

SOCIAL ENTREPRENEURSHIP AND LEADERSHIP

On the first day of class on Social Entrepreneurship, when I ask students “who sees themselves as a social entrepreneur?” about half of the students raise their hands. When I then ask: “who sees themselves as a major contributor to a social venture?” a majority do. There are multiple roles for those who want to contribute to mission-driven ventures; the most important thing to do is to understand what kind of contribution fits you best.

Entrepreneurial leadership can take many forms but social entrepreneurs who succeed display common characteristics that include courage, adaptability, and opportunity obsession. Whether you are an inventor, a scaler or an ecosystem builder, or a supporter who enables others to succeed in these roles, you should be ready to utilize all your talents to innovate to create organizations that benefit society. We hope you enjoy the adventure.

DEFINING SOCIAL ENTREPRENEURSHIP

When they attempt to define social entrepreneurship, most scholars start with the concept of entrepreneurship. Entrepreneurs have multiple characteristics but the ones that are cited most frequently are tenacity, creativity, a bias to action, and an unrelenting interest in creating something new or different that addresses an unmet market need.

In their 2007 article in *Stanford Social Innovation Review*, strategist Roger Martin and Skoll Foundation CEO Sally Osberg went further and identified an important quality of entrepreneurs. They observe a suboptimal situation (for example, lack of credit

Learning Objectives

- Define social entrepreneurship. Identify key attributes and distinguish it from other approaches to achieving social goals.
- Describe how social entrepreneurs create value.
- Identify important characteristics displayed by entrepreneurs and social entrepreneurs.
- Explain the core activities of social entrepreneurs and examine criticisms of social entrepreneurship.
- Compare different approaches employed by social entrepreneurs and identify the potential for transition between roles.
- Identify your core motivations and answer important questions social entrepreneurs should address about their motivations and abilities.

access for the poor) and create a venture that leads to a permanent shift to “a new stable equilibrium, one that provides a meaningfully higher level of satisfaction for the participants in the system.”¹

Longtime Harvard Business School Professor Howard Stevenson defined entrepreneurship a little bit differently, calling it “the pursuit of opportunity without regard to resources controlled.”² By this, Stevenson meant that entrepreneurs look outside their immediate context to assemble resources in original and different ways to create new value.

What about the “social” in social entrepreneurship? In short, it means that the organizations social entrepreneurs found prioritize social benefits before profit. Social ventures *can* be profitable, but the primary goal of the social entrepreneur is to use those funds to further social good.

Professor Gregory Dees, one of the earliest and most influential thinkers in the field, expanded on Howard Stevenson’s ideas by defining social entrepreneurs as individuals who play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value)
- Recognizing and relentlessly pursuing new opportunities to serve that mission
- Engaging in a process of continuous innovation, adaptation, and learning
- Acting boldly without being limited by resources currently in hand, and
- Exhibiting heightened accountability to the constituencies served and for the outcomes created.³

Let’s add to this definition with three additional themes:

- Focused on society’s most pressing social problems
- Committed to offering new ideas for wide-scale change
- Interested in applying practical, innovative, and sustainable approaches

In their 2008 article, Martin and Osberg distinguished between entrepreneurship and social entrepreneurship based on the way that value is distributed. “For the entrepreneurs, the value proposition anticipates and is organized to serve markets that can comfortably afford the new product or service and is thus designed to create financial profit.”⁴ In contrast, the social entrepreneur “neither anticipates nor organizes to create substantial financial profit for his or her investors—philanthropic and government organization for the most part—or for himself or herself. Instead, the social entrepreneur aims for value in the form of large scale, transformational benefit that accrues either to a significant segment of society or to society at large.”⁵

This is also what Dees meant by mission-related impact rather than wealth creation being the central criterion for social entrepreneurs, writing that for them, “the social mission is explicit and central” and that “wealth is just a means to an end for social entrepreneurs.”⁶

Martin and Osberg further define social entrepreneurship by distinguishing between it and two other activities. One is **social service** provision, which has social benefits but is focused on immediate benefits not broad change. A second is **social activism**, which is intended to create change by influencing others to act, but not necessarily to create value through entrepreneurship.

Social entrepreneurship is also distinct from **stakeholder capitalism** and **environmental, social, and governance (ESG)** investing, although both have received attention in the past decade as customers and investors have increasingly demanded that companies they interact with act with transparency and consider social impact.

- *Stakeholder capitalism* is a corporate orientation to serve the interests of multiple stakeholders, including shareholders, employees, suppliers, and the communities in which they operate. Rather than maximizing shareholder value, the intent is to enhance long-term value for a variety of stakeholders.
- *Environmental, social, and governance (ESG)* describes a set of criteria used by investors that evaluate the positive social impact of an organization’s activities. These could include the organization’s pay structure, environmental impact, protection of shareholder rights, or provision of other social benefits.

While stakeholder holder capitalism and ESG have raised awareness of the responsibility of private organizations to consider objectives beyond profitability, they are distinct from social ventures in that they do not make social impact their central goal.

A related concept is the **triple bottom line**, which is the idea that companies should also measure environmental and social benefits in addition to profit. Efforts to balance the three elements—profit, planet, and people—exist at triple bottom line companies as diverse as Ben & Jerrys (now owned by Unilever) and the LEGO Group.

THE PROMISE OF SOCIAL ENTREPRENEURSHIP

It started with a little amount of money. So little that you can laugh at it looking back. A total loan of \$27 for 42 people—not even a dollar a person.⁷

–Muhammad Yunus

This was the simple beginning of Grameen Bank, an organization that has changed the world under the leadership of economist Muhammad Yunus, Grameen's former CEO and the 2006 winner of the Nobel Peace Prize.

Yunus created Grameen Bank after he observed that people living in rural villages in Bangladesh were unable to lift themselves out of poverty because they lacked access to banking and credit, despite having all the drive and potential of their higher income counterparts. After his \$27 experiment, he tried to expand by offering himself to banks as a guarantor; they were not willing to lend to the poor, so he funded loans personally. Based on this experience, he turned lending upside down, challenging the conventional wisdom (loan to men, concentrate on urban areas, require collateral) and did exactly the opposite. This new way of thinking evolved into Grameen Bank, which today works in every village in Bangladesh and has 8.5 million borrowers, 97% of whom are women. And unlike most other lending institutions, borrowers own the bank.⁸

Yunus was not the first to see promise in the concept of microfinance. The creation of community-based and informal financial institutions had existed for hundreds of years prior to Grameen Bank's launch in 1983. In Ireland "loan funds emerged in the 1720s using peer monitoring to enforce the repayment in weekly installments of initially interest-free loans from donated resources."⁹ In Germany, the first thrift society was established in 1778, and by the mid-1800s, spurred by a mid-century famine, credit cooperatives were formed in both urban and rural areas.¹⁰ But we credit Yunus with adapting the model in Bangladesh, growing Grameen to create a much more ambitious organization.

In addition to providing loans, Grameen has worked to foster a culture of self-sufficiency. For example, Yunus described how after observing limited sanitation in Bangladesh villages, "We made a rule that if you want to join Grameen Bank you need to dig a hole (for a privy) and use it. After that, we started to give loans for decent sanitary facilities. This influenced the women in well-off families—who asked "why the beggar woman has a latrine and we don't."¹¹ Social pressure created a new standard in these communities, enabling rural villages to dramatically increase access to sanitation.

Yunus also expanded Grameen's scope beyond loans and other financial services. He created a low-cost health insurance program for borrowers and their families. He teamed up with French food conglomerate Danone to form Grameen Danone Foods, and created a yogurt with micronutrients, which helps serve children in Bangladesh—half of whom are malnourished. Grameen created a nursing college, to provide education and increase the supply of good-quality nurses. It started a water company to deliver clean water to rural areas and, understanding that going barefoot makes people vulnerable to parasitic diseases, Grameen created a shoe manufacturing company that produces shoes for under €1.

Yunus believes that creating social businesses—where impact, not profit, is the goal—can solve many of the world’s most pressing problems. He said: “Whenever I see a problem, I design a business to solve the problem.”¹² In his view, all of the UN Sustainable Development Goals, including reduction of poverty, achieving health goals and improving education, “are also excellent social business ideas.”¹³

His vision also extends to education:

Why should, in this day and age, anybody still be illiterate, tell me? There is no reason. The illiterate person has a phone in her hand. If you can come up with good software like games and things which are fun, people will be having fun and at the same time they will learn to read and write. You don’t need a school, you don’t need teachers any more, because technology provides all these facilities. We’re looking (to create) social businesses to make this technology, and many technology companies are paying attention to it. Education for everybody is possible. The education for the children of the richest families in the world and education for the children of the poorest families in the world should come from the same source.¹⁴

Grameen Bank has launched multiple enterprises including Grameen Shakti (Grameen Energy), Grameen Telecom, Grameen Shikkha (Grameen Education), (Grameen Fisheries), Grameen Baybosa Bikash (Grameen Business Development), and the Grameen Foundation.

What can we learn from this serial social entrepreneur and his groundbreaking organization? Among many lessons, key ones include the values of thinking differently, challenging conventional wisdom, and working to extend boundaries to create even more social good.

Yunus famously said that he hopes that in the future, there will be a “museum of poverty; a building where the children of the future would go and marvel at the phenomenon of poverty. They would ask questions which couldn’t be answered: “There was great wealth and prosperity, and everyone was splurging, so why were others poor and dying?”¹⁵

ENTREPRENEURIAL LEADERSHIP

Characteristics of Entrepreneurs

While there is no single, innate personality characteristic that defines entrepreneurs, there is agreement about some of the attributes that help make them successful.

Professor Jeffrey Timmons and Stephen Spinelli in their book *New Venture Creation Entrepreneurship for the 21st Century* analyzed more than fifty studies and identified seven desirable attributes of effective entrepreneurs:

- *Commitment and determination*—characterized by persistence and tenacity
- *Courage*—characterized by moral strength and the ability to face conflicts
- *Leadership*—shows up as the ability to motivate and inspire others
- *Opportunity obsession*—seen as intensively focused by problem-solving and value creation
- *Ability to assume risk and operate with ambiguity*—expressed as tolerance for uncertainty and lack of structure
- *Adaptability*—characterized by the ability to adapt, pivot, and change
- *Motivation*—results and achievement orientation¹⁶

But they also cite William Lee, adding that “there is no evidence of an ideal entrepreneurial personality. Great entrepreneurs can be gregarious or low-key, analytical or intuitive, charismatic or boring, good with details or terrible, delegators or control freaks. What you *do* need is a capacity to execute in certain ways.”¹⁷

Longtime business author Joseph Mausco at the Center for Entrepreneurial Management conducted a study identifying demographic, psychographic, and behavioral characteristics that predispose an individual towards entrepreneurship based on a survey of 3,000 entrepreneurs. The top five were as follows:

- Offspring of self-employed parents
- People previously fired from more than one job
- Immigrants or the children of immigrants
- People previously employed in businesses of fewer than 100 employees
- The oldest child in the family¹⁸

These observations make intuitive sense—the presence of entrepreneurial role models, attraction to smaller enterprises, and (likely) early socialization around responsibility align well with what we know about entrepreneurial behavior. Does this mean that someone needs to have a particular family background to become a successful entrepreneur? The answer is obviously not—early exposure can help to foster an orientation, but these capabilities can also be developed through exposure and

experience. In my entrepreneurship class we have an ongoing debate—are entrepreneurs *made* or *born*—and students consistently surface examples to prove that either can happen.

Entrepreneurial Motivation

Tim Butler, Senior Fellow at Harvard Business School and Advisor to the Career Center, is a psychologist who has spent the past four decades understanding the career paths and motivations of business leaders. His research examined the psychological tests of 4,000 entrepreneurs in multiple countries and contrasted them with 1,800 general managers who did not identify themselves as entrepreneurial. Intriguing patterns emerged that help to both refine our knowledge of the entrepreneurial mindset and overcoming some long-held stereotypes. In a recent article in the *Harvard Business Review*, he shared his findings that entrepreneurs are not necessarily more creative than the sample of managers as a group, but instead are “curious seekers of adventure, learning and opportunity.”¹⁹ Butler found that “openness to new experiences” is the trait that distinguishes entrepreneurial leaders. He also found that entrepreneurs are not, as they are commonly portrayed, risk seekers. Instead, they are more comfortable with risk and are motivated by unpredictable and ambiguous environments.²⁰

Professor Howard Stevenson joins Butler in debunking the idea that entrepreneurs are risk lovers, explaining during an interview that “back in 1983, people tended to define ‘entrepreneurship’ almost as a personality disorder, a kind of risk addiction. But that didn’t fit the entrepreneurs I knew. I never met an entrepreneur who got up in the morning saying, ‘Where’s the most risk in today’s economy, and how can I get some?’”²¹ Instead, he characterizes entrepreneurs as those who effectively recognize, evaluate, and manage risk, not those who blindly embrace it.

Butler also assessed ambition as a characteristic, but found that for entrepreneurs, the motivation was less about authority and more about a need for ownership—having control over the product of their efforts. Finally, he highlighted how entrepreneurs are natural salespeople, utilizing confidence and persuasiveness to sell ideas to partners and supporters.²²

What do our decades of observation tell us about social entrepreneurs? They suggest that social entrepreneurs, while a diverse bunch, tend to have the same qualities as mainstream entrepreneurs plus one more: an unwavering focus on creating a positive benefit for society. The sectors that interest these ambitious entrepreneurs may vary, the methods and strategies they employ may differ, and they may employ a range of corporate and organizational structures, but the common thread is an unrelenting vision for social change.

PROFILE: BILL DRAYTON AT ASHOKA

Bill Drayton is CEO of Ashoka: Innovators for the Public and is a pioneer in the field of social entrepreneurship. He is described in David Bornstein's seminal book *How to Change the World* as an "usually determined and creative individual."²³ It is hard to overstate the influence Drayton and Ashoka have had on the field of social entrepreneurship. In addition to coining the term "social entrepreneurship," Ashoka supported thousands of the early role models in the field and created a mutually supportive network that has sustained system change around the world. When Drayton started Ashoka, his vision was to identify and support the world's leading social entrepreneurs, learn from the patterns in their innovations, and mobilize a global community that embraces these new frameworks to build "everyone a changemaker world."

Drayton's interest in public service and social change emerged at an early age. As an undergraduate student at Harvard, among other initiatives, he launched an organization called Ashoka Table, a discussion group that invited prominent public leaders for off-the-record dinner conversations during which students could ask how things really worked. The name Ashoka was inspired by the Sanskrit word Ashoka that means the "active absence of sorrow" and by the Indian Emperor Ashoka, a revolutionary social change agent who ruled from 269 to 232 BC.

In 1970, Drayton began his career at McKinsey and Company in New York City. He then spent four years during the Carter administration as Assistant Administrator at the US Environmental Protection Agency, where he launched emissions trading and other reforms. In 1980, he founded Ashoka (while working at McKinsey), but discovered that the concept of social entrepreneurship

was too new and unusual to gain foundational support. "For the first five years of Ashoka I could not get one public foundation in United States to support us with one cent. None. It was not because this is a bad idea or because I was inarticulate... Not one of them would risk any money on this idea."²⁴ This all changed when in 1984 Drayton received a \$200,000 MacArthur Genius grant, enabling him to work full-time to establish Ashoka. He also secured financial support from the Rockefeller Brothers Foundation and this helped to convince other foundations that the Ashoka concept was worth investing in.

Ashoka's early work involved selecting fellows in Brazil and then Mexico, Bangladesh, and Nepal and supporting them as they pursued their visions. It used a distinctive selection process to identify high-potential social entrepreneurs, using five criteria: whether the entrepreneur possessed a truly new idea, whether the idea was compelling and impactful, whether the entrepreneur was creative in both vision and problem-solving, whether the entrepreneur was relentlessly driven and possessed ethical fiber. Selected social entrepreneurs received a stipend to support their living expenses while developing their initiative (typically for three years). During the 1990s Ashoka expanded to select fellows in Asia, Africa, Latin America, and Central and Eastern Europe and in 2000, anxious to move beyond its reputation as a development organization, it also began operating in the United States. By the late 1990s Ashoka had achieved its goal of establishing social entrepreneurship as a movement. It had selected more than 1,000 social entrepreneurs and supported them by providing training, counseling, and venture advice and it had created a fellowship of mutually supportive social entrepreneurs.

Ashoka was first in what would become a groundswell of organizations that grew to support social entrepreneurs both in the United States and globally, including Echoing Green (established in 1987), the Schwab Foundation for Social Entrepreneurship and New Profit (both established in 1998), the Skoll Foundation (1999), and many others. In 2005, Drayton was selected as one of America's Best Leaders by US News and World Report and Harvard's Center for Public Leadership.

Today, Ashoka operates in more than 90 countries and has elected more than 3,500 Ashoka Fellows worldwide. Drayton estimates that "three quarters of the Ashoka Fellows have changed the pattern in their field at the national and/or international level within five years."²⁵

Starting in 2005, Drayton expanded Ashoka's vision even further. Not content to simply select and support visionary social entrepreneurs, it launched its "Everyone a Changemaker" initiative, observing that "everyone needs to become a changemaker in order to thrive; and everyone should be equipped with the qualities that most define social entrepreneurs. Ashoka has unlocked this strategy by drawing on the inspiration, depth of knowledge and expertise, accumulated experience and collective insights from the Fellows' work that enables a broader flowering of effective social change."²⁶ In 2008, Ashoka launched the AshokaU program, which catalyzes social innovation in higher

education by assembling a global network of change teams composed of entrepreneurial students, faculty, and community leaders. Soon after, in 2012, it launched the Change-makers Schools program to create a global community of leading elementary, middle, and high schools that prioritize empathy, teamwork, leadership, and problem-solving.

Drayton's vision for Ashoka going forward is to create even larger scale social change. Currently, he is deeply concerned about the acceleration of global inequity. To help address this, he is pushing Ashoka to work with both young social entrepreneurs (he calls them "jujitsu partners") and leaders within established institutions that will leverage the "pattern recognition" that comes from its network of the world's best social entrepreneurs to create consensus for regional and national change. For example, in Brazil, Ashoka is working in the education sector with young changemakers, unions, schools, and select political units to create a more equitable education sector (B. Drayton, personal interview, November 3, 2020).

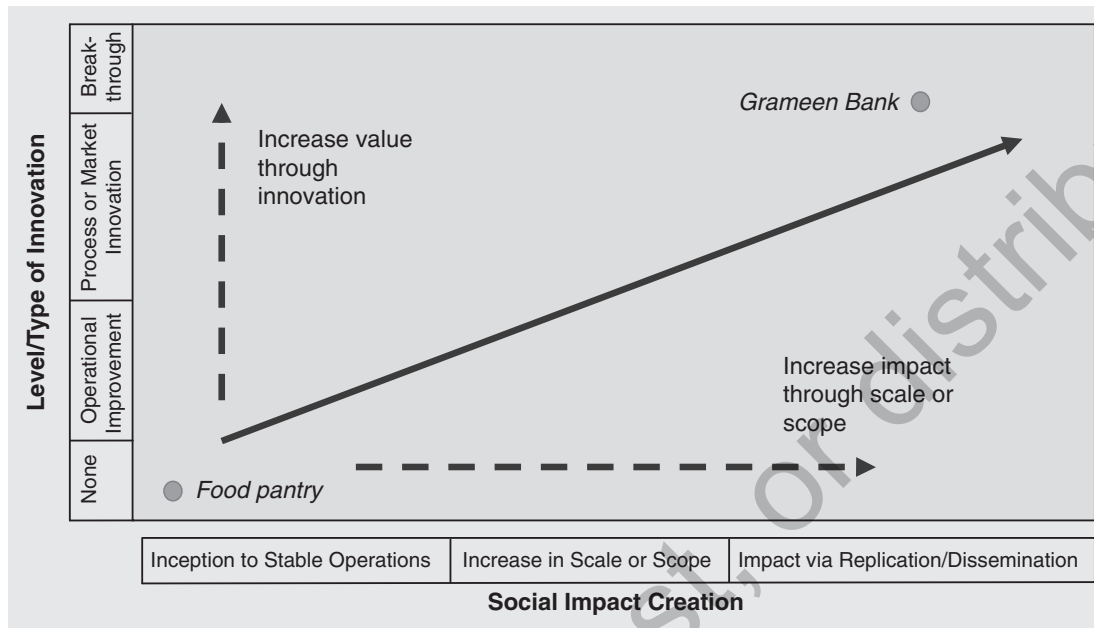
His advice to nascent social entrepreneurs is simple—"give yourself permission." He observes that great entrepreneurial ideas aren't all that complicated, they just require the use of problem-solving skills and intense focus. "By ignoring the naysayers and persistently pursuing your vision, you really can change the world" (B. Drayton, personal interview, November 3, 2020).

HOW SOCIAL ENTREPRENEURS ACHIEVE IMPACT

What Do Social Entrepreneurs Actually Do?

As we mentioned above, social entrepreneurs are a diverse group, but two essential qualities stand out: an orientation towards using **innovation** to change the status quo and an obsession with creating value through social change (Figure 1.1).

Figure 1.1 Innovation and Impact



Mapping these elements graphically illustrates the difference between types of ventures. Consider, for example, a food pantry. While it provides an important benefit to the community, the basic model—collecting food and financial donations and distributing food to those in need, it is not especially innovative and is almost always local. While these organizations provide critical resources to individuals and families, they do not have a high impact outside their immediate communities and therefore are placed in the lower left of the image. That said, some food pantries have developed a larger, regional vision. And some entrepreneurs, like Doug Rausch, founder of Daily Table (discussed later in this chapter and in Chapter 3) have taken an entrepreneurial problem-solving approach to reducing food waste and food insecurity while also developing innovative and higher impact offerings.

Some entrepreneurial ventures fall towards the left side of the graph because their growth or innovation level is constrained by geographical limitations or the nature of the problem they seek to address. For example, Genesis, founded by Dr. Yasmeen Abu Fraiha, provides premarital genetic testing to Bedouin teenagers and young adults to reduce the very high prevalence of genetic birth defects in Bedouin communities. With 21 million Bedouins (and 3 million sick children) worldwide, there is a large addressable market but potential for additional expansion is limited. To be sure,

Dr. Abu Fraiha could expand to provide services to other similarly closed communities, but this is unlikely because of her focus on benefiting her community.

Let's contrast this with Muhammad Yunus at Grameen Bank. Yunus' initial insight—that the poor were good credit risks but did not have access to credit—enabled him to innovate by creating new credit products for an unserved market. He did this not just by providing funds but also by inventing a new approach. Grameen sits at the top right in our diagram because of how it innovated to create microlending because of the scale of its impact. It did this by increasing both its **scale** (increasing the number of borrowers served) and **scope** (by introducing other products to help the poor). In addition, it inspired the development of a new industry of microlending organizations around the world. Today, there are nearly 1,000 microlenders worldwide meeting the credit needs of 140 million borrowers, 80% of whom are women and 65% of whom are located in rural areas.²⁷

Other ventures fall at different points on the spectrum, but effective entrepreneurs are always seeking to accelerate innovation and increase impact (whether via scale, scope, **replication**, or **dissemination**). An important question for nascent social entrepreneurs to ask themselves is why should they ever be satisfied with being at the bottom left rather than aspiring to the upper right? Constantly pushing on the dimensions of innovation and social impact—sometimes concurrently, sometimes sequentially—is what separates high-impact social entrepreneurs from their less effective peers.

What the Critics Say

While we celebrate the important work done by social entrepreneurs, there are a few caveats. One is that we tend to idolize solo entrepreneurs. As we discuss in Chapter 4, most ventures are team-founded and rely on a supportive ecosystem, so the successful solo player is the exception rather than the rule. A recent study published in the *Journal of Social Entrepreneurship* analyzed the results of 40 interviews with successful social entrepreneurs and concluded that while leading social entrepreneurs are indeed motivated by social responsibility they also show “an iconoclastic need to redefine the world based on their own values.” The authors also observed that “ego is often a driver.”²⁸ Aspiring entrepreneurial leaders should work hard to ensure that their solutions are well grounded in deeply understood social problems.

Another criticism of social entrepreneurs comes from journalist and policy analyst Anand Giridharadas in his influential book *Winners Take All: The Elite Charade of Changing the World* in which he raises concerns that social entrepreneurship can compromise momentum for broader social progress. He argues: “When elites put themselves in the vanguard of social change, it not only fails to make things better but also serves to keep things as they are.”²⁹

In addition, there is substantial disagreement about how to define social entrepreneurship. Not everyone agrees that the primacy of social goals is central to the

definition. In a recent article in the *Journal of World Economics*, coauthors Ana Maria Peredo and Murdith McLean review research on the question and draw a continuum that ranges from ventures focused entirely and exclusively on social impact to organizations where social benefits are further down the list of organization objectives. For example, they include organizations that use “cause branding” in their marketing.³⁰ The authors conclude that “there is no exact way of fixing the border below which the importance of social goals fails to qualify something as social entrepreneurship.”³¹ A broad approach to defining social entrepreneurship has benefits (it allows for a wider range of activities to be considered) and drawbacks (if the definition is too broad it may lose meaning.)

THREE TYPES OF SOCIAL ENTREPRENEURS

Recognizing that there are many ways to categorize social entrepreneurs, we have grouped them into three categories: innovators, scalers, and ecosystem builders.

Innovators

Innovators are individuals or teams that see a dysfunction in society that they want to solve by using a novel solution. These leaders are characterized by their interest in creating something new that solves a persistent social problem. But as we can see from the examples below, the nature of the problem and solution can differ substantially.

Innovating to Solve a Persistent Problem: Daily Table

Doug Rausch, founder of Daily Table, noticed an opportunity in the market to provide affordable, nutritious food for lower income households while reducing waste. As the former president of grocery retailer Trader Joe’s, he knew full well how much food is wasted in the conventional retail system. He observed that in the United States “We have one in six Americans that are hungry, and we’re one of the richest nations in the history of the world. Meanwhile, somewhere between 30% and 40% of the food we grow is just going to waste—it’s not being consumed.”³² Rausch envisioned a supermarket that would sell fresh, wholesome food and healthily prepared foods at or near cost to residents in low-income neighborhoods.

Daily Table works with a large network of growers, supermarkets, manufacturers, and other suppliers who donate their excess, healthy food to Daily Table, or provide them with special buying opportunities. Some, but not all, of the food is near its sell-by date but is still safe and healthy. The goal is not only to offer affordable groceries in lower income communities but also to sell healthy ready-to-cook meals and hot grab-and-go items at prices that compete with “cheap” fast food. Since establishing its first store in

Boston's Dorchester neighborhood, Daily Table has expanded in the Boston area and has its sights on eventual expansion to Detroit, Los Angeles, New York, and San Francisco.

Daily Table is a nonprofit organization, but it runs like a business, sustaining itself without financial donations. Rauch observed that they could raise a massive amount of charitable contributions and sell food at a discount but in his view this was not a scalable model.

Realigning Systems to Create Social Value: Sanergy

Another way to innovate is by identifying a unique recombination of resources that creates social value. This is what Sanergy did (discussed in depth in the full-length case at the end of this book). By rethinking human waste collection in the Nairobi's slums and realigning the toilets and waste collection processes, the founding team brought together elements that previously had been separated and combined them to create a self-supporting and scalable model. Sanergy's network of low-cost sanitation centers, franchising model, and production of organic fertilizer created a new and valuable system. Later, the addition of waste-based products such as insect-based animal feed and briquettes further reinforced its financial viability and impact.

What is the common theme in these examples? In short, innovators spot opportunities to launch new ventures that create social value that others have overlooked. Innovators harness emerging technology, demographic, or political change. They might also import ideas from one context to another. For example, Yasmeen Abu Fraiha's technology for premarital genetic testing was not new—it had been used previously in the orthodox Jewish community by nonprofit Dor Yeshorim. Her insight was that if social barriers to implementation could be overcome, it could also be effective in Bedouins' communities.

Other innovators who have developed novel solutions to solve social problems include BRAC and STREETS International (Chapter 2), One Acre Fund (Chapter 5), Prosperity Candle (Chapter 6), 99Degrees (Chapter 8), and Wilding and Company (Chapter 10). UNICEF is featured as an intrapreneurial innovator. Innovators that have solved social problems by importing solutions from other contexts include SolarBox (Chapter 3) and Social Finance (Chapter 6).

Scalers

Scalers are entrepreneurs who take a socially beneficial innovation and grow it to expand impact. As we discuss in Chapter 7—Scaling and Expansion, typical ways to accomplish this are increasing the scale of the venture (by serving more people, often by expanding geographically), increasing the scope (by providing more services or expanded services to its customers), or both. Scalers are characterized by their tenacity and ability to attract the resources required for expansion. Many, but not all, founders that start as innovators become scalers. Many also find their niche in one role or the

other, with those that remain innovators often expanding impact in another way by becoming serial social entrepreneurs.

Scaling Impact by Expanding Services: Management Leaders for Tomorrow

John Rice, CEO of Management Leaders for Tomorrow (MLT), is a classic scaler. A former executive with Disney and the National Basketball Association, he received a BA with honors in Latin American Studies from Yale, where he was a three-year starter on the basketball team. Rice used his sports background to devise how MLT should work. He noticed that in sports, people get coaching and a playbook for what is expected and a network of peers and mentors each step of the way, but that this doesn't exist as formally in the professional world.

While Rice was getting an MBA at Harvard Business School in the early 1990s, he was disheartened by the lack of minority students in the program. He observed that while Black Americans make up 13% of the US population, there are only five black CEOs of Fortune 500 companies.³³ This led him to develop a business plan for a new venture that would bolster minority talent at schools and in management positions.

Rice created Management Leaders for Tomorrow in 1994 and launched it in 2002 with a mission to prepare men and women of color for high-trajectory, postcollege jobs that deliver economic mobility for them and their families. MLT started by working with college students, and then created the Career Prep program that provided fellows with a “winning professional playbook,” 18 months of one-on-one coaching and a network. Eventually MLT expanded to MBA access and preparation (standardized test guidance, seminars and one-on-one coaching for early career individuals interested in pursuing an MBA). The addition of MBA professional development and career advancement programs expanded their impact by offering services throughout an individual's career.

MLT's success and outcomes are undeniable. 95% of Fellows in MLT's college program received highly competitive job offers prior to graduation and 75% of the professionals in MLT's midcareer advancement program received promotions within one year of completing the program. Today, MLT serves over 8,000 students and professionals nationwide and is a leading source of minority talent at its 150 blue-chip partner companies like Google, Goldman Sachs, and Procter & Gamble. Meanwhile, Rice has been named as one of Forbes Top 30 social entrepreneurs in the world.

MLT's growth relied on increasing both scale and scope. Initially, MLT launched with a program narrowly aimed at college students but, as the organization gained resources, it expanded programming. Starting with just a few external partnerships, it developed relationships with 150 leading companies to extend its impact in the workplace. By leveraging its alumni, who frequently say they feel a responsibility to help those that are coming after them, it continues to broaden and grow its impact.

Creating a Large Footprint to Address Education Gaps: Ekal Vidyalaya

Ekal Vidyalaya is another example of how social entrepreneurs rethought a problem to create a practical solution that was able to rapidly expand. The nonprofit organization was originally formed in 1986 in response to the enormous gap in educational opportunities facing rural children in India. In India in the 1980s, there were few government-funded schools in small, rural villages. Many families also depended on their children to help with farming and household chores. Among children aged 6–10 in rural India, only 38% of boys and 25% of girls attended school.³⁴

The founders of Ekal Vidyalaya responded by creating a concept called “One Teacher Schools” that was designed to address the realities facing rural village families. To establish a school, the team worked with a village to identify a local resident who could serve as the teacher and set up a school in their home or outdoors. Schedules were designed to enable children to attend while still meeting family responsibilities. An established curriculum and significant support for teachers (many of whom had only a high school education) enabled them to teach a common curriculum.

A series of national government policies guaranteeing rural education supported the expansion of rural schools, and by 2013, primary school attendance for rural children reached 82%. In areas with high-performing government-funded schools, Ekal adapted by providing a curriculum that supplemented these efforts, and in areas where gaps still existed, it continued its traditional curriculum. In 2013 they were the primary source of education in 20% of the villages where they operated and by 2014 Ekal had expanded to a network of 50,000 schools spread across India. Their lean model meant that each school’s budget was only USD\$1 per day, a small fraction of the typical cost of government schools. Ekal’s schools are funded by a combination of donor contributions and funding from the villages and towns served.³⁵

Today there are over 100,000 schools in the Ekal network educating 2.7 million children. What can we learn from this impressive scaling story? Among other things, that a low-cost model, a lean approach to operations and a customer-centric design can help social entrepreneurs translate a simple idea into enormous social impact.

Other scalers featured in this book include One Acre Fund (Chapter 5), Peer Health Exchange (Chapter 7), UNICEF (Chapter 10), and Sanergy (case). Aspiring scalers include SolarBox (Chapter 3) and WorkAround (case).

Ecosystem Builders

Ecosystem builders are individuals and organizations that create infrastructure that enable social entrepreneurs to be more successful. These supportive systems take many forms. One is identifying high potential entrepreneurs and connecting them with resources and a supportive community. The Skoll Foundation, New Profit, and

Ashoka are examples. A second is creating an infrastructure that promotes social entrepreneurship and enables an entrepreneurial community to thrive. Examples include the Bridgespan Group (nonprofit consulting), the Schwab Foundation, and the Ākina Foundation.

Supporting Disruptive Leaders: Echoing Green

When Cheryl Dorsey (who we profile in more detail in Chapter 4) took the helm of Echoing Green in 2001, she was ready to build on its legacy of helping leaders including Wendy Kopp (founder of Teach for America), Vanessa Kirsch (founder of Public Allies and later founder of New Profit), and Vikram Akula (founder of SKS Microfinance) launch their ventures. This was at a time when public awareness of and support for social entrepreneurs was in its infancy.

Echoing Green's fellowship program used an intensive selection process to choose from hundreds of applications each year. Finalists were invited to a selection weekend in New York so that they could present their "bold idea for social change," participate in interviews, and pitch their ideas in front of other finalists and a panel of judges.³⁶ As Dorsey observed: "We are really good at picking winners. People come to us with an interest in taking on the status quo, saying 'Things aren't working in the field I care about, so I'm going to do something different.' And, at Echoing Green, we say 'great idea—we're not sure it will work but we'll take a chance on you and see what you can do.'"³⁷

As of 2020, selected fellows receive a two-year \$80,000 stipend (\$90,000 for partner applications), personalized coaching, well-being support, an expert advisor and thought partner. They also gain lifelong access to Echoing Green's alumni network, retreats, networking events, and pro bono legal and investing advice as well as other professional support. According to Echoing Green, 80% of the fellows they have supported still work in the social sector and 70% of the organizations they have funded are still in operation today. Meanwhile, their reach continues to grow, and they have helped to found over 800 organizations in 86 countries across the globe.³⁸

Partnering to Create a Social Movement: Ākina Foundation

New Zealand's Ākina Foundation has a different approach to ecosystem building. The foundation partners with the New Zealand government to use public funding to further their shared economic development objectives. Named for the native Māori word that means "to challenge," Ākina was created with the goal of building a prosperous and inclusive New Zealand.

Led by CEO Louise Aiken, Ākina was founded in 2008 by the Todd and Tindall Foundations to support practical action on climate change and the environment. Its mission evolved to focus on five impact areas: transportation, housing, consumption

and waste, land and ecosystems, and energy. Ākina's team also built an incubation model that supports a range of social enterprises and social entrepreneurs throughout the country. Over time, they saw that social enterprise could provide a powerful vehicle for driving transformation and change.

New Zealand is an island nation of 5 million people that regularly shows up as number 1 in the World Bank's Ease of Doing Business report. Despite its small size, it is well known for its tourism and education sectors, as well as its focus as a nation on environmental sustainability. Aitken joined Ākina in 2016, following a successful corporate career that included the management of the country's largest corporate social responsibility program. She also sits on the board of the Impact Enterprise Fund and on the National Advisory Board for Impact Investing Network Aotearoa New Zealand.

One of New Zealand's national priorities has been to build its economy with a focus on fostering a strong entrepreneurial sector. By partnering with the New Zealand government, Ākina has supported social innovation and entrepreneurship and together, they are helping to create the conditions for a thriving social enterprise sector in New Zealand. Ākina does this by promoting social enterprise contributions to the government's economic, social, and environmental goals and by working directly with entrepreneurs to test changes that would grow their ventures.

In 2014, New Zealand's government announced funding to expand Ākina's incubation and development services for high potential social enterprises across New Zealand. By 2018 they had been named as the strategic partner to the government in a three-year program to further develop the sector. Ākina's team worked with ventures to help build their capacity, define and report their impact, reduce legal barriers to growth, and increase their market opportunities as well as working with change-makers from Māori enterprises. As a close partner with the government, Ākina has gained the support they needed to grow both the infrastructure for and the national conversation on the social sector.

In 2017 Ākina, alongside partners, raised NZ\$8 million for New Zealand's first impact investment fund. Ākina made the choice to prioritize financial returns alongside impact returns. "There is a lot of philanthropy in New Zealand, and a lot of financially motivated investment in New Zealand, but less understanding that the outcome of both of these actions can be achieved with the same dollar. We, therefore, decided to make a finance first impact fund to help the financially motivated people understand they can generate strong returns as well as impact. As these investors become more familiar with impact, we hope that over time they show interest in investing in impact first funds while still receiving a financial return."³⁹

Other ecosystem builders featured in this book include Ashoka (Chapter 1), MassChallenge (Chapter 3), Our Generation Speaks (Chapter 4), and the Greenlight Fund (Chapter 7).

Transitions Between Roles

Many people with great ideas and an obsession with solving a social problem do not initially see themselves as visionary social entrepreneurs. When Muhammed Yunus loaned \$27 to women to help them start ventures that would enable them and their families to escape poverty, he thought was solving in immediate problem, not creating a movement. But he was just getting started.

Social entrepreneurs often move between the innovator, scaler, and ecosystem builder roles. For example, Yunus started as an innovator, became a scaler, and ultimately became an ecosystem builder. Others find their passion in one category, like Ashoka founder Bill Drayton, who is profiled in this chapter. Drayton dedicated his career to building an ecosystem to support social entrepreneurship. Or consider Margaret Hall and John Simon, the cofounders of the Greenlight Fund. GreenLight operates as an ecosystem builder that helps nonprofit organizations scale. But in order to achieve this, the fund's founders needed to themselves be effective scalers, expanding GreenLight's presence to multiple cities to increase its impact.

As we discussed at the beginning of this chapter, there are multiple opportunities for those who want to make a difference in a mission-driven entrepreneurial organization. Founders are the people we think of first when we discuss entrepreneurial leaders and nearly all entrepreneurial ventures have an inspirational person at the helm that provides the external face of the organization. But many externally focused founders balance their efforts by collaborating with individuals who bring a critical internal management perspective. For example, while Our Generation Speaks (profiled in Chapter 4) was created by Ohad Elhelo, a founder with fundraising and external engagement capabilities, it is now run by Lobna Agbaria, an attorney and former fellow who both leads and ensures that the operations run smoothly to support future growth. After seven years at the helm of 99Degrees, Brenna Schneider (the subject of a short case in Chapter 8) was anxious to recruit an outstanding COO who would help to shepherd the next stage of growth. Cheryl Dorsey's work at Echoing Green would not have been as successful without the collaboration and organizational development work of Senior Vice President Lara Galinsky, and other internally focused contributors.

Finally, while many aspiring social entrepreneurs are motivated to start their own ventures, they should consider whether society is better served by contributing their efforts to an existing venture. Playing a supporting role can help them learn how to be most effective when they strike out on their own. For example, Linda Rottenberg learned key skills while first volunteering to help Wendy Kopp recruit college seniors for startup Teach for America, and then by working with Bill Drayton at Ashoka. These experiences helped her develop her vision for Endeavor. Indeed, many aspiring private sector entrepreneurs piece together entrepreneurial apprenticeships using bootcamps, incubators, accelerators, mentors, and other resources to help them gain experience, establish networks, and hone their capabilities.⁴⁰

FINDING YOUR NORTH STAR

A Few Key Questions

In his classic article “The Questions Every Entrepreneur Must Answer,” Tufts University Professor and entrepreneurship scholar Amar Bhide lays out a few crucial questions that anyone who considers themselves an entrepreneur needs to be ready to address.⁴¹

We’ve added an additional question at the beginning aimed at social entrepreneurs: *Am I truly committed to solving the social problem that I am targeting?* Founding a new social venture requires a high level of persistence and flexibility, and aspiring mission-driven leaders should be confident that they and their stakeholders are willing and able to make the kinds of sacrifices required to move their forward.

The second question, posed by Bhide, is *Where do I want to go?* Aspiring entrepreneurs should carefully consider whether launching the proposed venture aligns with their personal goals. Many ventures are “all in” particularly during the start-up phase. Ventures that work in developing markets are usually ill-served by founders that are based elsewhere.

Bhide’s next question is: *How will I get there?* Prospective founders should realistically consider whether their strategy is sound and whether their venture is likely to achieve a scale that will make their efforts worthwhile.

Finally, entrepreneurs should ask: *Can I do it?* For social entrepreneurs, answering this question requires a clear-eyed assessment of whether you have the right capabilities, network, and access to capital, as well as other key resources that may be needed. Evaluating the success (or lack of success) of similarly positioned social entrepreneurs can help to answer this question. Candid advice on this question from mentors is also invaluable.

Self-Assessment Options

As they consider entrepreneurship as a path, aspiring social entrepreneurs may want to consider two approaches to self-assessment. Luckily a few good thinkers have created some structures that can help.

Jim Collins, in his classic management book *Good to Great*, described what he called the “hedgehog” concept for organizations—the intersection between three intersecting circles, and then subsequently applied the idea to individuals. The first describes what you are deeply passionate about. The second involves finding what you can do uniquely well (he calls it what you are genetically encoded for). The third circle examines what you are engaged in that is of social or economic value.⁴²

A related approach comes from the thousand-year-old Japanese concept of *Ikigai*, which translates to “a reason for being” or that which creates satisfaction and a sense of

meaning. An Ikigai diagram, illustrated below in [Figure 1.2](#), has four intersecting circles. Similar to the hedgehog concept, three circles involve defining that which you love, that which you are good at, and that which you can be paid for. The fourth circle is that which the world needs. In an exercise at the end of this chapter we use the Ikigai approach to help you develop a perspective on understanding your passion.

Finally, in their excellent *Harvard Business Review* article, “From Purpose to Impact,” authors Nick Craig and Scott Snook offer advice for determining your leadership purpose and translating it into action. They recommend mining your life story for themes. A few questions they urge readers to consider are what you enjoyed doing as a child, what challenging experiences have shaped you, and what you enjoy doing now. They advise crafting a clear statement of your leadership purpose and envisioning the impact you can have.⁴³

Founding or contributing to an entrepreneurial social venture requires a high level of dedication, persistence, and flexibility, and aspiring mission-driven leaders should be confident about moving a venture forward. Or to take another piece of advice from Craig and Snook: “Clarify your purpose, and put it to work.”⁴⁴

CHAPTER SUMMARY

Aspiring entrepreneurs benefit from the work of earlier leaders in the field. As scientist Isaac Newton wrote in 1675, “If I have seen further, it is by standing on the shoulders of giants.”

The same is true for social entrepreneurs. Today’s social entrepreneurs are able to follow in the footsteps of visionaries like Muhammad Yunus, William Drayton, Linda Rottenberg, and countless others to establish ventures that can change the world.

While there is no single, innate personality characteristic that defines social entrepreneurs, a number of characteristics have been found in successful entrepreneurs such as courage, adaptability, opportunity obsession, and an unwavering focus on creating a positive benefit for society. These individuals can often be classified as one of three different types of social entrepreneur: inventors, scalers, and ecosystem builders. Inventors like Doug Rausch of Daily Table can be identified by their interest in creating something new that solves a persistent social problem. Scalers like John Rice, CEO of Management Leaders for Tomorrow, are entrepreneurs who take a socially beneficial innovation and grow it to expand impact. Ecosystem builders like Cheryl Dorsey of Echoing Green are individuals and organizations that create infrastructure to enable entrepreneurs and the initiatives they create to be more successful. For new ventures, it is possible to either move between categories or find your passion in just one.

There are also multiple ways to contribute to a mission-driven entrepreneurial organization. While founders are often the individuals we think of first because they are the venture’s external-face, other roles are also crucial. Execution-focused managers contribute by concentrating on making the venture efficient and ecosystem developers accelerate social entrepreneurship but do not themselves aspire to be entrepreneurs.

Before getting started with your social venture, remember there are a few questions you should ask yourself. Consider first if you know your objectives and are truly committed to the issue at hand. Founding a new social venture requires a high level of dedication, persistence and flexibility, and aspiring mission-driven leaders should be confident that they and their stakeholders are willing and able to make the kinds of sacrifices required to move it forward.

And if you are—we hope you enjoy the journey!

KEY TERMS

Dissemination: the ability to spread a product or idea beyond the initial bounds of its conception.

Ecosystem builders: individuals and organizations that create infrastructure to enable entrepreneurs and the initiatives they create to be more successful.

Environmental, social and governance (ESG): uses criteria that extend beyond profit to evaluate potential investments. The measures examine an organization's relationships with other organizations, pay structure, environmental impact, social benefits provided, and protection of shareholder rights.

Innovation: the process of seeing dysfunction or inefficiency in society that can be solved by using a new or unique solution and doing so.

Replication: the duplication of a certain service, venture, or product.

Scalers: entrepreneurs who take a socially beneficial innovation and grow it to expand impact.

Scope: what is covered or not covered by a venture or service.

Social activism: intended to influence others to action, but not create value through entrepreneurship.

Social service: actions or ventures that have social benefits but is not designed to scale.

Stakeholder capitalism: describes a corporate orientation to serve the interests of multiple stakeholders, including shareholders, employees, suppliers, and the communities they operate in. Rather than maximizing shareholder value, the intent is to enhance long-term value for a variety of stakeholders.

Triple bottom line: the idea that companies should also measure environmental and social benefits rather than simply pursuing profits (the traditional bottom line for companies).

IN-CLASS EXERCISES

Exercise 1.1: Defining Your Entrepreneurial Purpose

(Estimated time: 20–30 minutes)

Purpose

Social entrepreneurs can focus their energy by inventorying their skills, interests, and intended impact to better define their purpose.

Preparation

Provide a blank copy of the template in [Figure 1.2](#) for each student.

Process

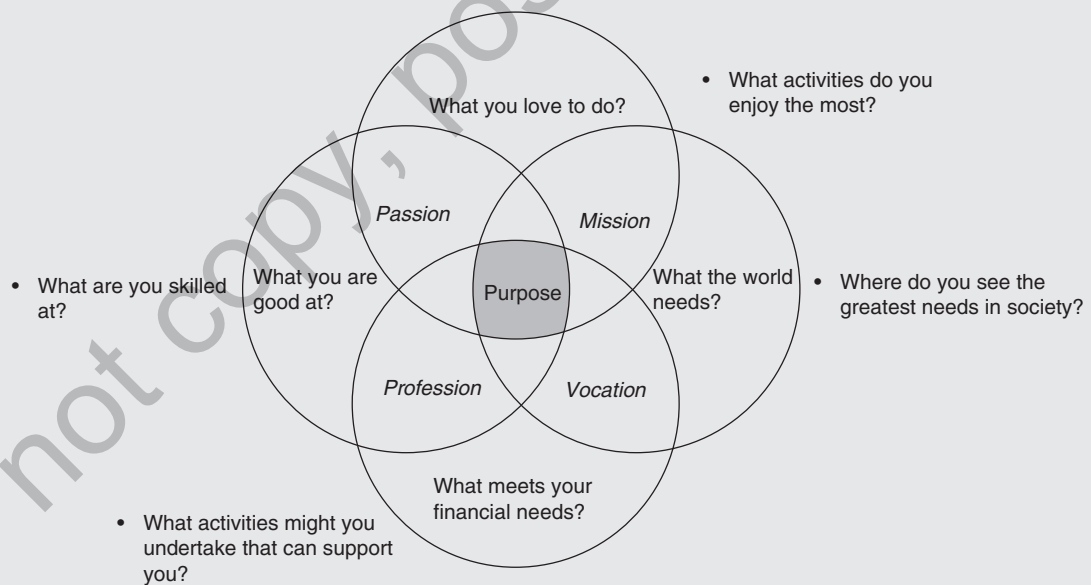
1. Individually, each student takes 5 minutes to answer the four questions in the template.
2. Break into groups of 3–5 students.

3. Each participant presents the results of their analysis. Others in their group ask questions to help the presenter refine their ideas. Assign one person to summarize the results and report back to the class. (That person should verify whether or not results should be presented anonymously.)
4. Class debrief: After returning to class, the designated reporters for each group summarizes their discussion for the class:
 - Where were there points of similarity?
 - Where did differences exist?
 - What unique learnings/insights did you note about yourself and your purpose?
5. If time allows, a few volunteers can present their self-assessments to the class.

Alternate Approach: Pre-class Assignment

Use as a pre-class activity. Students complete the template and post their results on a shared site prior to class.

Figure 1.2 Map Your Purpose Using the Ikigai Framework



Source: Adapted from Ikigai by Bodor, D., & van Deurzen, E. (2015). Wikimedia commons. Retrieved from <https://commons.wikimedia.org/wiki/File:Ikigai-EN-optimized-PNG.png>. CC-BY-SA 4.0.

Exercise 1.2: Entrepreneurial Leadership Self-Assessment

(Estimated time: 20–30 minutes)

Purpose

Forward-thinking social entrepreneurs should rigorously assess their motives and realistically assess their assets and capabilities to increase their probability of success.

Preparation

Have blank copies of [Table 1.1](#) below.

Process

1. Individually, take 5 minutes to answer the questions in the template.
2. Break into groups of 3–5 students.

Table 1.1 Entrepreneurial Leadership Self-Assessment

Question	Response
<p>Part 1: Answer the following three questions:</p> <p>Do I see myself as a leader or a manager? Why? How has this been consistent with my past experience?</p> <p>Do I like to play an internal or external role? Why? How has this been consistent with my past experience?</p> <p>What are my motivations for becoming a social entrepreneur?</p>	
<p>Part 2: Answer the following four questions:</p> <p>Am I truly committed to the social problem I am trying to solve? Does starting a venture to address it align with my personal goals?</p> <p>Am I being realistic about the scale of the proposed venture? Will it make enough of a difference to be worth of my efforts?</p> <p>Do I have (or can I secure) the right resources including my capabilities, access to capital, access to networks, and other key resources?</p>	

3. Each participant presents the results of their self-assessment. Others in their group should ask questions to probe each presenter's logic. (Assign one person to summarize the results and report back to the class. That person should verify whether or not results should be presented anonymously or with attribution.)
4. Class debrief: After returning to class, the designated reporters for each group (or volunteers, as time allows) takes ~3 minutes to present summary results to the class, touching on the group members' answers, questions that were raised, and overall themes.
5. Post-class: Individually, continue to consider the questions and evaluate what this implies for the future.

SHORT CASE: LINDA ROTTENBERG—SUPPORTING HIGH-IMPACT ENTREPRENEURS AT ENDEAVOR

Linda Rottenberg has been described as an “Innovator for the 21st Century” by *Time* magazine, as one of “America’s Best Leaders” by US News, and as “The Entrepreneur Whisperer” by ABC and National Public Radio. A high-energy, hands-on social entrepreneur, she is the cofounder of New York City-based Endeavor, a global organization that enables economic growth by supporting high potential entrepreneurs.

The concept for Endeavor grew out of a meeting between Linda Rottenberg and serial entrepreneur Peter Kellner in early 1997. At the time, Rottenberg was working in Latin America where she was leading a Southern Cone expansion strategy for Ashoka. In 2017, she met Kellner, a private sector entrepreneur and emerging markets investor, during a Harvard Business School recruiting trip. They immediately recognized their shared interest in supporting entrepreneurs in emerging markets and through their conversations concluded that in multiple countries many entrepreneurs have enormous potential but lack the support systems to launch and grow their ventures. After sketching out the initial concept and overcoming initial skepticism from family and friends, Rottenberg and Kellner set out to create Endeavor. As she explained the concept to prospective stakeholders, Rottenberg became known as *la Chica Loca* (the crazy girl), for insisting that high-impact entrepreneurs exist in emerging and developing markets.

Endeavor is a nonprofit organization that creates economic growth by finding and supporting high-impact for-profit entrepreneurs. Rottenberg launched its first local offices in 1997 in Chile and Argentina and by 2001 Endeavor was operating in five countries in Latin America—having added Brazil, Mexico, and Uruguay. The organization provides support by identifying and nurturing high-impact entrepreneurs

through a highly competitive selection process. One of Endeavor's early picks was Wences Caseres. Caseres was the son of an Argentinian sheep rancher. During college, he experimented with founding various ventures and decided to create a financial services portal called Patagon. When he first met Rottenberg, he had been turned down by 33 investors as he looked for expansion capital. Endeavor bet on Caseres' vision for Patagon, selecting him out of hundreds of applicants. After participating in Endeavor's mentoring program, he learned how to create a business plan and raise capital. Less than five years later, Patagon was acquired by Banco Santander for \$750 million. Caseres became a role model for aspiring entrepreneurs in Argentina and stepped up to serve on the Endeavor board.

Of the 50,000+ entrepreneurs screened since 1997, fewer than 3% have been selected as official Endeavor Entrepreneurs.⁴⁵ But Endeavor's promotion of entrepreneurship does not stop with selection: Rottenberg believes that it is also important to create a cultural narrative on the necessity of understanding entrepreneurship in the countries the team works in. To do this, Endeavor trains journalists in emerging markets on how to cover stories related to innovation and startups. Endeavor has also assisted in the creation of over 170 case studies centered on their entrepreneurs that are taught in business programs around the world.⁴⁶

Throughout its existence, Endeavor's focus has primarily been on high-impact entrepreneurs. According to Rottenberg, "We noticed that there was a huge gap for entrepreneurs in what we call the missing middle."⁴⁷ Traditional sources of funding such as loans and venture capital were only available to connected or wealthy founders, while microfinance was typically reserved for poorer individuals. "No one was focusing on creating a middle class...We began to consider whether you could transform and build strong economies by providing high growth companies and high impact entrepreneurs the support they needed to compete in a global economy."⁴⁸ In her *New York Times* bestselling book *Crazy is a Compliment: The Power of Zigging When Everyone Else Zags*, Rottenberg describes high-impact entrepreneurs as "individuals with the biggest ideas, the likeliest potential to build businesses that matter and the greatest ability to inspire others."⁴⁹

Each Endeavor country has its own office, which is organized as a separate nonprofit entity with its own local leadership and board. Each office is financed by donations from local business leaders and benefactors. The global office provides connections between them, supports expansion, and develops cross-country initiatives. The Endeavor network concentrates on creating five different types of capital: financial capital, human capital, intellectual capital (nearly 1,500 patents or patent applications have been filed by Endeavor Entrepreneurs since 1997), social capital (including mentoring and advising), and cultural capital (including media mentions, business awards, events, and university partnerships).

Today, Endeavor has established a presence in nearly 40 markets across Latin America, Asia, Africa, the Middle East, and underserved areas of Europe and the United States. As of 2020, Endeavor companies were generating \$24B in annual revenues and had created 4.1 million jobs.⁵⁰

Endeavor has augmented its work supporting entrepreneurs by creating investment funds, using its extensive knowledge of what makes new ventures successful. In 2010, Endeavor began to raise donations for its first proof of the concept, Endeavor Catalyst Philanthropy, using tax-deductible charitable donations. For Endeavor, the returns became an important source of operating funds; while its country offices were largely self-supporting, it was challenging to raise funds for their headquarters and for global operations. The investment fund was a huge success, returning seven times its initial capitalization (L. Rottenberg, personal interview, November 25, 2020).

In 2013, Endeavor launched Endeavor Catalyst I with a different model. Upon exit, the fund would distribute 20% of the upside to private investors, and the balance would support Endeavor. In 2020, Endeavor announced the final closing of its third fund, Endeavor Catalyst III. Seeking to treat the investors more like partners, the fund used a 50/50 return structure. Since launching Endeavor Catalyst in 2012, the fund has invested in more than 150 Endeavor Entrepreneur-led companies across 30 different markets.⁵¹ “Within the Endeavor Global Board there was an increasing recognition that Endeavor was evolving toward a new ‘hybrid’ business model with a nonprofit mission and an increasingly for-profit sustainable funding model.”⁵²

According to Rottenberg, “Reaching \$250M in assets under management is an amazing milestone...When we created Endeavor Catalyst eight years ago, we had a big dream: to build the world’s most founder-friendly investment fund that could be truly of, by and for entrepreneurs. Today, we are well on our way to making that dream a reality!”⁵³ Investing follow-on capital vs. early-stage venture capital also meant that Endeavor was not crowding out other investors in the market.

Rottenberg’s personal motto is “go big or go home,” so it is not surprising that she has been working on an even bigger vision. She had noticed that the highest impact Endeavor Entrepreneurs often outgrew support networks in their home countries and needed global role models and a network of true peers in order to meet their full potential. In April 2018, with support from JP Morgan and Silicon Valley Bank, Endeavor launched a new initiative to provide tailored support to the entrepreneurs that are leading the fastest-growing companies in its global ecosystem. Rottenberg called these founders Endeavor Outliers. Endeavor Entrepreneurs with over \$100 million in annual revenues and growth rates of 25% or more were qualified to be part of this group. They received leadership development support from Endeavor Global and peer-to-peer coaching to enable them to multiply their impact—not only within their local ecosystems but also across Endeavor’s global ecosystem.

Rottenberg also had her eye on a group of “Emerging Outliers,” founders of companies that have \$20M+ in revenue and revenue growth rates of over 75% per year. If they continue their trajectories, they will soon be in the outlier category. For both groups, she sees a “virtuous circle” where, in addition to supporting the entrepreneurs, Endeavor also learns even more about what it takes to create high-impact ventures, which further informs its selection and support processes (L. Rottenberg, personal interview, November 25, 2020).

Rottenberg is enthusiastic about the future of global entrepreneurship. She believes that the majority of problems are best solved by private sector solutions and observes that the problems entrepreneurs are creating solutions for—using technology-enabled innovation in areas as diverse as finance, medicine, and education—are making the world a much better place. She also sees entrepreneurs in emerging global markets—like Argentina and Lebanon—as having a built-in advantage. Since they created their initial ventures in markets that experienced a high level of volatility, they are in a favorable position to create solutions in developed markets which are now experiencing unprecedented rapid changes. “The COVID pandemic showed us how fragile many businesses are, and it is developing market entrepreneurs with their bias towards agility that will have the greatest potential to be successful in the future” (L. Rottenberg, personal interview, November 25, 2020).

Discussion Questions

1. What do you think has made Endeavor so successful?
2. What is your perspective on Rottenberg as a leader? How did she innovate?
3. Do you support the concept of supporting high-impact entrepreneurs? Why do you think Endeavor has concentrated in this area?
4. Why do you think Rottenberg launched Endeavor’s investment funds? How does it contribute to their mission?
5. What can Endeavor learn from the Outliers? In Rottenberg’s shoes how would you capitalize on this network?

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