom of the pyramid. In Bangladesh, Muhammad Yunus incorporated the Grameen Bank,

a microfinance organization that makes small loans to people living in rural areas without requiring collateral. The bank does not believe in charity but in offering help to people as an initiative to break through the poverty cycle.

(d) Echoing Green (USA)

Based in New York, Echoing Green is a non-profit organization that operates in social sector investing. For last twenty years, it has been working in this field encouraging and helping young entrepreneurs to launch new organizations.

(e) Rang De (India)

Rang De is a not profit online organization in India that lends small loans to individuals planning to start a new or grow their existing business. It is a successful attempt to bring together the two parts of India one of which is successfully progressing while one is left out due to shortage of resources. Founded in the year 2006 by Ramakrishna NK and Smita Ram, Rang De, today is a major online platform in the country.

(f) Schwab Foundation for Social Entrepreneurship

Founded by Professor Klaus Schwab and his wife, the main purpose of Schwab Foundation for Social Entrepreneurship is to promote social innovation. The foundation does not give grants but addresses social problems and provides platforms at the country, global and regional levels.

(g) Omidyar Network

Established in 2004, the Omidyar Network is a philanthrocapitalist investment firm that fosters economic advancement. With a network of for-profit companies, the network encourages participation in the areas of government transparency, microfinance, social media and property rights. Headquartered in Redwood City, California, it was established by Pierre Omidyar and his wife Pam.

EXAMPLES OF SOCIAL INNOVATION IN INDIA

Social innovations are new idea(s) namely products, process, services and models that simultaneously meet social needs and create new social relationships or collaborations. In other words, these are the innovations which are both good for society and enhance society's capacity to act. For example:

(a) Smart white cane

Some social innovations have found way in mainstream due to their immense utility for one and all. For example, some of these have successfully managed to integrate Divyangjan (Specially able) into the society by helping them overcome their challenges. Visual impairment is a disability more commonly caused by diseases that lead to several disadvantages to the daily activities amongst those blind. For almost a century since the white cane was first introduced, the cane has remained as the most reliable tool for those affected by blindness. The smart white cane specially designed for the visually challenged, detects obstacles to help them to navigate easily.

(b) Swachhta Abhiyan

The Swachhta Abhiyan has led to a significant behavioural change which has been witnessed by everyone. These are the indicators of the society's capacity to act. It is noteworthy that catering to the need of the multi-linguistic requirements of our country is one of major factor behind success of Swachhta Abhiyan. So involving community through proper socio-cultural interlinks where one can accept the programme as their own is an another important dimension of such social action related drive.

(c) Low-cost sanitary pad making machine

A social entrepreneur from Tamil Nadu Mr. Arunachalam Muruganantham invented a low-cost sanitary pad making machine, and developed grass-roots mechanisms for generating awareness about traditional unhygienic practices followed during menstruation, particularly in

urban slums and rural India. In fact, the film, 'Pad Man' released in 2018 popularised sanitary pad among the women for their safe reproductive health and hygiene, also depicted about the prevailing taboos and stigmas on such natural phenomenon of womenfolk. Perhaps, Pad Man is one of the finest success stories of our times that show how a minor innovation can bring about major change in the life of women. When a small innovative step leads to a great impact on the society at large, such an innovation is known as social innovation. It means- 'It is about new idea that works'.

USE OF MARKETING IN SOCIAL ENTERPRISES

Marketing strategy is the key element in building a sustainable business venture. It starts with clarifying the vision, mission and values of the social enterprise, analyzing the potential users and competitors and elaborating the market determinants such as product, price, placement and promotion. Managing effective distribution systems, promotion and communication are important factors in achieving the desired social impact. Marketing for social entrepreneurship is a social and managerial process in which individuals and groups receive what they want and need through the exchange of products and values. The task of marketing is to identify and define specific markets for specific products.

Marketing Research and Analysis

The first step in successfully positioning the new business venture, is to conduct a thorough marketing research, by analysing and asking the below questions.

- Who the existing and potential users of the products and services will be?
- What is the market size?
- Who are the competitors?

The market should be analysed in terms of demographics, social-economical and geographical distribution and size. The questions that can be asked are:

- Who are you targeting?
- What are the main characteristics of the target group?
- How many people you want to reach?
- Where are those people?

Understanding the competition help us determine:

- Competitive advantage
- Faults and gaps that need to be addressed
- Better understanding the customer *(so that enterprise can be positioned for success)*
- What the competitors are offering, how much they are charging, what are their main competitive advantages and strong selling points *(It will give an idea of what should be done to create a better targeted service or product)*

Even if the product is really unique and offer something that has never been offered before, we are still competing with something else for the time, money and attention of the targeted audience. Getting to know people's consumption patterns, style of life and decision-making processes will give a strong foundation in creating a product or service that best addresses consumer needs and wants.

The Four Ps of the marketing mix

The Four P's is a common tool to analyze the marketing mix of the business venture, introduced by McCarthy (1960) and popularized by Philip Kotler in his numerous researches. The four P's represent the product, price, placement and promotion and aims at comprising all aspects of the production and deliverance processes in a simple and convenient manner.

(a) Product

The product or service that is created through a user-driven design is the core of the marketing strategy. When creating the product, we should think of its key attributes that make it unique

and valuable for the customers (the core offering). The product has some physical attributes, including packaging, while the service is more intangible and abstract.

The service, unlike the material product is produced, sold and consumed at the same time. It cannot be stored for future use. The perception about the quality of the service is highly subjective and depends on both: the service provider and the service recipient (the end user).

(b) Price

The price is a key element that determines not only the competitiveness of the product/service but also its accessibility to the audience, thus reflecting the social outcome of the venture.

The goal of the social enterprise is to make the product or service as accessible as possible, and that means offering the value needed to produce the desired social outcome in the most affordable manner. In the same time the quality should not be compromised in order to secure lower price. Optimizing the costs of production is the key to success in both: maximizing customer benefits and ensuring financial sustainability of the enterprise. But affordability does not depend only on managing manufacturing costs. It can also be attained through external financing, creative payment or distribution schemes. These multiple aspects should all be reflected in the marketing and the business plan. The cost refers to what you're paying to produce, promote, and distribute your product or service, while the pricing refers to what you're charging your customers or clients. In certain cases, the price for the product or service could be placed below the cost of production, if other activities or sources of revenue could subsidize it and ensure the financial viability of the enterprise. These may include donations from fundraising, corporate sponsors, or the addition of multiple revenue-generating activities that can cover the costs of one another. An example of the latter is when an organization offers multiple products or services to multiple customer segments some with higher profit margins than others. This is called differential pricing, and it allows the organization to cross-subsidize the lower-priced items using the profits from the higher-priced items. Example of differential

pricing is charging a different fees depending on the income level or the social status of the users or using discounts for attracting marginalized groups of people. It is always good to remember that the end goal of the social enterprise is not maximizing the financial profit, but maximizing the social benefits for the targeted audience. It is not about getting more money out of the venture, but reaching more people by finding better solutions for their problems and challenges.

(c) Placement

Placement refers to the distribution channel that are employed in delivering the product and the service to the end users. Accessing more people or larger target audience is a key factor for the success of the social enterprise.

(d) Promotion

Promotion focus on building relationship with the potential customers. Effective promotion heavily relies on understanding customers' behaviors and preferences and on resources that the company has for advertising. It's also important to understand the sociocultural components of building ties with your customers. By promotion we can get the answers of the following questions:

- What is acceptable and desirable in your specific setting?
- Do people prefer electronic, paper, or human/in-person advertisements?
- Will you be working through existing channels (e.g., placing an advertisement in supermarkets, newspapers or websites) or advertising independently (e.g., sending SMS advertisements, mailing, going door to door, etc.)?

Mapping out the promotional strategy involves centering it around the customer's behavioral patterns and life styles, your available resources (i.e., team and funding), and the social preferences and customs within which you are operating (Chahine, 2016). Many companies offer their product or service for free to first-time customers, to hook them into coming back.

Another common practice is to offer packages, like discounted prices for multiple purchases. Other ventures offer promotions for repeat customers when they bring in or recommend new clients, providing discounts to both as an incentive. Branding plays an important role in the promotion and advertising process. It is about how the social venture is presented and how the desired projected image it conveyed.

Elements of the branding process and the process of positioning the enterprise on the market in a successful way are mentioned below:

- Picking the name of your social venture
- The name of the enterprise
- The logo
- The colors on the image
- The style in which the information is presented
- The web-site design
- The way that the team interacts with the customers

These elements form the “identity” of the venture. The brand is the first opportunity to convey the values and the vision of the venture.

RISK MANAGEMENT IN SOCIAL ENTERPRISES

Every social business should have a process that provides it with a systematic view of the risks it faces over the course of its activities. As part of this process, establish all relevant risk registers to identify the risks that the organisation faces, grading them in terms of likelihood of occurrence and seriousness of impact. Then, create plans for managing each risk. Below, we look at ways to mitigate risk in a social business using the XYZ Centre as a case study.

The purpose of a risk register

The purpose of having a risk register is to ensure levels of risk and uncertainty are properly managed so that the organisation can achieve its objectives.

Below are outlines of the process by which the XYZ Centre's risk registers are established, maintained and reviewed.

Key elements of a risk register

For the purposes of this example:

- **Risk** is taken to mean the chance that an event will occur that will impact on the Centre's objectives. It is measured in terms of impact and likelihood.
- **Risk Assessment** is taken to mean the process used to determine risk management priorities by evaluating and comparing the level of risk against predetermined acceptable levels of risk.
- **Risk Management** is taken to mean the systematic application of a management system (policies, procedures and guidelines) to the task of identifying, analysing, treating and monitoring risk.
- **Risk Register** is taken to mean a register which records details of all the risks identified for an organisation or programme, their grading in terms of likelihood of occurring and seriousness of impact on the organisation, initial plans for managing each high level risk and subsequent results.
- **Impact** (also known as consequence) is taken to mean the outcome of an event expressed as a loss, injury, disadvantage or gain.
- **Likelihood** is taken to mean a qualitative description of probability or frequency.
- **Control** is taken to mean that portion of risk management that involves the implementation of actions to eliminate or minimise adverse risks.

Risk Management Responsibilities

- The Management Board oversees risk management at the XYZ Centre. It is supported in this role by the Audit and Risk Committee which scrutinises and advises the Board on matters relating to risk management.
- The Chief Executive Officer (CEO) is required to ensure that a corporate risk register, as well as programme, project and function risk registers are established, implemented and maintained. Directors are required to develop risk registers for the functions that they manage e.g. HR, IT and finance.
- Programme Directors are required to develop risk registers for the programmes which they lead. Managers are required to develop risk registers for the projects which they lead.

Creating a Risk Register

There will be a corporate risk register as well as programme, project and function risk registers at the Centre. These will be developed using the Centre's standard risk template. The risk register assesses the likelihood and impact of each risk. The risk register methodology includes the date the risk was identified, a description of the risk and clearly defined impact, as well as likelihood and impact scores, risk score and class. You should also outline the control measures, target risk score and target date, risk owner and dependencies. A copy of the corporate risk register will be distributed to the Board, SMT and managers. Programme registers will be shared with SMT and managers. Project and function risk registers will be shared with the relevant managers and programme directors. Matters are that not deemed to be a risk but need to be considered and kept under review should be recorded in an issues log.

Maintaining a Risk Register

The corporate risk register will be reviewed by the SMT on a monthly basis and it will go to the Management Board to be reviewed at each meeting. Each programme risk register will be

reviewed by the relevant Programme Director and managers on a monthly basis. Programme risk registers will then be reviewed by SMT on a 6 monthly basis as well as by any relevant Programme Management Board, such as the Social Business Wales Management Board. The Board will review programme risks at each meeting as part of the progress report. Project and function risk registers should be reviewed at team meetings on a monthly basis and be part of the agenda of meetings with managers. The Audit and Risk Committee will review the content of all Wales Co-operative Centre risk registers, as well as the related processes for managing risk, as often as it chooses but on at least an annual basis. SMT members and managers are required to ensure they report any new risks, or changes to existing risks as soon as they are aware of them for incorporation into the relevant risk register. Corporate risks should be reported to the Chief Executive, programme risks should be reported to the relevant Programme Director and project or function risks should be reported to the relevant Director or Manager. Any risk deemed to be a very high risk (or a red risk) on a programme, project or function risk register will automatically be escalated for inclusion in the corporate risk register. Such a risk will remain on the corporate risk register until such time as the risk is deemed to have been reduced to have been reduced to high risk.

LEGAL STRUCTURES FOR OPERATING A SOCIAL ENTERPRISE IN INDIA

There are a number of reasons and implications of choosing the right legal structure, such as, how the social enterprise gets funded, how the profits (if any) get distributed, governance structure, reporting responsibilities, tax liabilities, and ownership pattern. India, unlike many other countries--like the US and the UK--does not have plenty of leeway in terms of legally structuring a social enterprise. India has the following three types of legal structures that social enterprise can opt for:

(a) Non-Profit or Public Charitable Organization

A non-profit is legally structured in India as a charitable Trust (under the Indian Trusts Act, 1882), NGO (under of the Companies Act, 1956) or Society (pertaining to societies registration, of the concerned state). The non-profit has to use approximately 80% of its funds as charity for public good and 20% of its funds for operational and internal organization costs. Non-profits work on grants model but they can earn revenue that has to be for 100% charity in fund usage.

Advantages

- The biggest benefit of registering, as a non-profit is the eligibility to get tax benefits under the Income Tax Act of 1961.
- They can also accept foreign donations under the Foreign Contribution (Regulation) Act.
- Ability to focus solely on creating social impact without the pressure of financial return.

Disadvantages

- One of the problems with this model is that perhaps the inability to hire top-class talent or invest in latest technology and infrastructure.
- Constant needs to raise funds.

(b) The For-Profit Social Enterprise

Social enterprise is legally structured as a for-profit/ business entity with a clear social impact goal defined. In India, there are five options to setup up a for-profit social enterprise:

(i) Sole proprietorship

A sole proprietorship is an unincorporated business with only one owner who pays personal income tax on profits earned. The main disadvantages of sole proprietorships are that they do

not have any government protection as they are not registered. This means that all liabilities extend from the business to the owner.

(ii) Partnership

A partnership is an arrangement between two or more people to oversee business operations and share its profits and liabilities.

(iii) Limited liability partnership

Limited liability partnerships (LLPs) allow for a partnership structure where each partner's liabilities are limited to the amount they put into the business. Limited liability means that if the partnership fails, then creditors cannot go after a partner's personal assets or income.

(iv) Private firm

A private company is a firm held under private ownership. Private companies may issue stock and have shareholders, but their shares do not trade on public exchanges and are not issued through an initial public offering (IPO).

(v) Co-operative

A cooperative is a member-owned financial institution that is formed with the goal of meeting the social, economic, and cultural needs of the members. A cooperative should be made up of at least five members, and each member enjoys equal voting rights regardless of the number of shares they own. 80% of Indian social enterprises are structured as a for-profit private limited company (PLCs). This type of legal structure is perhaps best suited for social enterprises that are looking for growth and profitability. The business model is based on the social impact it wants to make or the social problem it is trying to solve.

Key features of social enterprise are:

- The benefactors of the impact and target customers paying for the product or service might or might not be the same.

- The enterprise can be structured for impact investments with options of debt or equity; will report its profits or returns as well as its social impact reporting of their work.
- The social enterprise internally functions like any other commercial business in terms of management, operations, people and resources.

Advantage

- Ability to attract funding from venture capital (VCs), pay top dollar for good talent and invest in technology and infrastructure.

Disadvantage

- Sometimes focus on profits leads to mission drift that makes the original shareholders and stakeholders unhappy.

(c) The Hybrid Model

With the evolution of the concept of social entrepreneurship, new successful models of sustainable income have been seen. The hybrid model brings a non-profit entity and a business (for-profit) entity together to solve the social problem. The non-profit entity is able to raise/accept grants for the benefactors and at the same time, it can charge for its services/ products through its business entity as a revenue model. The hybrid model helps organizations aiming to achieve high social impact by offering them cross subsidy options that strike a balance between customer acquisition and quality access of services to benefactors.

Advantage

- This is the best of both worlds, allowing a social enterprise to separate the social and revenue generating activities. The model ensures, that social enterprises can both attract donations and grants, and still be able to have access to social venture funding.

Disadvantage

- Focusing on both types of entities could be a problem and so the issue of building a common culture.