

COURSE GUIDE

ENT 413

SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

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INTRODUCTION

Social Entrepreneurship and Community Development is a 2 credit unit course and a one semester course for students offering B.Sc course in Entrepreneurship at 400 level. This course is designed to equip learners with basic knowledge/information about the concept of Social Entrepreneurship and Community Development especially in Nigeria. Social Entrepreneurship and Community Development consist of 20 units. Each unit is supposed to be covered in three hours. It is a core course. This Course Guide tells you briefly what the course is about, what course material you will be using and how these materials would be used. It also highlights issues of timing for going through these units, and explains the activities and Tutor-marked Assignment. There are supposed to be tutorials attached to this course and taking advantage of this will bring you into contact with your tutorial facilitator which will enhance your understanding of the course.

In addition, some technical terms will be explained and you will be enabled to appreciate Social Entrepreneurship and Community Development as a field of study. You will be taken through the concept, basic foundations and the need assessment of Social Entrepreneurs, Essentials of Community Development, Social Entrepreneurial areas and services one can venture into, the future of Social Entrepreneurship and Community Development as well as the progress made so far in social entrepreneurship and community development in Nigeria.

What You Will Learn in the Course

The overall aim of this course on Social Entrepreneurship and Community Development is to explore and explain Social Entrepreneurship and the need for Community Development in a sustainable manner.

The intention is to broaden your knowledge on the issues of Social Entrepreneurship and Community Development. During this course you will learn about different aspect of Social Entrepreneurship and Community Development that will enhance self-reliance and empowerment

Course Aims

There are 10 study units in the course and each unit has its objectives. You should read the objectives of each unit and bear them in mind as you go through the unit. In addition to the objectives of each unit, the overall aims of this course is to expose the learner to the concept of Social Entrepreneurship and Community Development. This will be achieved by aiming to

- (i) Introduce you to the basic concepts and principles of Social Entrepreneurship and Community Development to produce learner who can these concepts in developing the community
- (ii) To have well-informed acquaintance and apply the knowledge of social entrepreneurship and community development that will be used in teaching and learning.
- (iii) To produce an effective work force for the social enterprise subsector of the Nigerian economy.
- (iv) To have an over view of how to source finance for socially oriented business

Course Objectives

Each unit of this course has specific objectives which are always included at the beginning of each unit. You are advised to refer to them as you study each unit both at the beginning and end of the unit to ensure that you check your progress and that you have done what is required of you by the unit. However, the general objective of this course are:

- i. To explain the basic terms/concept of Social Entrepreneurship and Community Development
- ii. To provide information on the various aspects of Social Entrepreneurship and Community Development
- iii. To educate learners on the need assessment of Social Entrepreneurship and Community Development
- iv. To enlighten learners on various Social Entrepreneurship and Community Development areas and services to venture into
- v. To educate learners on the future of Social Entrepreneurship and Community Development especially in Nigeria.
- vi. To equip the learners with skills to function well as a social entrepreneur

Course Materials

Major components of the course are:

1. Course Guide
2. Study Units
3. Further readings
4. Activities and Tutor-marked Assignments.
5. Presentation schedule

Study Units

There are **twenty (20) units** in this course as follows:

Module 1

Unit 1 Concept of Social Entrepreneurship

Unit 2 Concept of Community Development

Unit 3 Poverty and the Need for Social Entrepreneurship

Module 2

Unit 1 Social Capital and Social Impact

Unit 2 Social Enterprise

Unit 3 Social Innovation

Module 3

Unit 1 Creating a Social Business Model

Unit 2 Social Investment (Funding Options for Social Enterprises)

Unit 3 Social Returns on Investment

MODULE 1 INTRODUCTION TO SOCIAL ENTREPRENEURSHIP AND COMMUNITY DEVELOPMENT

This module is designed to introduce you to the basic concepts of the foundations of Social Entrepreneurship and Community Development. Taking time to digest these concepts will enhance your understanding and appreciation of the entire course. To gain the required basic understanding, you will be taken through the following units:

Unit 1 Introduction to Social Entrepreneurship

Unit 2 Concept of Community Development

Unit 3 Growth of Social Entrepreneurship

Unit 1 Introduction to Social Entrepreneurship

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Unbundling the concept of Social Entrepreneurship
 - 3.2 History of Social Entrepreneurship
 - 3.3 Who is a Social Entrepreneur
 - 3.4 Characteristics of a Social Entrepreneur
 - 3.5 Difference between a Social Entrepreneur and Traditional Entrepreneur
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

Unit 2 Concept of Community Development

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Unbundling the concept of Community Development
 - 3.2 Problem as opportunity for Community Development
 - 3.6 Impediments of Community Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment

7.0 References/Further Readings

UNIT 3 Poverty and the Need for Social Entrepreneurship

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 The conceptualization of poverty
 - 3.2 Causes of poverty
 - 3.3 Social Opportunities from the Social Development Goals (SDG 1 & 2) of the United Nations
 - 3.4 Challenges Social Entrepreneurship
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

MODULE 2 INTRODUCTION TO SOCIAL CHANGE, SOCIAL CAPITAL AND SOCIAL INNOVATION

This module is designed to introduce you to dynamics of social capital and innovation. Taking time to digest these concepts will enhance your understanding and appreciation of the entire course. To gain the required basic understanding, you will be taken through the following units:

Unit 1 Social Changes

Unit 2 Social Capital

Unit 3 Social Innovation

Unit 1 Social Capital and Social Impact

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Concept of Social Capital
 - 3.2 Creation of Social Capital
 - 3.3 Barriers to the Creation of Social Capital
 - 3.4 Application of Social Capital
 - 3.5 Negative effects of Social Capital
 - 3.6 Social Impacts
 - 3.7 Impact of Social Entrepreneurial Project in Communities
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

Unit 2 Social Enterprise

- 1.0 Introduction
- 2.0 Objective

- 3.0 Main Content
- 3.1 What is a Social Enterprise
- 3.2 Social Enterprises Around the World
- 3.3 Advantages of Social Enterprises
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

Unit 3 SOCIAL INNOVATION

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
- 3.1 Concept of Social Innovation
- 3.2 The Role of Technology in Social Innovation
- 3.3 Theories of Social Innovation
- 3.4 Why Social Innovation is Needed
- 3.5 Where and how does Social Innovation happen
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

MODULE 3 FUNDING OPTIONS, SOCIAL BUSINESS MODEL AND SOCIAL RETURNS ON INVESTMENT

This module is designed to introduce you to holistic funding options, the business mode as well as social return on security. Taking time to digest these concepts will enhance your understanding and appreciation of the entire course. To gain the required basic understanding, you will be taken through the following units:

Unit 1 Funding for Social entrepreneurship

Unit 2 Creating a Social Business Models

Unit 3 Social Returns on Investment

Unit 1 CREATING A SOCIAL BUSINESS MODEL

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
- 3.1 Building a Business Model for Social Enterprises
- 3.2 Business Model Canvas
- 3.3 Special considerations when developing a Social Business Model
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment

7.0 References/Further Readings

Unit 2 SOCIAL INVESTMENT (FUNDING FOR SOCIAL ENTREPRENEURSHIP)

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Who should consider Social Investment
 - 3.2 Social Investment Process
 - 3.3 Screening and Due Diligence Process
 - 3.4 Choosing an Appropriate Social Investor
 - 3.5 Types of Funding for Social Enterprises
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

Unit 3 SOCIAL RETURNS ON INVESTMENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Building a business model for social enterprise
 - 3.2 business model canvas
 - 3.3 Special consideration when developing a social business model
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

Textbooks and References

There are no compulsory textbooks for this course. However as you go through the course, you will observe that some textbooks are recommended often. This shows that it is crucial to a number of units.

Assignment File

In this file, you will find all the details of the work you must submit to your tutor for marking. The marks you obtain from these assignments will count towards the final mark you obtain for this course. Further information on assignments will be found in the assignment file itself and later in this course guide in the section on assessment. The major assignment required of you is a Tutor-Marked Assignment. (TMA) which you are expected to complete at the end of each unit and mail it to your tutor.

Presentation Schedule

The presentation schedule included in your course materials gives you the important dates for the completion of tutor-marked assignments and attending tutorials.

Remember, you are required to submit all your assignments by the due date. You should guard against falling behind in your work.

Final Examination and Grading

At the end of the course, you will write a final examination which will constitute 70% of your final grade. In the examination which shall last for two hours, you will be requested to answer three questions out of at least five questions.

Course Marking Scheme

This table shows how the actual course marking is broken down.

Assessment	Marks
Assignment	Four assignments, best three marks of the four count as 30% of course marks
Final Examination	70% of overall course marks
Total	100% of course marks

How to Get Most from this Course

In distance learning, the study units replace the university lecture. This is one of the great advantages of distance learning; you can read and work through specially designed study materials at your own pace, and at a time and place that suits you best. Think of it as reading the lecture instead of listening to the lecturer. In the same way a lecturer might give you some reading to do, but the study units tell you when to read, and which are your test materials or set books. You are provided with exercises to do at appropriate points, just as a lecturer might give you an in-class exercise. Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole. Next to this is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. These learning objectives are meant to guide your study. The moment a unit is finished, you must go back and check whether you have achieved the objectives. If this is made a habit, then you will significantly improve your chances of passing the course. The main body of the unit guides you through the required reading from other sources. This will usually be either from your text books or from a reading section. The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor. Remember that your tutor's job is to help you. When you need assistance, do not hesitate to call and ask your tutor to provide it.

In addition to the above, you must do the following:

1. Read this Course Guide thoroughly, it is your first assignment.
2. Organize a study schedule; design a 'Course Overview' to guide you through the course. Note the time you are expected to spend on each unit and how the

assignments relate to the units. Important information, e.g. details of your tutorials, and the date of the first day of the semester is available from the study centre. You need to gather all the information into one place, such as your diary or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates and schedule of work for each unit.

3. Once you have created your own study schedule, do everything to stay faithful to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule, please, let your tutor know before it is too late for help.
4. Turn to Unit 1, and read the introduction and the objectives for the unit.
5. Assemble the study materials. You will need your text book and the unit you are studying at any point in time.
6. Work through the unit. As you work through the unit, you will know what sources to consult for further information.
7. Keep in touch with your study centre. Up-to-date course information will be continuously available there.
8. Well before the relevant due dates (about 4 weeks before the due dates), keep in mind that you will learn a lot by doing the assignments carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the examination. Submit all assignments not later than the due date.
9. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study materials or consult your tutor.
10. When you are confident that you have achieved a unit's objectives, you can start on the next unit. Proceed unit by unit through the course and try to pace your study so that you keep yourself on schedule.
11. When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments on the ordinary assignments.
12. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the Course Guide).

Facilitators/Tutors and Tutorials

The dates, times and locations of these tutorials will be made available to you, together with the name, telephone number and the address of your tutor. Each assignment will be marked by your tutor. Pay close attention to the comments your tutor might make on your assignments as these will help in your progress.

Conclusion

This course will furnish you with the requisite knowledge or information you need to understand and appreciate the concept of Social Entrepreneurship and Community development

Best wishes as you read through this course.

MAIN CONTENT

Module 1

Unit 1 Concept of Social Entrepreneurship
Unit 2 Concept of Community Development
Unit 3 Poverty and the Need for Social Entrepreneurship

Module 2

Unit 1 Social Capital and Social Impact
Unit 2 Social Enterprise
Unit 3 Social Innovation

Module 3

Unit 1 Creating a Social Business Model
Unit 2 Social Investment (Funding Options for Social Enterprises)
Unit 3 Social Returns on Investment

MODULE 1 - UNIT 1

INTRODUCTION TO SOCIAL ENTREPRENEURSHIP

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Unbundling the concept of Social Entrepreneurship
 - 3.2 History of Social Entrepreneurship
 - 3.3 The Growth of a Social Entrepreneur
 - 3.4 Who is a Social Entrepreneur
 - 3.5 Characteristics of a Social Entrepreneur
 - 3.6 Difference between a Social and a Traditional Entrepreneur
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Social entrepreneurship as well as Social Entrepreneurs have gained particular attention internationally from practitioners, policy makers, the general public as well as the academia. Social entrepreneurship is an important tool deployed to tackle social challenges and to respond to them when the government and the market fail to attend to them. New approaches will have to be evolved to effectively and efficiently tackle address or respond to the ever increasing social challenges especially in the third world where governments have not been able to successfully provide public goods.

In this unit, an attempt is made to provide basic idea that will lead to exploring some innovative concepts, practices and strategies related to social Entrepreneurship. In addition to exploring the concept of entrepreneurship, and that of social entrepreneurship, the unit looked at the history of social entrepreneurship, who a social entrepreneur is, characteristics of a social entrepreneurs as well as the unique differences that exist between a social entrepreneur and a traditional entrepreneur.

The aim is to instill social entrepreneurial attitude on students by challenging their current thinking and assumptions about what works and why and how to fix identified needs in the community. The essence is to enable students' think of ways of creating social ventures and organizations that will address environmental issues, politics, crime, poverty, diseases and violence in the society.

In addition, it was also envisaged that at the end of this course, students will begin to appreciate the role social entrepreneurs play in creating social changes in the community. This will also help to deepen students understanding of the world around them and thereafter, inspire them to use their skills and knowledge to be as Gandhi said, the change you wish to see in the world. Directly, you are been prepared to make an impact on the lives of others in your world.

2.0 OBJECTIVE

At the end of the unit:

- a. You should be familiar with the concept of entrepreneurship as well as the concept of social entrepreneurship

- b. Students should be able to who a social entrepreneur is from a traditional entrepreneur
- c. Understand the goals of a social entrepreneur
- d. Be familiar with the characteristics of a social entrepreneur

3.0 MAIN CONTENT

3.1 UNBUNDLING THE CONCEPT OF SOCIAL ENTREPRENEURSHIP AND COMMUNITY DEVELOPMENT

In this sub-section, we will try to unbundle the concept of social entrepreneurship in community development. Social entrepreneurship and community development are two divergent concepts that was innovatively coined together to enhance the standard of living of the people living at the bottom of the pyramid.

To aid the understanding of the concept of social entrepreneurship and community development, we will first of all look at the concept of entrepreneurship, then we will look at the concept of Social entrepreneurship which will be the crux of this unit and lastly, we will look at the concept of community development which will be the crux of unit two of this module.

3.1.1 The Concept of Entrepreneurship

Entrepreneurship as a term originates from a French word ‘entreprendre’, directly meaning an act in which the individual attempt, try, adventure or undertake an act of some sort (Udeh 2012). In the 17th century, entrepreneurship was seen as capitalist activities. Richard Cantillon in the 18th Century separated entrepreneurial activities from those of capitalistic activities and introduce risk taking as a cardinal element in entrepreneurship. At the beginning of the 20th Century Joseph Schumpeter introduced the concept of innovation and power as agents of development. He further separated the capitalistic role from entrepreneurship and argued that entrepreneurs were “sociologically distinct individuals who are motivated by atavistic will to achieve power. Rhey are innovators who revolutionize the structure or pattern of production. All these are geared toward profit maximization.

Entrepreneurship and entrepreneurs are often considered to be significant tools for economic growth and the development of any country. This is because entrepreneurship generates employment opportunities and has positive impacts on innovation and public welfare (Acs et al. 2008). Anokhin et al. (2008) posit that, It is for this reason that entrepreneurship is believed to be the main driver of the economic development of lower to middle-income countries (developing countries). This is not always the case. In reality high-growth entrepreneurial activities are not widespread in many developing economies because a lot of instabilities which has lead to institutional breakdowns characterized them. The obstacles of entrepreneurial

development and institutional breakdown created more opportunities to introduce more social entrepreneurial projects. If governments in developing economies fail to establish social institutions, Then social entrepreneurship may play a key role in creating social values (Mair and Marti 2009). This key role of social entrepreneurship facilitates the search for business opportunities and the creation of social values in an organization (Haugh 2005).

Shaw (2004) defined entrepreneurship as an attitude, a way of thinking and learning. It is a state of mind, insightful and innovative mentality rather than business administration. Entrepreneurship is a way of perceiving and exploring opportunity wherever it may be found (Finkle,2006). Hisrich (1985) defined entrepreneurship as a process of creating something new with value, by devoting time and attention, assuming the accompanying financial, psychological and social risk and receiving the resulting reward of monetary and personal satisfaction that comes with it. All these translates to a simple fact that entrepreneurship is any novel activity that creates value, builds wealth and bring about change.

3.1.2 The Concept of Social Entrepreneurship

In recent past, the concept of social entrepreneurship as well as the social entrepreneur has been gaining more momentum and popularity than previously envisaged. Government around the world have been creating institutions to support social entrepreneurship as well as social entrepreneurs. The US Government for example created the office of Social Innovation in the White House to curb poverty around the world.

Social entrepreneurship can and will always emerge when approaches from business and public (government) organizations failed to stimulate economic development and growth. It is a commonly known fact that civic action results as a consequence of gaps in society left by inadequate public systems or private sector action – thus forming the basis for the emergence of social entrepreneurship. The term ‘civic innovation’ could be used to perhaps more accurately describe the social entrepreneurial activity that falls within the voluntary sector (Fowler, 2000) as it focuses on civic benefit, and the drawing of resources purely from the citizen base.

Just like the concept of entrepreneurship, there is no single most appropriate definition to what social entrepreneurship represents because social entrepreneurs are change agents and can be viewed by different people from different perspective. According to Roberts and Woods (2005), Social entrepreneurship is a kind of social mind-set that is applicable in any kind of business or setting such as profit oriented entrepreneurial setting, a non-profit setting, a public setting, and within other social issues in any kind of organizational structure. Austin et al. (2006) opined that Social entrepreneurship should start with non-profit organizations; Dees and Anderson (2003) define Social entrepreneurship as the process of transforming a non-profit organization into a profit-oriented organization, whereas Sagawa and E, Segal (2000) state that Social entrepreneurship is the process through which business owners integrate their social

responsibilities into their operations. Social entrepreneurship can also be defined as entrepreneurship that aims to provide innovative solutions to unsolved social problems. Therefore social entrepreneurship is entrepreneurial actions with social intentions.

Social entrepreneurship is not a stand-alone concept. As seen above, it contains all the elements of conventional entrepreneurship. However, the key distinguishing elements between the traditional entrepreneur and a social entrepreneur is that while a traditional or conventional enterprise aims to deliver a bottom-line profit for serving a market in a better or more efficient manner, the social entrepreneurs have a triple bottom line to consider: first, people, second, the planet and lastly profit orientation. In addition, social entrepreneurs are not looking to solve an immediate problem rather, they are looking for scalable wholesale change to the underlying condition that led to the problem.

3.1.3 The Concept of Community Development

A community is defined in the Oxford Dictionary as “all the people living in a specific locality” or “a body of people having a religion, profession etc. in common” (Oxford University Press, 1990). ‘Community development’ is viewed as an embracing concept concerning the improvement of the standard of living or quality of life within a community. This deals with societal attitudes and perception of vocational education, the society’s expectations of vocational education and the various implications as well as the way forward. This concept will be elaborated upon in unit two of this module.

3.2 HISTORY OF SOCIAL ENTREPRENEURSHIP

Social entrepreneurship as a concept and as a field of study is relatively a new term. It came in to notice just a few decades ago. But its usage or practice has endured over time. In fact, there were several entrepreneurs who established social enterprises to eliminate social problems or bring positive change in the society. The social enterprise movement first emerged in the 1840s in Rochdale where a worker cooperative was set up to provide high quality affordable food in response to factory conditions that were considered to be exploitative. Other early social entrepreneurs are Vinoba Bhave, the founder of India’s Land Gift Movement, Robert Owen, the founder of cooperative movement and Florence Nightingale, founder of first nursing school and developer of modern nursing practices. They had established such foundations and organizations in 19th century that is much more in existence before the concept of Social Entrepreneurship was used in management. At this time, social entrepreneurship operated in the voluntary organization subsector. Most of their actions were civic responses to social gaps that arose from inadequate public sector action to social problems.

Today, the concept of social entrepreneurship has largely evolved to the extent that nearly **all big brands are adopting the concept of social entrepreneurship** and are

trying to address special issues in our society by opening schools in far flung areas, educating women for family planning, making it possible for farmers and poor individuals to access low interest credits, establishing plants for waste treatment and planting trees. This is in addition to the fact that the world is going greener hence you will now notice that the concept of Social Entrepreneurship has also been included as a separate branch of management courses.

3.3 THE GROWTH OF MODERN SOCIAL ENTREPRENEURS

Empirical evidence show that social entrepreneurship is growing in many Countries. Although it has remained a very complex or impossible task to measure the rate of growth of this sector just like measuring the social economy, the third sector and the non-profit sector would be difficult. This is due to the variety of the entities belonging to the field in addition to geographical context as well as how countries view social entrepreneurship differently.

In Japan for example, where a legal structure for non-profit organisations was introduced in 1999, (Mair and Ganly 2010) posited that the number of social entrepreneurship entities increased from 1,176 in 1999 to 30,000 in 2008. OECD added that the sector contributed JPY 10 trillion (USD 110,097 billion to the economy of Japan in 2005 (OECD STAT), which represents 1.5% of Japan's GDP. Data from the United Kingdom as released by the Third Sector in July 2009 refer to an estimated average of 61,800 social enterprises in England between 2005- 2007. In 2005 social enterprises had a turnover of GBP 27 billion and contributed GBP 8.4 billion to the UK economy. The sector in 2007 to 2008 employed about 540,000 people in the third sector of England. In Italy, according to estimate provided by the Iris network, there are 15,000 social enterprises employing 350,000 employees, serving 5 million users and with an economic turnover of EUR10 billion in 2009. In Korea from 2007 to 2009, the Korean Ministry of Labour has certified 251 organisations as social enterprises out of 515 organisations that applied. In Nigeria, the amount of local and international organizations venturing in to social entrepreneurship is rapidly increasing. Many societies in Nigeria without government presence is sustained by social entrepreneurs via their social enterprises. This has prompted the government to allocate N500 billion in the 2017 budget for social intervention which is currently been implemented.

3.4 WHO IS A SOCIAL ENTREPRENEUR

Social entrepreneurs are people who initiatives innovative solutions to social problem to bring about transformation in the society. The social entrepreneur uses the principle of entrepreneurship with the intent of creating social capital and not being essentially profit centred. The aim of the social entrepreneurs is to promote the cause of social and environmental goals that have an impact in the present and at the same time in the future. Social entrepreneurs are generally a part of or have been associated in some way with some non-profit organisations (NGO's).

Generally, entrepreneurs (whether social or conventional) are people who venture into new areas primarily with intent of making profit out of the same. They are however socially responsible people who are obligated to contribute to the well-being of the society in which they operate. However, this obligation is secondary for a conventional or traditional entrepreneur. In social entrepreneurship this obligation of contribution to social well being is primary and in a way profit takes a back seat or is more or less important or a secondary objective which is however essential to the survival of the social enterprise,

A social entrepreneur is somebody who takes up a pressing social problem and meets it with an innovative or path breaking solution. They are passionate and determined people that possess a very high level of motivation and are visionaries whose aim at bringing about a positive change in the way things are. Bringing about positive is a hallmark of a social entrepreneur

3.4.1 Examples of Social entrepreneurs

Social entrepreneurs operate with an aim of changing the face of society. Be it health, sanitation, education, they are present everywhere. There are people even who work on bringing about change in the modern innovations because their impact has been detrimental to human life. They thus work towards improving systems, creating new solutions, laying down fair practices.

Some of the very famous people who inspire others to take up social entrepreneurship are people like:

Maria Montessori: Developed the Montessori Approach to early education in children which sought to teach students independence at an early age.

- **Mary Slessor:** was the the person who advocated and fought against the killing of twine in Nigeria
- **Mohammed Yunus:** Pioneered the modern Micro Lending System which even lend money to beggars and vulnerable people in Bangladesh. His aim was to empower this destitute and liberate them from poverty.
- **Susan B Anthony:** was the co-founder of the first women's temperance movement and a prominent American Civil Rights leader for women's rights in the 19th century.
- **Vinobha Bhave:** is a prominent figure in Indian modern history and was the founder and leader of the Land gift movement that helped reallocate land to untouchables.
- **Florence Nightingale:** she laid the foundation for the first school of nurses and worked to improve the hospital conditions.

- **Margaret Sanger:** She was the founder and Leader of the planned parent-hood federation of America, championed the family planning system around the world.

These are examples of some people who fought for what they believed in and brought about varying degrees of change in their respective spheres of work.

3.5 CHARACTERISTICS OF SOCIAL ENTREPRENEURS

Social entrepreneurs just like traditional entrepreneurs have some peculiar qualities which distinguishes them from the crowd. In their identification and selection of social entrepreneurs, 'Ashoka' foundation, looks at the following characteristics of the individual:

- i. Recognition of Social Impact – Social entrepreneurs should have high ability to recognize gaps or positive externalities that have not been properly addressed or that was neglected.
- ii. Creativity – A social entrepreneur must be creative in setting his vision and in problem solving
- iii. Entrepreneurial Qualities - Entrepreneurial quality is said to be the most important criterion as, although there are many with good or altruistic and innovative ideas, there are few with “the entrepreneurial quality necessary to engineer large scale systemic social change” (Drayton, 2002).
- iv. Leadership and Management - Thompson (2002) comments that social entrepreneurs have the qualities or behaviours associated with business entrepreneurs (such as good leadership and management skills), but they are more concerned about “caring and helping than with making money”. They are described as people who inject imagination and vision into social problem solving, motivate others, build networks, and demonstrate capabilities in overcoming obstacles and risks in the process. Thompson emphasises that social entrepreneurs are much closer to the community, and hence can identify real needs and respond in meaningful ways.
- v. Social entrepreneurs are ambitious - Thompson et al. (2000) expand further on the traits/characteristics of social entrepreneurs as being ambitious
- v. Ability to Communicate Social vision - and having the ability to communicate a vision that inspires those around them – a vision of adding value to the underprivileged in a community.
- vi. Creativity - They are creative, and engender trust and co-operation through the establishment of relationships and networks in their search for resources.

Leadbeater (1997) states that successful social entrepreneurs are leaders – with a sense of mission and the ability to mobilise people around that mission, as well as story tellers who communicate their mission with the use of stories or parables.

3.6 DIFFERENCES BETWEEN SOCIAL ENTREPRENEURS AND TRADITIONAL (NORMAL) ENTREPRENEURS

In many instances in Nigeria, social enterprises have heavily relied on some sort of public funding, charity, or gifts making them independent and sometimes unsustainable. The context from which we are comparing and contrasting social entrepreneurs from the conventional entrepreneurs is from the standpoint of social entrepreneurs, who aim to be independent of public funding, charity, or gifts. They may receive some initial public funding or soft loans from a supportive patron, but they have a business model that aims at a long-term survival without such support. Without this model, then they may be no entrepreneurship. In trying to bring about change in society, social entrepreneurs provide support to the government towards sustainable development by means of activities that raise revenue which must cover all the cost items to tackle the social problem yet the enterprise remains financially independent.

This therefore follows that social entrepreneurs does not eliminate the need for making profit. They need to be profitable in order to survive. Social entrepreneurs want to meet social needs, stimulate social change, or induce responsible behaviour. Therefore, making profit may seem less relevant to them. This therefore infer that while traditional entrepreneurs will be motivated to open up a new business or diversify existing business, a social entrepreneur will mainly focuses on creating social capital without measuring performance in profit terms or the return in monetary terms.

Just like other entrepreneurs, they must find resources (such as human capital, cash, knowledge, etc) for the smooth running of their business (Austin et al., 2006). Acquiring these resources involves costs. Social entrepreneurs will need to make some sort of profit in order to run a sustainable business, cover their costs, and manage their own risks and the risk of their investors, even while they are constantly led by their social mission. They have indeed a "triple bottom line" with social, environmental and commercial purposes. Social entrepreneurs may need investors to support them until they become financially stable. From this perspective, social entrepreneurs do not differ very much from normal business entrepreneurs. Making profit is not their main aim, but they need to be profitable, or at least cover all relevant costs, in order to survive.

In fairness to all, both social and business enterprises have social impact. In creating jobs and providing goods that solve problems, business enterprises have social impact. These therefore follow that distinguishing social entrepreneurs from business

entrepreneurs on the basis of intentions is not very useful because the two categories of entrepreneurship shows considerable overlap.

You will have to agree that every modern company has financial, social and environmental bottom line or impact (positive or negative), regardless of whether it is intended or not. Moreover, many non social enterprises today want to behave in a "socially responsible" way. Automobile companies and many other manufacturers have set targets for themselves to reduce their CO₂ emission level or mitigate other negative environmental impact their business is having on their immediate environment. In addition, many of them also focus on child rights, waste treatment/management, women empowerment, which are just what social enterprises are established to tackle.

4.0 CONCLUSION

In this unit, you have learnt what the concept of social entrepreneurship is all about, the history of social entrepreneurship, who a social entrepreneurs are, the growth of modern social entrepreneurs, characteristics of social entrepreneurs as well as the differences between social entrepreneurs and traditional entrepreneurs.

5.0 SUMMARY

Social entrepreneurship has been defined as the process of creating and maintaining social and economic values with a view to growing the social enterprise and to reaching more people to meet their fundamental needs. We also said that social entrepreneurs are people who initiates innovative solutions to societies most pressing problems using entrepreneurial approach. in addition, we distinguished the social mission and the commerce mention of the social entrepreneur. We went further to highlight the unique characteristics of social entrepreneurs.

6.0 TUTOR-MARKED ASSIGNMENT

At present, most social entrepreneurs in Nigeria are registered as non-governmental organizations. What limitations does this constitute to the concept of social entrepreneurship practice in Nigeria.

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MODULE 1 - UNIT 2

THE CONCEPT OF COMMUNITY DEVELOPMENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 The concept of Community Development
 - 3.2 Community Development
 - 3.3 Impediments of Community Development
 - 3.4 Development Components of Community Development
 - 3.5 Social Problem and the Social Enterprise
 - 3.6 Sustainability of Social Entrepreneurial projects
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Social Entrepreneurship and Community Development are two divergent concepts which was coined to address the failure of previous efforts by government and business in addressing community challenges sustainably. Just like the concept of social entrepreneurship which have no single universal definition, so also is the concept of community development. Social entrepreneurship in community development can be said to be the willingness to commit to a community project without pecuniary interest. The aim is to change the circumstances and welfare of people through an entrepreneurial approach that will create a sustainable solution to social problems in question.

This material is prepared to equip you with the basic ideas and knowledge that will enhance your understanding and appreciation of the concept of social entrepreneurship and community development.

2.0 OBJECTIVE

By the end of the unit:

- a. You should be able to discuss the concept of community development
- b. You should be familiar with how social entrepreneurs contribute to community development
- c. Be acquainted with how community problem presents opportunities for social entrepreneurship
- d. Be conversant with factors which contributes to the sustainability of community based projects.

3.0 MAIN CONTENT

3.1 THE CONCEPT OF COMMUNITY DEVELOPMENT

The poor conceptualization of the term “community development” is perhaps serious problem in itself. The definition of community is also controversial among scholars as well as practitioners. The general lack of consensus in the conception of community gives rise to the quick perception of community as simply “rural”. Hence, governments, particularly in Nigeria, perceive community development as essentially, rural development. This is supported by the fact that over 80 per cent of the population of developing countries resides in the rural Community (Uma Lele 1995 cited in **Udu & Onwe** 2016). For this reason, community development efforts ought to be geared

towards “improving the living standard of the mass of the low-income population residing in rural areas and making the process of their development self-sustaining”. This understanding, informed the community development efforts of successive governments in Nigeria targeted in the rural communities.

Unfortunately, most community development efforts in the last 3 decades in Nigeria has failed to yield the desired results due to several complex factor. The lack of background studies aimed at understanding the social and demographic characteristics of their target communities and groups, literacy level of the concerned community, the extent of deprivation (poverty prevalent level) are a few of this factors. The absence of this information as argued by Udu (2014), has continued to result to a situation where there is a visible mismatch between the community structure and the kind of empowerment programmes targeted at them. Evidently, successive regimes in Nigeria have, at various periods initiated programmes aimed at addressing poverty, rural development and food security and their concomitant effects on the country. The Operation Feed the Nation, Green Revolution, Directorate for Food, Roads and Rural Infrastructure (DFRRI) the Better Life for Rural Women, Family Support programmes etc are few examples. They did not have lasting effects because they were not delivered using entrepreneurial principles.

3.2 DEFINITION OF COMMUNITY

Community can be defined through physical location with precise boundaries that are readily understood and accepted by others. Defining communities in terms of geography, however, is only one way of looking at them. Communities can also be defined by common cultural heritage, language, and beliefs or shared interests. These are sometimes called communities of interest. Even when community does refer to a geographic location, it doesn't always include everyone within the area. For example, many Aboriginal communities are part of a larger non-Aboriginal geography. In larger urban centres, communities are often defined in terms of particular neighbourhoods. Most of us belong to more than one community, whether we're aware of it or not. For example, an individual can be part of a neighbourhood community, a religious community and a community of shared interests all at the same time. Relationships, whether with people or the land, define a community for each individual.

The term "community" is used extensively in almost all areas of our daily lives. We frequently hear about "community care", "community revitalization", "community service" and many other references to community. Yet, while everyone seems to have a fairly common understanding of what is meant by "community" it eludes a clear and comprehensive definition.

The term "community" is a Latin word used extensively in English language since the 14th century to refer to both the development of a social grouping and also the nature of the relationship among the members. The term is most often associated with one or more of the following characteristics:

- common people as distinguished from those of rank or authority
- a relatively small society
- the people of a district
- the quality of holding something in common
- a sense of common identity and characteristics

Community from a sociological stand point refer to a territorially based organization of parts that are mutually interdependent. Most definitions of community from this school of thought include some reference to interdependence of parts, spatial organization as a result of competition, and community as a place where people interact and meet their daily needs (Park 1936). From a conflict perspective, community is a site for competition over resources (Warren and Lyon 1988). This is based in Marxist ideology. From the systems perspective, community is comprised of subsystems, which operate as a unit or structure (Lyon 1988) and this unit is a part of a larger system.

Those who follow the 'systemic model' suggest that community is comprised of local networks of social and kinship ties, but as a part of a larger social system it is also affected by the mass society (Sampson 1991). Definitions from this perspective include the concept of place - community is a place based social system (Wirth 1988). From an interactional perspective, people engage in interaction consciously or unconsciously. From these natural interaction processes the existence of a 'community' emerges (Kaufman 1959). Etzioni (1996) argues that community is an interrelated web of relationships among groups of individuals that requires commitment to shared values, norms, meanings, and a common history and identity. Interaction thus is an inseparable part of a community. This makes a community a group of people who are socially interdependent.

3.3 COMMUNITY DEVELOPMENT

In the Community Development Guidelines of the International Co-operative Administration of the United States cited in Ndukwe (2005), Community Development is “a process of social action which the people of a community organize themselves for planning an action, define their common and individual needs and problem; execute these plans with a maximum reliance upon community resources and materials from governmental and non-governmental agencies outside the community”. From all these definitions, community development is not concerned with one aspect of life, but involves total community life and needs. Ideally, it involves all the members of the community, it requires their fullest participation in decision making and then decision implementation. People work together with or without extra support to shape their future and that of the community.

Flo Frank and Anne Smith defined community development as a process where community members come together to take collective action and generate solutions to common problems. Community wellbeing (economic, social, environmental and cultural) often evolves from this type of collective action being taken at a grassroots

level. Community development ranges from small initiatives within a small group to large initiatives that involve the broader community.

In their view, effective community development should be:

- a long-term endeavour
- well-planned
- inclusive and equitable
- holistic and integrated into the bigger picture
- initiated and supported by community members
- of benefit to the community
- grounded in experience that leads to best practices

Effective community development results in mutual benefit and shared responsibility among community members. Such development recognizes the connection between social, cultural, environmental and economic matters on one hand, the diversity of interests within a community on the other hand as well as its relationship to building capacity. Community development helps to build community capacity in order to address issues and take advantage of opportunities, find common ground and balance competing interests. It doesn't just happen – capacity building requires both a conscious and a conscientious effort to do something (or many things) to improve the community.

It can be deduced from the aforementioned that community development is a grassroots process by which communities:

- become more responsible
- organize and plan together
- develop healthy lifestyle options
- empower themselves
- reduce poverty and suffering
- create employment and economic opportunities
- achieve social, economic, cultural and environmental goals

The aim of this collaborative participation is obvious. It is to jointly eliminate limiting circumstances of life as poverty, hunger, ignorance, sickness and fear, in a bid to bring about improvement in the standard of living of a people.

3.4 DEVELOPMENT COMPONENTS OF COMMUNITY DEVELOPMENT

The development component of the community development process is as complex as community itself. It may be because of its disparity in usage and the body of literature, which exceeds that of community. Development is not a random activity that occurs as a natural product of human interaction. It is deliberate, and the expectation is that people will be better off at the end of the process than they were at the beginning. In this regards, the definition, which serves best, comes from David Korten: "Development is a process by which the members of a society increase their personal and institutional capacities to mobilize and manage their resources to produce

sustainable and justly distributed improvements in their quality of life consistent with their own aspirations" (Korten 1990). This definition cites the empowerment value of capacity building both at the personal and institutional levels and control over a community's own resources. It also implies that development is a 'process' indicating that change happens over a period of time by enhancing personal and institutional capabilities and resources, or by the interaction of different types of physical and natural capital. The subjective orientation of development introduced at the end of his definition is important as it indicates that residents of a community have reached a consensus that it is in their common interest to act collectively.

This invariably means that when we talk about the **concept of development**, we are referring to what can be done to raise the quality of life and keep it from falling down. These actions include the reorganization and reorientation of the entire economic and social system which also include change in institutional, social and administrative structure. The proof that development has occurred is that societal poverty, unemployment, inequality and other deprivations has reduced considerably.

3.4.1 Traditions of Community Development

Communities exist in a broader state, regional, and national context that exerts significant influence on its continuing development. Many rural communities in Nigeria are experiencing untold social, economic, and political difficulties. Most developmental programmes in Nigeria adopt the traditional community development strategies. This strategy focused on the development of physical, natural, financial, and human capital, while neglecting social capital as a resource. This is regardless of the fact that social capital is an essential element in change desired at the community level.

Mayo (1975) posit that the tradition of community development can be traced back to European colonial regimes who wanted powers to continue to exploit natural resources while at the same time also wanted to see some economic progress for the indigenous populations residing in the colonies. Centrally planned local development policies were devised without involving the local populations to address their needs. This principle is still in operations today. It essentially adopts a 'top down' planning process in which the community's role was confined to mobilization of local resources. This planning process is designed to implicitly benefit the center at the end of the process.

In recent times especially in modern societies, community development effort emerges as a response to the deep social inequalities and deprivations. Widespread poverty, with the potential to evoke violent responses has forced policymakers to find better ways of addressing the extent of the problem. Early efforts at community organization and charitable programs coincided with the beginning of a welfare state, which led to the emergence of a range of social relief programs such as Operation Feed the Nation, Green Revolution, Directorate for Food, Roads and Rural Infrastructure (DFRRI) the Better Life for Rural Women, Family Support

programmes etc. The pressure to solve local problems also resulted in the realization that there has to be some local control and participation so that both charitable organizations (especially social entrepreneurs) and state-sponsored programs become more acceptable.

affect different communities in different forms. Social problems may include but are not limited to health challenges, poverty and hunger, disease and premature death, unemployment and environmental degradation. These are all opportunities for social entrepreneurs.

3.5 SOCIAL PROBLEM AND THE SOCIAL ENTERPRISE

All community development programmes are directed at solving pressing social needs (problems). Social entrepreneurs are already familiar with the fact that social problems are divergent in nature and require different skill sets and resources to handle. These therefore follow that for a social enterprise to take up a social challenge it must first attempt to define the Social Problem through the Need and Opportunity Analysis mechanism.

As you conduct the research that will provide you with the information needed, the social entrepreneur will begin to form an in-depth understanding of the aspect of the social problem that the social enterprise is uniquely positioned to target. This will inform the first component of your Social Impact Model. Your social problem definition must be based on a well thought-out research which is specific enough to begin to frame your unique approach to addressing the problem. Given the above, we elect to illustrate with a local Root Cause consulting client whose social mission focuses on improving the lives of senior citizens. This area you are already aware experiences serious neglect. Below are two of the conclusions reached in its need and opportunity analysis.

1. Currently, there is little collaboration and coordination among service providers for the country's senior citizens.
2. Many seniors in the country do not know what services are available to them.

The social problem definition that followed from these and other conclusions is: “the current national infrastructure required to meet present and future needs of people entering their aging years is not adequate and will have a dramatic impact on their lives.”

3.5.1 Conducting a Need and Opportunity Analysis

The Need and opportunity analysis is made up of two main components: a study of the trends contributing to the target social problem along with the current work being done to address it, and a description of the opportunity that your organization has

identified for putting its unique approach to work. Ultimately these two components constitute the basis of an argument that explains: why now and why your approach? A need and opportunity analysis typically covers the following topics:

- i. **Market Need:** A data-driven description of the social problem in its current context.
- ii. **Current Trends:** An overview of the current social, political, legal, and economic trends affecting your target social problem.
- iii. **Root Causes:** A theory about the root causes of the social problem, based on the research conducted above and a literature review of current debate and thinking by academics, policy experts, and other leaders in your field.
- iv. **Environmental Landscape:** A description of the approaches of other organizations working on the social problem — the competitive landscape — and of the gaps that still remain in addressing the social problem.

This analysis of the competitive landscape can begin to illuminate the opportunity on which you are acting and that makes your approach unique.

3.6 SUSTAINABILITY OF SOCIAL ENTREPRENEURIAL PROJECTS

Social entrepreneurial projects are projects which are directed to enhance the standards of living of a community. Government authorities, local or international charities as well as social entrepreneurs, can implement social projects individually or collectively. The modes of implementation determine whether the social impact will endure a long time. In this regard, it is advised that social projects must be implemented using an entrepreneurial model if their sustainability is considered important.

For a social entrepreneurial effort to be deemed successful, the project impact and the project sustainability takes the lead role. The social impact of a project can be defined as the influence the project had in the given environment, whereas Ior-Amo, (2013) in line with the United Nations (1987) considered sustainable development as a mode of human development in which resource use aims to meet human needs while preserving the environment so that these needs can be met only in the present, but also for generations to come. It ties together concern for the carrying capacity of natural systems with the social challenges faced by humanity. The concept of sustainable development has in the past been broken into three parts namely: environmental sustainability, economic sustainability and social political sustainability. However, sustainability in the context of the sustainability of social entrepreneurial project refers to the ability of the project to maintain impact on the surrounding communities in the

long-term as well as to be able to raise the resources that keeps the impact for the said period of time.

3.6.1 Factors Contributing to Project Sustainability

Four factors have been identified to contribute to project sustainability directly. They include the ability of the social enterprise to:

- i. Attract and generate funds
- ii. Form partnerships
- iii. Develop an effective organisational structure and
- iv. Attract people and skills

3.6.1.1 Ability to Attract and Generate Funds

Funds are a hell of a burden for both social and conventional entrepreneurs. Regardless of the fact that the concept of social entrepreneurship has gained a lot of attention in recent time, and that a lot of social investors are springing up globally with a wide geographic areas and business impact area of coverage, funding for social enterprises is still a serious challenge.

The fact that social enterprises fills the gaps where the public and private sector cannot – or will not fill is an advantage but not in itself enough to guarantee funding. Hence social entrepreneurs must adopt all formal approach adopted by business entrepreneurs if the must secure funding for start-up before they will be able to generate their own money.

It is therefore necessary for social entrepreneurs to use independent evaluators to evaluate their programmes. This is key in raising funds. Most big and versatile social investors are domiciled overseas. For them to advance their funds to you, they need to know what they are actually investing in and what social capital their investment will return. If you have documented evidence, you will easily generate hope. The next is that the organization must operate in a professional and business-like atmosphere – that is “run like a conventional business enterprise”. This is what will assure funders that in the future, you will be able to generate your own fund requirements hence become sustainable. Strong administrative systems and business negotiation processes would be a real advantage.

3.6.1.2 Formation of Partnerships

The enormity of the social issues requiring attention in several communities cannot simply be done without one form of partnership or the other. Although social entrepreneurs do enjoy operating independently, their networking ability and opportunistic nature contribute to the formation of partnerships when crises arise. In drug prevention campaign, it will make sense to partner with NDLEA. Partnership is especially crucial with regard to working with the public sector so that members are engaged in a supportive rather than antagonistic structure. These allow for sustainability in the long term as the partners get on board with the entrepreneur's vision, help to spread the message, and create structures and opportunities within which the individual or organisation can operate and develop ideas.

3.6.1.3 Effective Organisational Structure

Social enterprises (especially new and small entities) require a flexible organisational structure. Perhaps this is common when organisations are under-resourced and the employees become 'jacks-of-all-trades', attending to needs where necessary and shuffling themselves appropriately to fill gaps. This aligns with the opportunistic nature of the social entrepreneurs who always tend to avoid rigid structures and red tape, looking out for opportunities where their organisation can mould itself to fit the need.

Social enterprises must create organizational structures that are dynamic, flexible and responsive. As the social enterprise attempt to address social issues, they starts to drive systemic changes and the entrepreneurs will start to realise the enormity of task ahead, and in many cases further 'problems' arise as a direct result of the one they are currently tackling. For example, Ufedora Global Enterprise started with home-based care, and has now moved into supplying food and material needs for patients, in addition, they are encouraging prevention of the illnesses through community talks, and looking after HIV/AIDS orphans in the communities. In order to address the burgeoning needs that are encountered, a flexible structure is crucial for timely response.

The provision of an all-encompassing support system by these organisations is important for sustainability. For example, an organization engaging in drug rehabilitation will need to put in place, a support network for rehabilitated offenders who have served their sentences in full. This is critical in ensuring that they are not tempted to return to a life of crime after they are let free from the prison. This support structures can enforce and sustain changes in attitudes and behaviours, increase employment and impact further on national policy, thus improving impact in the long-term.

Although the organisation may start with a very flexible structure, as time progresses, the need for a more formalised structure increases in order for the organisation to be effective. Systems and procedures need to be in place for administrative purposes, for record keeping and for measurement (as the business adage goes – ‘you cannot control what you cannot measure’). Even registering as an NGO may be cumbersome to the independent social entrepreneurs, who are often put off by procedural issues and lengthy board meetings, but this does help in situations such as applying for funds. Good administrative procedures result in higher efficiency and can only help the entrepreneur in the long run.

3.6.1.4 Ability to Attract People and Skills

All organisations struggle in some way in finding the right people (those with the right skills and competences) and keeping them. This is not different in the case of social entrepreneurial organisations. This is especially true in the case where salaries are not guaranteed and/or are not competitive. In addition to the fact that current employees are in search of a more secure and well paying positions. To ensure that the best people are employed and retained, you must ensure that employees are well paid and motivated. This is because sustainability will be improved immensely if employees are committed to the organizations vision because they have substantial contributions to make regarding project impact.

4.0 CONCLUSION

This unit added up to the build-up of ideas and knowledge in the field of community development. You have learnt that social entrepreneurship and community development are two different concepts fixed together to address societal problems or provide positive externalities which was left unattended to by commerce or government. You are now familiar with the essence of community development which is to eliminate extreme hunger, poverty, sickness, fear and other forms of limitations in such a way that the standard of living of the affected community will be improved and be sustained over time. You would also have become familiar with social problems and how they provide opportunities for social entrepreneurs. The unit examined critically the sustainability social projects. Finally, it pointed out that most community efforts in Nigeria has been targeted at rural dwellers relaying on the geographic definition of community. Majority of these projects has either failed or did not show a sustained impact for several reasons. At the centre of it, is that the people or target community are not always involved in designing programmes affecting them.

5.0 SUMMARY

Social entrepreneurship and community development is the willingness of a social entrepreneur to commit to a community project without making profit the central objectives. This unit is cantered on community development and particularly, it

extensively discussed the concepts of community, development and community development. It also looked at community problems, need analyses as well as the sustainability of community projects.

6.0 TUTOR-MARKED ASSIGNMENT

How can social entrepreneurs achieve a sustained social impact when they decide to provide a positive externalities in a disadvantaged community.

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MODULE 1 - UNIT 3

POVERTY AND THE NEED FOR SOCIAL ENTREPRENEURSHIP

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 The conceptualization of poverty
 - 3.2 Causes of poverty
 - 3.3 Social Opportunities from the Social Development Goals (SDG 1 & 2) of the United Nations
 - 3.4 Challenges Social Entrepreneurship
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Most social challenges persist in the face of poverty. It is because of poverty that people especially those on the bottom of the pyramid cannot provide decent and quality education, health, food, shelter etc. All of these needs are what create gaps for social entrepreneurs who are compassionate to solve these problems deploying entrepreneurial approaches. This makes poverty a challenge as well as an opportunity.

There is no single and acceptable definition of poverty. This is because poverty affects both the physical, moral and psychological aspects of the people. Different criteria at different times have been used to conceptualize poverty. Poverty can however be defined objectively and applied consistently only in terms of the concept of **relative deprivation**. The term is understood objectively rather than subjectively. Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities.

This material is prepared to equip you with the basic ideas and knowledge that will enhance your understanding and appreciation of the concept of poverty and how it affect the concept of social entrepreneurship and community development.

2.0 OBJECTIVE

By the end of the unit, you should:

- a. Be familiar with the concept of poverty
- b. Be familiar with the causes of community poverty
- c. Be aware of opportunities presented by SDG 1 and 2 of the united Nations

3.0 MAIN CONTENT

3.1 CONCEPTUALIZATION OF POVERTY

Broadly, poverty can be conceptualized in four ways such as

- i. When there are lack of access to basic needs/goods
- ii. A result of lack of or impaired access to productive resources
- iii. Outcome of inefficient use of common resources and

- iv. A result of “exclusive mechanisms”.

Poverty as lack of access to basic needs/goods

Poverty as lack of access to basic needs/goods is essentially economic or consumption oriented. It explains poverty in material terms and specifically employs consumption-based categories to explain the extent and depth of poverty, and establish who is and who is not poor. Thus, the poor are conceived as those individuals or households in a particular society, incapable of purchasing a specified basket of basic goods and services. Basic goods are nutrition, shelter/housing, water, healthcare, access to productive resources including education, working skills and tools and political and civil rights to participate in decisions concerning socio-economic conditions (Streeten and Burki, 1978).

Impaired access to productive resources

Impaired access to productive resources such as arable agricultural land, physical capital and financial assets leads to absolute low income, unemployment, undernourishment etc. Inadequate endowment of human capital is also a major cause of poverty. Generally, impaired access to resources shifts the focus on poverty and it curtails the capability of individuals to convert available productive resources to a higher quality of life (Ogwumike, 2002 cited in [Olowa O.W., \(2012\)](#)).

Inefficient Use of Common Resources

Poverty can also be the result of inefficient use of common resources. This may be consequent on weak policy environment, absence/inadequate supply of infrastructure, weak or a general lack of access to technology, lack of access or high cost of credit, exclusion of “problem groups” from participating in economic development. For instance, the exploitation of the agricultural sector in Sub-Sahara Africa before and immediately after colonization through taxation (direct and/or indirect) led to poor growth performance of the sector which correspondingly heightened rural-urban migration and employment crisis.

Poverty can be structural (chronic) or transient

Structural (chronic) or transient poverty is defined as persistent or permanent socio-economic deprivations and is linked to a host of factors such as limited productive resources, lack of skills for gainful employment, endemic socio-political and cultural factors and gender while transient poverty on the other hand, is defined as transitory/temporary and is linked to natural and man-made disasters. Transient poverty is more reversible but can become structural if it persists. This creates gaps for social entrepreneurs to flourish.

Generally, there is a consensus that in conceptualizing poverty, low income and/or low consumption are its major symptoms. Various theories have been advanced in order to put in proper perspective the mechanics of poverty. **The orthodox Western views of poverty** for example, reflected in the “Vicious circle” hypothesis stating that a poor person is poor because he is poor, and may remain poor, unless the person’s income level increases significantly enough to pull the person in question out of the poverty trap. **To the classical school of thought**, such improvement can only be real and sustained, if and only if, the population growth is checked and the “limits of growth” are eliminated. Further, the early classical theorists in the attempt to illuminate on the concept of poverty based their analytical framework on the laws of diminishing returns which was believed to be universal in content although this was later upgraded at the time of Alfred Marshall and his contemporaries when the law of increasing returns in industry was more clearly articulated.

Understanding the nature of poverty perhaps received a boost following **Marxian theoretical formulation** which largely, is based on the principles of exploitation of labour. Marxian theoretical formulations presents the economy as ultimately polarized into a few rich capitalists and the masses made up of the poor miserable workers. Technological progress, it was argued, would be labour saving, resulting in displacement of workers to join the reserved army of the unemployed, whose presence depresses the wage level.

Joseph Bocke developed a model of dualistic economies which was later popularized by Arthur Lewis. In accordance with this model, the national economy was divided with two parallel institutional production sectors, namely, the traditional sector and the modern sector. The latter is dominated by foreign trade, technology investment and foreign management and is characterized by the beneficial values of discipline, hard work and productive creativity. On the other hand, in the traditional sector, the static low- level equilibrium conditions advanced by the vicious circle of poverty theory are said to hold. According to this school of thought, the subsistence life style and a cultural value that are antitheses to economic growth and modernization dominate. Local ineptitude and the people’s apparent lack of response to normal monetary incentives to hard work therefore provide explanation for poverty. This intuitively implies that the poor person is the cause of his/her poverty.

Understanding the nature of poverty became up-graded with the modern theoretical approach that considers the income dimension as the core of most poverty-related problems. Poverty may arise from changes in average income, or changes in the distributed income. Equitably distributed income increases the chance of the poor to have access to basic services (food consumption, housing etc). Indeed, it is now generally agreed that although there is close positive relationship between per capita income and the measures of well-being, it is not so much the level of per capita income which determines capabilities but how it is distributed. The argument for growth as a precondition for poverty reduction is because it increases, mean incomes and the narrowing of income distribution. Again, a major lesson that can be drawn

from the conceptualization of poverty above is that any attempt to design pragmatic approach to poverty alleviation has to adopt mixture of strategies since poverty is multifaceted in scope and dimension.

3.2 CAUSES OF POVERTY IN NIGERIA

There has not been any identified single cause or determinant of poverty. A combination of several complex factors contributes to cause poverty. They include but are not limited to:

i. Unemployment and underemployment:

Gainful employment is important for individual to earn income and escape from “income” poverty. In many countries, the poor are faced with problems of structural unemployment due to lack of skills or extremely low educational levels, medical problems, geographical isolation (which affects some of the rural poor in general and the urban poor due to marginalisation of persons living in high- crime neighbourhood) and in some countries, discrimination based on race or other attributes. Further, underemployment occurs largely in the informal sectors and results in low incomes for an important segment of the labour force, particularly in rural areas. Unemployment is due more to slow economic growth than to the direct effects of imperfections in the labour market, although regulations affecting the formal sector are likely to induce more underemployment in the informal sector. In poorer, rural areas, this mainly takes the form of seasonal unemployment.

ii. Low Economic growth performance:

Any economic growth that will reduce poverty is that growth with employment generating capacity and with export base. Growth rates (whether poverty reducing or otherwise) have been low in the last few years in Nigeria. This partly is due to external shocks such as adverse changes in several countries’ terms of trade, changes in global demand for exports and changes in global interest rates on developing countries external debt. All these are probably responsible for the increase in poverty level in various countries of the world. World Bank (1990 cited in [Olowa O.W., \(2012\)](#) links high economic growth to poverty reduction. This report asserts that poverty in Indonesia and Thailand was reduced by between 30 and 40 percent respectively during a twenty years period in which annual growth rates were approximately 3 percent. This invariably means that the lower the development, the lower the reduction in poverty level. A sample of countries that recorded the least reduction of poverty were those that had a growth rate of less than 1 percent. Growth can reduce poverty through rising employment, increased labour productivity and higher real wages it generates.

iii. Macroeconomic shocks and policy failure:

Macroeconomic shocks and policy failure has been a major cause of poverty in several countries of the world. As many economies in the world faced macroeconomic disequilibrium, mostly in the balance of payments due to expansive aggregate demand policies, terms-of-trade shocks, and natural disasters, it became necessary to undertake major policy reforms. In the process such economies became vulnerable to poverty. Macro-economic shocks and policy failure account for poverty largely because they constrain the poor from using their greatest asset "labour". Also, monetary policies that adversely affect cost and access to credit by the poor, fiscal policy which results in retrenchment, lay-off and factor Substitution; exchange rate policy which raises the domestic cost of production in an import dependent production system will affect the poor negatively. However, an exchange rate policy which boosts exports particularly those in which the poor are predominantly engaged (for example agriculture) will help reduce poverty. The urban poor, as a result of policy failure, are vulnerable to job losses resulting from job-cut-backs in the public sectors or from the decline of industries adversely affected by shifts in relative prices. They also lose from the removal of food subsidies and other welfare packages. Further, devaluation produced both negative and positive effects on equity and poverty incidence. On the negative side higher production costs of import, especially in import dependent economy usually result in declining capacity utilization rate in manufacturing and lay off and retrenchment in the private sector all worsening poverty.

iv. Human resource development:

This is germane to human capital development and capability to escape from poverty. Continued investment in human capital with improvements in efficiency is necessary to sustain reduction in poverty changes in the labour market. Investment in people can boost the living standards of households by expanding opportunities, raising productivity, attracting capital investment, and increasing earning power: In addition, providing additional educational opportunities for adolescents may prevent some youths from becoming involved with gangs, drugs and violence, given the evidence linking the perpetrators of crime with school dropouts.

v. Crime and Violence:

A steady increase in crime and violence has degraded the quality of life to a varying extent in many counties of the world. North West Nigeria is a good example. Crime and Violence have serious economic costs. For instance, an increasing proportion of public resources, which are already limited, is required to strengthen police enforcement, support the growing prison population, finance the demands place on the judicial system, and provide health care for persons injured by violence. Other costs include the expensive security systems and guards now required by businesses and homes, the loss in potential revenues from foreign investor and tourists who have sought other destination as a result of the threat of crime, and the migration of the urban middle class. Because of the heterogeneous nature of the poor, it is difficult to link poverty, crime and violence directly. However the adverse social consequences of

crime have been closely associated with poverty for example, loss of lives at productive age and quantum loss of properties.

vi. Labour markets deficiencies:

The poor's most abundant resource is their labour, a virile labour market is important to reducing poverty and income inequality. In most countries of the world, the majority of poor households participate in the labour market in one way or another, and thus poverty is a problem of low wages especially in the informal sector, low labour returns to rural self-employment activities, underemployment, and in some cases, protracted unemployment. These problems are affected in different ways by deficiencies in labour market. The majority of the labour force work as paid employees in the private informal sectors, followed by employees in the public sector. When there are deficiencies in labour market, the poor are affected by limited job growth and absorption capacity in the formal sector. Also, relatively high labour costs in the formal sector that lead to over expansion of a low-productivity informal sector, thus putting downward pressure on wages in the informal sector (where many of the poor work), and limited opportunities for unskilled youth to acquire job training and skills can perpetuate a cycle of poverty.

vii. Migration:

Migration rates do reduce poverty especially when the majority of individuals who migrate are skilled workers. Individuals who migrate vacate jobs in the labour markets. Thus, migration drains skills and it reduces the pace of economic growth thus slows down the process of overall job creation. This affects the long-run development potential in an economy.

viii. Governance:

The persistence and pervasiveness of poverty in several countries has been linked to the lack of popular participation in governance and decision-making as well as weak institutional base. This has led among other things to poor accountability, transparency in resource allocation, weak programme implementation and monitoring. Ultimately, development programmes are rendered ineffective if poverty reduction initiatives are ineffective. This translates to wastage of resources.

3.3 SOCIAL OPPORTUNITIES FROM SOCIAL DEVELOPMENT GOALS (SDG 1 & 2) OF THE UNITED NATIONS

Social Development Goals metamorphosed from the Millennium Development Goals of the United Nations organization. SDG 1 (goal 1) is advocating for the ending of extreme poverty and social protection for the poor and vulnerable, increase access to basic services, support people who are harmed by climate related extreme events and other economic, social and environmental shocks and disasters. Goal 1 opens a lot of opportunities to innovate for social entrepreneurs. Social entrepreneurs can venture

into innovations that can provide employment for the working poor, school feeding/targeted food assistance, labour market programmes and skills training among others can further reduce poverty.

Goal 2 aims to end hunger and all forms of malnutrition by 2030. It also commits to universal access to safe, nutritious and sufficient food at all times of the year. This will require sustainable food production systems and resilient agricultural practices, equal access to land, technology and markets and international cooperation on investments in infrastructure and technology to boost agricultural productivity. These are all opportunities for social entrepreneurs of which social investors are ready and willing to support financially and technically.

Ending hunger and malnutrition relies heavily on sustainable food production systems and resilient agricultural practices. Genetic diversity in livestock breeds is crucial for agriculture and food production since it allows for the raising of farm animals in a wide range of environments and provides the basis for diverse products and services. To increase the productive capacity of agriculture, more investment is needed, both public, private and from social enterprises whether from domestic and foreign sources. These are also attractive opportunities for social entrepreneurs (Progress towards the Sustainable Development Goals - Report of the UN Sec-Gen 2016)

3.4 CHALLENGES OF SOCIAL ENTREPRENEURSHIP

Although there are success stories for social entrepreneurs around the world, yet there are some barriers which still hinder social entrepreneurs from reaching their full potential world over. They include but are not limited to:

- i. Proper legal framework,
- ii. Funding
- iii. Lack of sustainability
- iv. Inability to properly measure social impact
- iii. premature scaling
- iv. Diverted Attention From Problem Solving To Organization Building

Legal framework

Many country including Nigeria has poor legislative framework to deal with issues relating to social enterprises/social entrepreneurship. They essentially regard social entrepreneurs as a hybrid of social development and enterprise. As a result of the lack of legislative frameworks for social entrepreneurs; most social enterprise are initially forced to register as non-profit organisations and this hinders their operations. This limits the extent to which they can generate income while others resort to registering as for-profit organisations which in turn would remove their ability to have tax benefits or raise capital from social investors. Due to the lack of legislative frameworks, social entrepreneurs “do not find the kind of support they need to blend socially and attain their financial objectives.

Funding

Start-up funding and/or funding for expansion has been a major challenge to social entrepreneurs in Nigeria. Although, all social enterprise must develop a sustainable models that will guarantee a sustainable inflow of revenue, they however requires grants and charitable support before they get to the position where their commercial value proposition can generate enough revenue to keep the social enterprise liquid at all times.

Lack of sustainability

Generally, social entrepreneurs are viewed as the answer to sustainable solutions at community level, in practise, this is a major issue of concern as some social entrepreneurs are unable to create sustainable ideas and models. It is better to have an idea that can be replicated and sustained overtime as it enforces more impact than to have a single or a one off thing which has not distinction from the work of charities.

Inability to properly measure social impact

Social entrepreneurs face an immense challenge in measuring social impact. This problem has proven to be enduring. Mair and Martí (2006 cited in **Malunga et al. (2014)**) posit that it is very difficult to quantify social impact hence very challenging to measure the contributions of the social entrepreneur toward eradicating the social need.

When social entrepreneurs are able to demonstrate their social impact in measurable terms, it will no doubt provide credibility to the sector. This will as well provide access to more finance and more support and more success. Measuring social impact is of important value because it will highlight the significance of the role(s) played by social entrepreneurs in terms of community development. Thus instead of interrogating the legitimacy of social entrepreneurs by evaluating the definitional issues or organisational context, this discussion will centre on social impact assessment as a pivotal issue in legitimising social entrepreneurship.

Premature scaling-up

In many instances, social entrepreneurs make enormously attempt to expand their social venture in their infancy stage (before they are properly established). Scaling-up comes with its own challenges and in must occasion, these young social enterprise operators fail to handle the increased scope of challenges that the community encounters, thus failing to meet the expectations of the community and other stakeholders.

Diverted attention from Problem Solving to Organization Building

To solve the constantly emerging tough social problems, social entrepreneurs need collective actions that can be sustained over time. Too often, aspiring social entrepreneurs assume they need to start their own organization as against partnering with an existing one. This results in the need to raise huge revenue to build infrastructure, accounting, and other systems etc. As a result, energy and resources get

diverted from problem solving which is the primary objective of social enterprise to organization building.

4.0 CONCLUSION

You have learnt that inadequate economic growth is the main cause of poverty in Nigeria and that high and growing unemployment has also exacerbated the level of poverty in Nigeria. We have also learnt that problems in the productive sector, widening income inequality, weak governance, social conflict and environmental issues have contributed to the poverty problem in Nigerian communities. Poverty especially in the urban area has been made worst by low labour absorption capacity especially in manufacturing, resulting in the limited growth recorded in the areas of investment, technology and innovation. Weak governance which is manifested in corruption, inappropriate planning and neglect of the private sector have contributed immensely to poverty.

We have also seen that the Social Development Goals especially (SDG 1 & 2) might provide a viable investment opportunities because they refer to the most pressing social problems to be addressed in the immediate future. They include goals such as eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improving maternal health, and combating HIV/AIDS, malaria and other diseases. Finally, this pointed to the fact that opportunities for social entrepreneurs especially in the developed world, do arise from gaps in the social welfare system.

5.0 SUMMARY

The unit which centred on poverty defined it to be the inability of individuals, families and/or groups in the population to meet their basic requirement in line with what other living in their communities are enjoying. This means the poverty can be consumption oriented (lack of access to basic need/good), it can be impaired access to productive resources (lack of capital/productive land) and it could result from inefficient use of common resources (inadequate supply of infrastructure). Unemployment, low economic growth, violence, labour market deficiencies are principal cause of poverty in communities. SDG 1 and 2 provides opportunities for social entrepreneurs even in the face of several challenges such as lack of funding, lack of legal framework, inability to effectively measure social impact as well as sustainability problems.

6.0 Tutor-Marked Assignment

If poverty presents viable investment opportunities for social entrepreneurs, why do we have limited social enterprise springing up in our communities?

7.0 REFERENCES/FURTHER READINGS

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Source: Report of the Secretary-General, "Progress towards the Sustainable Development Goals", [E/2016/75](https://www.un.org/ga/search/view_doc.asp?symbol=E/2016/75) - [www.un.org/ga/search/view_doc](http://www.un.org/ga/search/view_doc.asp?symbol=E/2016/75),

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SOCIAL CAPITAL AND SOCIAL IMPACT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Concept of Social Capital
 - 3.2 Creation of Social Capital
 - 3.3 Barriers to the Creation of Social Capital
 - 3.4 Application of Social Capital
 - 3.5 Negative effects of Social Capital
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 - 3.7 Impact of Social Entrepreneurial Project in Communities
- 4.0 Conclusion
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1.0 INTRODUCTION

The term social capital has been used in varied forms in various disciplines. World Bank, for example, uses it to define societal and economic development. Judson Hanifan championed the use of social capital. He used it in his discussions of rural school community centres. He promoted the importance of social intercourse among people for building goodwill and sympathy among fellow members and to promote cooperation. Later Robert D. Putnam worked extensively on the concept of social

capital. It was his work that extended the idea of social capital to research and policy making discussions.

The work of Robert D. Putnam point to the fact that Social Capital as a concept lays claim to the fact that social contacts between groups and within groups have significant value. It primarily means that social networks have a value associated and that they are not always detrimental in nature as previously thought of while the social impact aspect of the social enterprise lays emphasis on the level of problem that has been solve or the outcome that a particular social innovation produced in addition to how sustainable the impact is.

2.0 OBJECTIVE

At the end of this unit, you are expected to be acquainted with the concept of social capital, the creation and application of social capital, effects of social capital, the concept of social impact, differences between social capital and social impact.

3.0 MAIN CONTENT

3.1 THE CONCEPT OF SOCIAL CAPITAL

The concept of social capital be came fashionable only relatively recently, but the term has been in use for almost a century while the ideas behind it go back further still. “Social capital” may first have appeared in a book published in 1916 in the United States that discussed how neighbours could work together to oversee schools. The concept has evolved significantly in recent time. The concept is implying that social networks will ultimately lead to increased productivity in individuals, teams and organizations. This increased productivity can be both financial and otherwise. This means that social contacts can lead to increase in confidence, fulfilment by fostering positive relationships. The essence being that, just like any other capital form (human, physical, financial) social capital is also important and beneficial to the sustenance of the enterprise as well as the society.

There is also a strong body of evidence that goes to suggest that social capital leads societies and individuals to prosperity economically and allows the development to be stable. World Bank believes that social capital when utilized properly can enhance the efficacy and sustainability of projects. This they believe can be achieved through a collaboration of communities’ efforts and its ability to work together. It also promotes greater transparency in the overall system, fosters a better bonding and increases the overall accountability.

3.1.1 Definition of Social Capital

In financial terms, social capital basically comprises the value of social relationships and networks that complement the economic capital for economic growth of an organization – it has inculcated “those tangible assets that count for most in the daily

lives of people: namely goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit". This invariably means that we can think of social capital as the links, shared values and understandings in society that enable individuals and groups to trust each other and so work together.

According to Bourdieu's concept of habitus (1986) there are different forms of capital. Economic capital is immediately and directly convertible into money and may be institutionalized in the forms of property rights. Bourdieu's cultural capital, which may be institutionalized in the forms of educational qualifications, includes what economists consider as human capital, but it is a wider concept. His concept of social capital encompasses the resources derived from one's belonging to a group. Relations of social capital may exist on the basis of material and/or symbolic relations of exchange, and they may also be institutionalized in the forms of a title of nobility. Social capital can be defined as the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition. The membership in a group provides each of its members with the backing of the collectivity-owned capital, a credential which entitles them to credit. According to Bourdieu, the amount of social capital held by an individual depends on the extent he or she is able to mobilize a social network and from the capital (including the economic, cultural or symbolic capital) held by the members of that network. Social capital like other types of capital is unevenly distributed, mobilised, utilised, transformed and exchanged in society.

3.2 CREATION OF SOCIAL CAPITAL

Social capital is an important constituent of the prosperity of a company. Social networks in an organization include the trust among the employees, their satisfaction level with the job and also the quality of communications that take place with the peers, seniors and subordinates.

Strong social networking, coupled with efficient performance by the workforce, signifies a healthy state of affairs for the company. Social capital stresses on the importance of these social networks and relationships and aims to use it in the best possible way for achieving organizational goals.

Although social capital shares many attributes with other forms of capital, it is fundamentally different in at least one respect, namely, its creation requires interaction between at least two people and usually among a larger group of people. In addition, the creation of social capital seems complex because the process is heavily influenced by social, political, and cultural factors as well as by the dominant types of economic activities available in the community.

3.3 BARRIERS TO THE CREATION OF SOCIAL CAPITAL

There can be a multitude of reasons that can act as barriers to social capital creation or development. These factors vary across geographies and cultures. For example in third world countries, social networks remain nucleated around family and identity. There is little or no social capital creation across families and social group. This is on account of the mistrust between two families or strata that is detrimental to the very idea of social capital.

Nepotism can constitute barriers to the creation of social capital. Woolcock, 1998 argued that social capital can encourage nepotism or exclusion of certain ethnic groups from certain occupations and industries, or the imposition of excess claims on group members and restrictions on their individual freedoms

3.4 APPLICATION OF SOCIAL CAPITAL

Many organizations have designed practical construct to make the idea feasible. The World Bank, for example, developed the Social Capital Implementation framework (SCIF). For social capital to be practically feasible it can be broken down into 5 elements both at practical and operational level. They are:

- a. Groups and Networks
- b. Trust and Solidarity
- c. Collective action and Cooperation
- d. Social Cohesion and Inclusion
- e. Information and Communication

These elements are important to the development of social capital and provide guidelines in the area at various levels of operation. By effectively breaking down into these 5 layers, each one can be administered separately and incorporated into operations.

3.5 NEGATIVE EFFECT OF SOCIAL CAPITAL

Although different experts have defined social capital in several different ways, most commonly, it can refer to the outcome of social relations. It does not only comprise of financial benefit but it also include expectative benefits that are derived from the cooperation between various groups and individuals.

The major difference between the financial capital and social capital is that the latter fosters positive relationships and thus enhances the fulfilment and the confidence. Even after having so many benefits, social capital can also produce some unwanted results. Yes, it is surprising but true that when we analyze the other side of social capital, we may find that it can put burdens on the society such as:

- i. **Negative Social Capital:** Social capital producing negative outcomes is generally referred to negative social capital. The potential downsides of negative social capital include restrictions on individual freedom, excess claims on group members and exclusion of outsiders.

- ii. **Deepening the Gap Between the Rich and the Poor:** Instead of focusing on creating the bond between the two worlds (the rich and poor), it emphasizes on bridging the gap between them. The result is that it is deepening the gap between the two. This is because as social capital attempts to bridge the gap between the rich and the poor, it definitely improves the economic conditions of the poor but also increases the gap between the the rich and the poor.
- iii. **Barrier In Social Mobility:** Social capital also put a barrier in social mobility: The individuals who have benefitted from the social capital almost lose their mobility. They are stuck in the same employment all through their life. Apart from this, outsiders are totally excluded. It means that benefits of social capital can be availed only to a particular section of the society.
- iv. **Increased Racial Diversity In Communities:** Robert D. Putnam also posited that the rise of social capital can also result in increased racial diversity in communities. The negative effect of social capital can also be seen in society. Earlier, women did not vote at the similar levels as that of men but the difference between them is almost diminishing. Social capital is available to all types of communities regardless of their nature and slowly it is becoming a way for women to participate in local politics. Now the scenario is that they are more engaged in politics and have an informal way to operate. What is negative is not their participation in politics but it is their way that is keeping this activity off the radar. They are not focused on national or international politics. Apart from this, there are several other negative effects of social capital in the field of internet, civil society and educational achievements.

3.6 SOCIAL IMPACT

It is obvious that a conventional entrepreneur can also create some social impact when it creates jobs, provides goods and services, etc however, the distinction between a conventional entrepreneur and a social entrepreneur is that the social entrepreneurs create their enterprise (business) in order to deliberately produce social impact (that is to address a neglected positive externality). Solving social challenges is their articulated goal and the whole business project is built around this objective.

For social entrepreneurs, the social impact is not just a consequence (or by product) of their entrepreneurial activity, as it is often for conventional entrepreneurs, but the main goal of it. Social change (whether radical or limited), not the exploitation of a market opportunity to increase personal wealth, is the explicit goal of social entrepreneurs and their business mission.

Thus, it can be said that social entrepreneurs create value but are not motivated by the appropriation of this value: “What distinguishes social entrepreneurship from conventional entrepreneurship is the predominant focus on value creation rather than on value appropriation.

3.7 IMPACT OF SOCIAL ENTREPRENEURIAL PROJECTS IN COMMUNITIES

Social entrepreneurial efforts are not appraised by monetary returns rather, it is appraised by the impact it makes on the environment and the beneficiaries of the innovation applied to solve a pressing social problem. Social impact can come in different dimensions.

3.7.1 Dimensions of Project Impact

It is difficult to measure the impact of the projects. However, four dimensions of impact have been identified. These include:

- i. Change in attitudes and behaviour
- ii. Idea expansion
- iii. Creation of employment
- iv. Impact on national policy.

Change in Attitudes and Behaviour

Change in attitude and behaviour are fundamental to the way in which the social entrepreneurs attempt to address a problem in society. Of fundamental importance is changing the way in which the problem is viewed and the way in which it is addressed. Trevor Mulaudzi has a vision of changed attitudes towards school hygiene and sanitation, a turn-around in school children's hygienic habits and behaviours, and ultimately increased school attendance while social entrepreneurs like Veronica Khosa want to see changed attitudes towards HIV/AIDS sufferers, that the disease is destigmatised and the sufferers cared for by their communities.

Idea Expansion and Replication

The expansion of the social entrepreneur's idea refers to the spread of the 'message' or vision, and its effect on the broader community. Social investors look for those with "sustainable, high impact projects – those projects which will have a snowball effect". As such, the organisation is not just sponsoring one project, but one project that will affect many people both directly and indirectly – and often resulting in additional projects arising from the initial idea. This points towards the ultimate goal of seeing resultant impact on a national scale, which would be facilitated through the implementation of systemic changes that need to be made to alleviate the problem at hand.

Creation of Employment

The creation of employment is an indirect benefit of a social entrepreneurial project, rather than a specific goal. Organisations require people to carry out their mission, and so people are also critical in the world of the social entrepreneur. In finding and engaging the required people, jobs are created and unemployment is reduced.

3.8 SOCIAL IMPACT MEASUREMENT

As posited by David Bornstein and Susan Davis One of the major challenges faced by social entrepreneurs is deciding how to measure their organizations results and evaluate their impact. This is needful to enable the organization that outperforms the others by certain margin (close or large) to be aware of it both qualitatively and quantitatively. How an organization measures its success is important because it confers credibility on the institution. And after school JAMB or post UTME tutorial program may measure its success based on the number of students enrolled, but that does not mean the program is making any impact on these students. Their pass rate in JAMB exams and/or UTME may in addition to the enrolment rate be used to adjudge the level of effectiveness and efficiency of the organization in achieving its impact objective.

Effective measurement of results and impact requires a combination of data and storytelling tailored appropriately to the organizations work and its goals. it is important for organizations to measure their impact results accurately so that we may begin to distinguish and provide appropriate support and funding for those programs that are achieving change. Efforts have been made to calculate “social return on investment, - similar to return on investment calculated by businesses or profit oriented organizations by groups such as the Roberts Enterprise Development Fund in the 1990s and more recently, by the Global Impact Investing Network. More of these kinds of efforts to create standards and rating agencies would help the process of accurately identify successful organizations.

3.9 SCALING IMPACT VS. SCALING THE ORGANIZATION

When measuring growth and success, it is important to distinguish between the scale of an organization and the scale of its impact. The size of an organization is less important than the reach of its work; successful social organizations will focus time and energy on effecting change beyond their immediate reach. Similarly, sustainability must be considered in terms of ideas in-stead of the organization itself. A field is truly sustainable when its institutions can be readily renewed and improved upon because the organizations ideas have lasting power. Over specialization, and the divisions between fields and social groups, can be another hindrance to social change. Society is comprised of specialized fields that rarely overlap, people move vertically throughout their career paths, and many people live in homogenous communities. All of these factors result in significant blind spots within society while tending to reinforce pre-existing beliefs. In order to achieve innovation and change, society needs a recombination of knowledge. Social entrepreneurs are the —creative combiners who can help with this. They can carve out space in society to foster whole solutions and bring people together who would not coalesce naturally. When it comes to solving social problems, the integration of labour, rather than the division of labour, is likely the way forward.

4.0 CONCLUSION

Working through this unit, it is expected that you are now familiar with the concept of social capital as well as social impact. In trying to build your knowledge of these concepts, emphases were laid on their conceptualization, how they are created and used, barriers which may mitigate against their creation, their effect/impact as well as the measurement of social impact

5.0 SUMMARY

Social capital was defined in this unit to refer to the value of social relationship as well as social networks that complements economic capital for economic growth of an organization. They include but are not limited to goodwill, sympathy, fellowship etc amongst the people of the community. The overall assumption is that the network created by social capital will lead to an increased productivity in individuals' teams and organization making social capital equally important just like human and economic capital.

In addition to the above, it was pointed out that social entrepreneurs leverage on social and economic capital to create a lasting social impact which is the very essence of their existence. The level of social impact created translates to the level of social problem solved. The social value created is the primary means of measuring the success a social enterprise vis a vis the traditional entrepreneur who is mostly concerned with profit appropriation.

6.0 TUTOR-MARKED ASSIGNMENT

Why is the study of social capital critical to the understanding of social entrepreneurship?

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MODULE 2 – UNIT 2

SOCIAL ENTERPRISE

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 What is a Social Enterprise
 - 3.2 Social Enterprises Around the World
 - 3.3 Advantages of Social Enterprises
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

A traditional entrepreneur who discovers an idea may decide to exploit it. To do this he or she will have to create an entity or an enterprise (organization). In almost all the cases, this entity will be profit oriented. Government may also decide to solve some

pressing social challenges through dedicated entities (government enterprises). The above notwithstanding, social problems are still unabated and are on the increase, social entrepreneurs are developing innovative solutions to solve these social problem. Just like the other two type of entrepreneurs mentioned above, social entrepreneurs will also need a platform to operate. This platform is a social enterprise. A non-profit oriented business platform that is socially inclined but must make profit for sustainability. This is what differentiates it's from charity organizations.

Social enterprises tend to operate with a purpose of creating value for the society and also generate income (if not wealth). As a thumb rule, the solutions they offer are supposed to be innovative, unique, cost effective, people and environment friendly. All of these are challenges to the sustainability of social enterprises. The social entrepreneurs who are able to scale these hurdles are the ones that are able to create a huge and lasting impact. Since social enterprises typically deal with people who live at the bottom of the pyramid, they are advantageous to the society, the poor and the environment.

2.0 OBJECTIVE

At the end of this unit, you should be familiar with the concepts, goals and mission of a social enterprise, how to start a social enterprise, examples of some social enterprises around the world, organizations that support social entrepreneurs as well as the difference between a social enterprise and a conventional or traditional enterprise.

3.0 MAIN CONTENT

3.1 THE NATURE OF A SOCIAL ENTERPRISE

The term 'social enterprise' is used to describe any organisation which uses business tools or approaches to achieve social goals/objectives. The precise criteria which an organisation has to meet to be classed as a 'social enterprise' vary slightly from country to country. This makes defining social enterprise in a global sense quite a challenge. However, regardless of the precise criteria, all definitions of social enterprise incorporate the same fundamental principles.

For an organisation to be a 'social enterprise' it has to trade using business tools, make the majority of its profit from the sale of products or services, not rely on funding or charitable donations, pursue social objectives and reinvest a decent percentage of its profits back into the organisation. Social enterprise ultimately refers to how an organisation is set up, how it generates profit, what it does with those profits and how it aims to promote its social objectives.

The structure of social entrepreneurial organisations is always flat and flexible – that is, with little bureaucracy. A small contingent of committed full-time staff is important in contributing towards a culture of innovation. Governance bodies tend to be small and sometimes lacking in accountability structures while management styles in most cases tend to be informal (Leadbeater, 1997). Relationships with users evolve as the social entrepreneur becomes aware of the complex needs and demands of the client.

Funding is often received from different organisations but a social business model must be developed for sustainability. In addition, co-operation with a complex set of partners or alliances is also critical if the social enterprise must survive.

3.2 DEFINING SOCIAL ENTERPRISE

A social enterprise is an organization operated within the social economy whose main objective is to create and sustain social impact rather than make profit for its owners or shareholders. Although, it is not primarily a profit oriented organization but it operates by providing goods and services for the market in an entrepreneurial and innovative manner to make profits and thereafter plough back the profit primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.

In the light of the above, it will be considerably difficult to have a standard global definition of what constitute social entrepreneurship. However, Dees (1994) describes social enterprises as private organizations dedicated to solving social problems, serving the disadvantaged and providing socially important goods that were not, in their judgment, adequately provided by public agencies or private markets. These organizations have pursued goals that could not be measured simply by profit generation, market penetration, or voter support. While Haugh & Tracey (2004) posit that social enterprises are businesses that trade for a social purpose. They combine innovation, entrepreneurship and social purpose and seek to be financially sustainable by generating revenue from trading. Their social mission prioritizes social benefit above financial profit, and if and when a surplus is made, this is used to further the social aims of the beneficiary group or community, and not distributed to those with a controlling interest in the enterprise.

3.2 STARTING A SOCIAL ENTERPRISE

Starting a new venture isn't easy but it's worth the efforts at the long run. There are several tips that must be taken into consideration for an aspiring social entrepreneur who want to start a social; enterprise. They are as follows:

i. Articulate a problem and a solution

As an aspiring social entrepreneur, you need to convince people to trust you, to fund you, to invest their time, to leave better paying jobs to support your cause. "You need to clearly articulate a problem and their possible solution. For example, there are approximately 2 million Internally Displaced people (IDP) in Nigeria, and a third of them are stuck in limbo: they can't return home, and they can't survive safely where they are. A firm like RefugePoint managed by a social entrepreneur (Chanoff), provides lasting solutions for the most vulnerable refugees around the world by permanently relocating them to a new country where they can rebuild safely, or, when possible, enabling them to integrate into their host country. The problem here is the permanent displacement and the solution is the relocation to a safer place where they can

rebuild. These have solved the problem of clarifying your objective. The goal of the would-be social enterprise is articulated, the social need that it will meet has been identified and how it will meet it has also been identified. It is important that the social entrepreneur is passionate about the goal and he/she must really believe in it.

ii. Find a balance – A would-be social entrepreneur should always keep in mind that the success of the social enterprise lays on a balance between its sustainable social change endeavours and sustainable business practices. What balance will make your organization most successful? This simply means that you must properly combine your social mission and entrepreneurial principles of profiteering.

iii. Research and Surround yourself with experts in your field
Research your field and learn from the people who have come before you and don't limit yourself in the scope of your research. See how other organizations and businesses, whether public or private, have used innovative methods. Try to learn from their mistakes. Make contacts and consider partnerships if it is appropriate.

For example, when Chanoff started RefugePoint, he went to the bigwigs in the humanitarian sector who were working with refugees to support his efforts. In addition, Chanoff recruited Julia Taft, who had also been director of USAID's Office of Foreign Disaster Assistance, to join his advisory board at its infancy. He didn't have much money, but he did have the support of a world-leading official who believed in his mission, which helped generate more attention and funding. Hiring the right early-stage employees always pays off.

iv. Understand your market
As a rule of thumb, all social enterprises must develop a social business model – you must have a sustainable and profitable source of income. This means you must have a product offering in the market. As such, it is essential to have a good understanding of the market for your product or service if you hope to make an impact. Know who you will be serving and what they really need. Always make sure that what you are providing is something that the people you will be serving need. This must be blended well with the social mission of the enterprise.

v. Get Media Attention and Build networks
Feature your ideas in magazines (pitching story ideas) and other dailies, radio and television talk show etc. This sort of media attention from widely-distributed and respected media outlets is incredibly helpful for a social enterprise. It can signal to the public and potential investors that, even though you are a new player in the sector, you are both serious and effective.

Finding a person who believes in your dream may be an initial challenge if you don't have any existing network. But a single connection can open doors to other enthusiasts who will begin to fundraise for you and expand your network of donors.

vi. Be able to measure your impact

Be able to articulate to supporters, funders, and the public the impact of their solution to the course you are pursuing. Detail the cost, the number of lives impacted, and their accomplishments in a way that is accessible, and in this way, articulate a clear investment. This makes it easier to state clearly to investors, the cost to help one person. Having measurable and quantifiable indicators will help you attract more resources and grow your investment pool.

3.3 BENEFITS OF BUILDING SOCIAL ENTERPRISES

For today's consumers and businesses, **social responsibility** is a growing priority as concerns about climate change, international development, and supply chain ethics has become a more prominent topic of international discussion. Along this line as proven the survey conducted by Social Enterprise UK, it reveals that 1 in every 3 people said they feel ashamed about buying from a socially irresponsible business. Globally, over 90 percent of the consumer population expects companies to be socially responsible – that is address social and environmental issues they may or may not have generated. This reflects a shift in consumer awareness about the impact of their purchase decisions. Not only are businesses being held to a higher standard, but many consumers are holding themselves to a higher standard as well.

Considering the aforesaid, a potential social entrepreneur will naturally enjoy the following benefits that help them succeed:

- i. Social entrepreneurs find it easier to raise capital. There are huge incentives and schemes from the government for social entrepreneurs with ground breaking innovations. If the investment climate is ethical, it will be much easier to raise capital at a rate below the ruling market rates.
- ii. Marketing and promotion for these organisations is also very easy. Since 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. Naturally, publications and blogs love to cover social enterprises and their impact, helping them to evangelize their efforts and share their impact.
- iii. 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.
- iv. Cost effectiveness is another advantage of a social enterprise. The solutions offered by social enterprises (in the form of either products or services) are

cheaper when compared to the same service provided by a profit oriented enterprise. This can account for the reason why basic amenities such as healthcare, education etc have become very affordable to people at the bottom of the pyramid. Yunus micro finance, for example, caters for even the poor of the poorest

3.4 SOCIAL ENTERPRISES AROUND THE WORLD

There are several social enterprises springing up locally and internationally working on noble courses – delivering innovative and people friendly solutions to social challenges. These include but are not limited to:

i. Grameen Bank - Bangladesh

Social enterprise is not a new concept but it started becoming popular only in 1960s. In modern history, the establishment of Grameen Bank in Bangladesh by Muhammad Yunus was the first instance where the concept was thoroughly used. The Grameen Bank is 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.

ii. Omidyar Network - USA

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.

iii. 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.

iv. 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.

v. Rang De - India

Rang De is a not for 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 the other 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. It provides a platform where the rural and urban poor in India can access micro-credits with an interest rate of as low as 2 percent per annum. Lenders from all across the country can directly lend money to borrowers, track investments and receive regular payments online.

vi. George Foundation

The George Foundation is one more nationally recognized social enterprise. The Women's Empowerment Program creates awareness among women by providing them education, vocational training, cooperative farming, business development and savings planning. By employing the principles of social entrepreneurship, these organizations are addressing the social problems and bringing a positive change in the society.

3.5 ORGANISATIONS ENCOURAGING SOCIAL ENTREPRENEURIAL ACTIVITY

The 20th and 21st Century witnessed the springing up of several foundations that aimed at providing support for social entrepreneurial organizations. They include:

i. Ashoka: Innovators for the Public

This is an international organisation, which has offices based in Johannesburg. Ashoka is committed to "pushing back the frontiers of poverty by identifying and supporting social entrepreneurs through financial and a host of value-added professional services" (Ashoka, undated). The organisation was founded in the USA in 1980 by Bill Drayton, and now has offices in thirty-three countries. He named Ashoka after a third century B.C. Indian Emperor who, after a particular conquest, renounced violence and dedicated his life to doing good deeds for the public. Identifying the organisation as the first professional association for social entrepreneurs, Drayton sees the organisation as playing an important role in the defining of this new field (Bornstein, 1998). Through a rigorous selection process, Ashoka identifies people with new ideas, selecting the most capable individuals and providing them with a living stipend and relevant support structures to enable them to focus full-time on the implementation of their ideas. Typically, this lasts three years depending on Ashoka's confidence in the individual.

ii. The Schwab Foundation for Social Entrepreneurship

This foundation seeks to identify, recognise and disseminate initiatives in social entrepreneurship that have significantly improved people's lives and have the

potential to be adapted to other settings. This is a non-profit organisation based in Geneva, Switzerland, and aims to foster greater understanding of, and support for, the practice of social entrepreneurship through the creation of a network for social entrepreneurs (Schwab Foundation, 2002).

iii. Yale School of Management & Goldman Sachs Foundation Partnership on Non-profit Ventures

This partnership provides educational and financial support for non-profit enterprises, and focuses on social entrepreneurship in the non-profit sector. It was created in response to the growing number of non-profit organisations and their need to become financially sustainable. Thus the management school brings together teachings from the areas of entrepreneurship, social responsibility and business skills to enforce the philosophy that strong skills in the areas of business and management are critical in the success of leadership in all sectors of the economy. The partnership benefits from the mentoring skills of Goldman Sachs employees, consulting expertise from McKinsey, the Yale School's faculty staff and students in evaluating business ideas, providing technical assistance and assisting in research and case studies (Yale, 2003).

iv. Centre for the Advancement of Social Entrepreneurship, Fuqua School of Business, Duke University

This Centre was initiated in late 2001 in recognition of the talent, passion and dedication of many entrepreneurial leaders in the social sector. Given the current challenges in this sector, the Centre leaders believe that social sector leaders, students and faculty can benefit from a mutual learning process and discover means by which sustainable and innovative solutions may be developed in response to social needs. They recognise the increasing opportunity for cross-sector learning and the increasing focus in the social sector on organisational effectiveness and demonstrated outcomes. The Centre's mission is to promote entrepreneurial leadership in the social sector by supporting activities such as presenting courses on social entrepreneurship, enabling students to act as non-voting board members within local non-profit organisations, and providing funding for social sector related research (Anderson & Dees, 2002).

3.6 IMPACTS MADE BY SOCIAL ENTERPRISES AROUND THE WORLD

One of the most interesting and exciting aspects of social enterprise's evolution is the growing variety of issues being addressed by social enterprises. Today, social enterprises are disrupting markets across every industry and tackling social challenges throughout every corner of the world. A few representative examples include:

- **Grameen Bank** - gave small loans to the poor for small business development. From its inception in the 1970s, Grameen has provided \$10 billion in loans to more than 10 million people and has proven the need and viability for financial

services to the poor. Grameen received the Nobel Peace Prize in 2006 as a reflection of its efforts and success.

- **Greyston** - provides the homeless employment in a bakery that makes brownies for Ben & Jerry's ice cream. As Greyston (the founder) said, "we don't hire people to bake brownies; we bake brownies to hire people."
- **D. Light** - designs affordable solar-powered devices that provide an option to people that lack access to reliable energy sources. In its eight-year history, D.Light has sold more than 10 million solar lamps, improving the lives of 50 million people.
- **Dispensary of Hope** - aggregates prescription medications that are nearing their expiration date and redistributes these drugs to free clinics in low-income communities. Clinics pay Dispensary of Hope a monthly subscription fee that covers basic expenses, and drug manufacturers save money by avoiding costs associated with destroying expired products.
- **TerraCycle** - upcycles packaging and other non-recyclable consumer waste, keeping it out of landfills and turning it into new products. Today, Terracycle has established a recycling network of more than 31 million consumers and 100 major corporate brand partnerships, resulting in more than 3 billion units of garbage averted from landfills and transformed into new, 100% recycled products.
- **Benetech** develops and uses technology to create positive social change. One of Benetech's signature programs is Bookshare, the largest literacy resource for people with disabilities. Before Bookshare, only 5% of printed materials were accessible to people with disabilities. Today, Bookshare's more than 330,000 subscribers have access to more than 300,000 titles in a variety of accessible formats.
- **Warby Parker** sells fashionable eyewear to customers in developed markets, and makes a contribution to **VisionSpring** for each pair sold that enables access to affordable prescription glasses to people in developing countries who are otherwise functionally blind. So far, this partnership has distributed nearly 2.5 million pairs of glasses to those in need.

These are several; other social entrepreneurs/enterprises that are currently addressing one or more important social needs with an approach that has the potential to be efficient, effective and financially sustainable.

4.0 CONCLUSION

In this unit so far, you would have learnt what a social enterprise is, how to start a social enterprise, benefit associated with starting a social enterprise, examples of

successful social enterprises around the world, their impacts and where they can get support from.

5.0 SUMMARY

Social enterprises have been defined as the platforms on which social entrepreneurs operate. Conceptually, social entrepreneurs are organizations which deploy business approaches in achieving social goals. The main objectives of a social enterprise are to create and sustain social impact rather than make or appropriate profit for shareholders. Because of government inability to many positive externalities in our communities, students are thought the skills to venture into social entrepreneurship to help address the millions of social problems springing up on daily basis.

6.0 TUTOR-MARKED ASSIGNMENT

- a. Why are most social enterprises in Nigeria registered as Non-governmental organization – what challenges does this constitute in achieving their social mission.
- b. What are the factors that masks a social enterprise “social” when at the same time, the enterprise is making profit from commercial activities

7.0 REFERENCES/FURTHER READINGS

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MODULE 2 – UNIT 3

SOCIAL INNOVATION

1.0	Introduction
2.0	Objective
3.0	Main Content
3.1	Concept of Social Innovation
3.2	The Role of Technology in Social Innovation
3.3	Theories of Social Innovation
3.4	Why Social Innovation is Needed
3.5	Where and how does Social Innovation Happen?
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

Nigeria, just like any other third world economy is facing several big challenges across several sectors such as the changing nature of public health, education, human right etc. Innovation is critical in responding to these challenges now and in the future. Social innovation is associated with the discovery of a previously unexploited social need, the ability of an organisation to continue to exploit the social need in a sustainable way, and most importantly in doing so it needs to generate disequilibria within its industry.

For a social entrepreneur or social enterprise to be truly socially innovative, it is not enough for them to simply address a social need. Being socially innovative requires the individual or organisation to identify a previously un-addressed social issue. This could be the development of a new green technology, the support of a disadvantaged group of people who are not currently being supported or even creating a more

productive or efficient method for dealing with a current social need. However this is approached, it must provide something new.

Social innovation therefore translate to engaging new actors, resources, systems and processes to create new social value or create new ways of delivering existing services and design different ones.

2.0 Objective

At the end of this unit, students are expected to be conversant with the concept of social entrepreneurship and their usefulness to a social entrepreneur. Students should also be familiar with the history of social innovation; the impact technology is creating in the field of social innovation as well as the need for social innovation.

3.0 Main Content

3.1 The Concept of Social Innovation

Around the world, social innovation has widely been debated and eventually have been considered an important element in all efforts to meet the "grand challenges" the world is facing today which include but are not limited to environmental degradation, climate change, declining birth rates, high levels of immigration, the rising costs of healthcare, the increasing number of elderly people, poverty, social exclusion, security of the citizenry, protection of critical infrastructures against terrorist attacks, etc. Given the enormity and complexity of these problems, no single and simple solutions have been made available to tackle them. Efforts to introduce major changes in the areas especially in a country like Nigeria has been bogged down in political conflict or end up in compromises that has failed to satisfy the primary intentions.

Social innovation is a broad concept. It has to do with a variety of terms that include but are not limited to ideas, ways and means, strategies and even organizations that works out innovative solutions to meet the demands of poor. In this regards, Mohammad Yunus micro credit scheme (in Bangladesh) presents a good example of social innovation. The Open University of Nigeria distance learning approach is also a social innovation in the education subsector. This is because it enables people in in disadvantage locations (far-fetched areas) to have access to quality education.

3.1.1 Defining Social Innovation

According to the OECD working definition (200), social innovation implies conceptual, process or product change, organisational change and changes in financing, and can deal with new relationships with stakeholders and territories. 'Social innovation' seeks new answers to social problems by:

- identifying and delivering new services that improve the quality of life of individuals and communities;

- identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.

Skoll, cited in Westall, (2007) posit that social innovation “can simply be understood as ‘new ideas that works which address social or environmental needs’. It may occur as a result of addressing new needs, reframing circumstances to make unmet social needs clear and urgent, or changing organisational structures to grasp new opportunities to add social value. New programmes, models, or ways of thinking – sometimes a combination of all three – may be the result. Social innovation is more than just invention, diffusion or the scale of ideas is an integral part of making its impact effective, as is co-ordinated action by a wide range of people and organisations spanning social, government and business sectors.”

3.1.2 Historical Development of Social Innovation

Over the last two centuries innumerable social innovations have moved from the margins to the mainstream. From the invention and spread of trade unions for the grim factories of 19th century industry to the spread of collective insurance against sickness and poverty to the great wave of industrialisation and urbanisation in the 19th century, the world have witnessed an extraordinary upsurge of social enterprise and innovation especially around mutual self-help, microcredit, building societies, cooperatives, trade unions, reading clubs and philanthropic business leaders creating model towns and model schools.

In the early 20th century Britain’s civil society pioneered the most influential new models of childcare, housing, community development and social care. During this period, social movements took the lead. The first of these was the anti-slavery movement in late 18th century Britain which pioneered almost all the methods used by campaigns: mass membership, demonstrations, petitions, consumer boycotts, logos and slogans. The late 1960s and 1970s saw particularly vigorous social movements around ecology, feminism and civil rights which spawned innovations in governments and commercial markets as well as in NGOs. Another wave of civic innovation in movements has emerged as the power of the internet and global media is harnessed to issues like global poverty and the environment.

More recently successful innovations have sprang up in many fields. for example, Rabobank, a cooperative bank, has one of the world’s highest credit ratings. The Mondragon Network of cooperatives in Spain now employs some 80,000 people, and has grown by 10,000 each decade since 1980. It now operates with some 50 plants outside Spain making it probably the world’s most successful social enterprise. From Florence Nightingale who set up new medical facilities during the Crimean war, to the anti-apartheid movement in South Africa that depended greatly on faith movement through to the innovations in micro-banking sectors, recent years have seen the emergence of new waves of mind blowing innovations.

3.2 THE ROLE OF TECHNOLOGY IN SOCIAL INNOVATION

Technology and Innovation are already having profound impact on our social, political and economic lives, including the way we access information, build social movements, catalyze political movements, and the way we interact. Politically, organizations like KONY2012, Dan Savage, the Tea Party movement, and individual campaigns have used social media effectively to galvanize energy around particular political issues. Technology will likely play a greater role in politics especially in election related matters. Technology has the potential to disrupt and help governments and lead to better governance. Online support and technology has the potential to lead to real action, e.g. voting, changes in legislation, or consensus in building a society.

There are interesting projects domestically and internationally providing information to communities and non-profits so that they can hold their governments (local, state and national) more accountable. For instance, in India, Kenya and Tanzania there are multiple efforts in education to make information available to communities about how much money is supposed to come to their communities for education. In addition, NGOs are testing children and letting communities know about how much their children are learning. These efforts have energized communities to ask their representatives, local governments and the national government about quality of teachers, and where all this money has been going. In the US, mayors are using technology to better connect with citizens.

Technology plays a prominent role in social entrepreneurship because social entrepreneurs are those who use innovative approaches to solve social problems such as poverty, lack of access to healthcare in the rural areas, difficulties in bridging the gap between employability and unemployed youth, and problems such as lack of access to credit for women and quality education. Technology in itself is inherently innovative.

In today's digital age, it has become increasingly cost effective to deploy technology to solve social problems. From mobile health and telemedicine to educational apps and micro-finance, digital advancements have greatly benefited a number of social enterprises, giving them the tools to create lasting change. Several outstanding social innovations has been made to tackle social challenges in areas such as education (Worldreader), healthy (CareMassage), and even in poverty alleviation (SamaSource). Worldreader for example used technology to increase access to books and the experience of reading. It achieved this through the launch of e-readers (Worldreader Mobile apps) enabling anyone with a cell phone or tablet to utilize the organization's digital library.

3.3 THEORIES OF SOCIAL INNOVATION

Just like social entrepreneurship, social innovation has several definitions as well as blurred boundaries. Nonetheless, practitioners and the academia has used the term widely to refer to different ideas and approaches employed to address unsolved social

problems. Social innovation is needed because many social challenges are resistant to conventional approaches to solving them. Social innovation is about new responses to social needs and challenges. Both the process and the outcome of social innovation are relevant.

The changes that social innovation can produce are of different intensity: some social innovations are incremental (as they build on what already exists), while others are radical and transform approaches and situations. “Innovations can be disruptive and generative – that is, they can disrupt patterns of production, consumption and distribution and generate further ideas and innovations (like the move to a low-carbon economy or the creation of a preventative system of criminal justice)” (Caulier-Grice and Mulgan, 2009). The scale of these changes can be large – fighting global climate change and reducing poverty, or small, such as creating a community garden (Goldenberg *et al.*, 2009). Provision of new and effective social services to individuals and groups, or fighting disease, or tackling problems associated with ageing, or youth unemployment or environmental sustainability, are other examples of the different levels at which social innovation can be achieved.

Social innovation neither take a single form, nor is the monopoly of one sector, but can happen in all sectors – including households, which are usually disregarded. Social innovation can be driven by governments (new models of public health), the private sector (open source software) or civil society (fair trade) (Mulgan *et al.*, 2007). It can also start in one sector and be taken up by another, such as the private sector taking on a social innovation produced in the non-profit sector. While in the past emphasis was placed on the non-profit sector as the “homeland of social innovation”, the private and the public sectors have since adopted the idea of social innovation, and this has obviously resulted in its wider application and new impetus and energy. Still, the non-profit sector play an important role in fostering and implementing social innovation because it does not have a profit-making dimension as its main goal, and can therefore pay attention to long-term social issues. At the same time the non-profit/social economy sector is increasingly adopting an entrepreneurial approach to further pursue its social objectives (which has been identified as the “new wave of social entrepreneurship”, as underlined by the GEM symposium in September 2009).

3.4 THE NEED FOR SOCIAL INNOVATION

Social innovations are innovative responses to unsolved social problems and needs, which have not been successfully tackled by the State or the market. Social innovation is needed because many social challenges are resistant to conventional approaches to solving them. They require novel approaches, inventive actors and new forms of co-operation among them, thus bringing together different kinds of expertise, skills and tangible and intangible assets.

Social innovation’s major aim is therefore to tackle complex social challenges by providing innovative solutions.

Social innovations may be complex yet at the same time simple: sometimes new ideas just needed to be conceived! The whole idea of micro-finance, which is certainly one of the most well-known and successful social innovations in the micro finance subsector (lending small amounts of money to poor people without demanding collaterals). Nobody had thought of it or have successfully implemented it before Mohammed Yunus started it in Bangladesh.

Social innovation is addressing several challenges and having positive impacts. One of the most important is that of contributing to the modernisation of public services. social enterprises are delivering new welfare services at both national and local levels, often in partnership with the public sector. They are shaping new processes and services – a more tailored approach – thus enabling increased public sector efficiency. In addition, users are increasingly involved in the design of these services and user-driven social innovation is undoubtedly better suited to meeting user needs.

Social innovation is also directed at producing social change. The change can be of different intensities: incremental or radical. Changes are incremental when they build on what already exists and are radical when they produce a total change compared to the past. Obviously not all social innovations can be radical and evidence shows that the majority of them are incremental.

3.5 WHERE AND HOW DOES SOCIAL INNOVATION HAPPEN

Social innovation can take place everywhere, at national and local levels, but it does not simply “happen”. It is the result of joint effort, creativity and a shared vision: that of a sustainable and people-oriented future. Social innovation is not one sector’s monopoly. Some innovations appear in the public sector, others in the private sector and others again in the non-profit sector. Social innovations are sometimes absorbed by a sector different from the one in which they were created. For social innovation to proliferate, cross-pollination is needed; to spread and upscale social innovations, “bees and trees” are required to enable the cross pollination.

3.6 SOCIAL ENTERPRISE VS SOCIAL INNOVATION

In the emerging world of Social Entrepreneurial Organizations, there are near limitless options for exploration, but two basic directions from which to approach them. These are social enterprise and social innovation. The differences are mostly in emphasis and final execution, although both rely on best practices, measurable results, and a socially-connected bottom line to drive their organizations.

Starting a social enterprise “is not all that different from starting a business,” A social enterprise is generally a venture whose ultimate purpose is social good and that advances and supports its social mission through a revenue generating mechanism guided by entrepreneurial principles. It does not necessarily rely on fundraising or other more traditional non-profit areas of revenue.

Social enterprises take many forms and are becoming more and more prevalent. Hot Bread Kitchen, for example, is a bakery that promotes independence and growth for immigrant women by creating professional opportunities for immigrant women as bakers. The bakery sells various breads and rolls and then uses the profits to pay a competitive wage to its workers, as well as encourage its employees to start their own businesses.

Social innovators, on the other hand, start new organizations with the idea of systemic change that they use to create a sustainable organization. This can lead to organizations with better practices, more efficient management, and higher impact. While sometimes social innovators take an existing non-profit and begin thinking in new ways to come up with systemic changes, most social innovation starts from scratch.

Social innovators fill a societal need not already addressed or take a new approach to meeting a need that is currently insufficiently addressed. For example, Education for Democracy Foundation is a cooperative effort between Polish and American pro-democratic educators to promote knowledge of democracy and provide skills for civic activity in a democratic state. The organization gathers groups of between 10-15 volunteers, mainly made up of teachers, who are taught how to address both specific democratic issues as well as broader civic participation concerns in a training that takes the course of a year.

4.0 CONCLUSION

This unit provided ideas and knowledge to help you further understand the concept of social innovation. It laid emphasis on the historical development of social innovation, the role of technology in social innovation and the theories of social innovation. It is also expected that you would have gained knowledge on the needs for social innovation in a community, where and how social innovation happens as well as the distinguishing features between social innovation and social enterprise.

5.0 SUMMARY

Social innovation has been defined in this unit to mean new ideas that work which addresses social challenges in a sustainable manner. This makes social innovation a novel response to unsolved social problem. Social innovation has always existed in different times and utilized based on the technology available at that time. Technology has tremendously enhance the use and impact of social innovation. Social innovation is necessary or needful because most societal problems have defied conventional approaches to solving them. They requires novel approaches, inventive actors and new forms of cooperation to get them solved.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss in details why social entrepreneurship cannot survive without social innovation.

7.0 REFERENCES/FURTHER READINGS

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MODULE 3 – UNIT 1

CREATING A SOCIAL BUSINESS MODEL

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Building a business model for social enterprise
 - 3.2 business model canvas
 - 3.3 Special consideration when developing a social business model
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

UNIT 1 CREATING A SOCIAL BUSINESS MODEL

1.0 INTRODUCTION

The purpose of a business model is to help stakeholders understand and clearly articulate how a business is configured so that it creates, delivers and capture value. In the case of a social enterprise this would ultimately be about how the enterprise will generate both financial and social value, and what the relationship is between the two types of value in the enterprise.

The business model should be able to articulate how an organisation does business, how that business generates revenue, what value a business offers, to whom (who the customers are), and why customers would keep coming back. It can help us

understand how and why our business works, and it can help us design and innovate in our businesses.

2.0 OBJECTIVE

At the end of this unit, students should with a business model, be able to distinguish what makes a business model social as well as been conversant with vital considerations to be addressed when building a social business model.

3.0 MAIN CONTENT

3.1 BUILDING A BUSINESS MODELS FOR A SOCIAL ENTERPRISE

People who are passionate about making a difference often start social enterprises. Often it is not the actual ‘businesses that captures their imagination, but the impact it will have for the social or environmental issues they are seeking to address.

Every social enterprise begins with an idea (social need) which in the eyes of the social entrepreneur has more value that the financial value that comes along with creating and delivering a sustained social impact.

Once a social need has been discovered by a social enterprise, it must strive to exploit in a sustainable way. This it will do by creating a sustainable business model which will enable it to meet this need in a financially viable way.

The business model of a social enterprise can have two key benefits as outlined below:

- i. It can help us to understand, design, articulate and discuss the ‘nuts and bolts’ of our business concept
- ii. It can help the entrepreneur to test, and develop prototypes so that he can see if what he passionately believe about his impact is practicable and achievable

All social enterprises without a business model are destined to die. This unfortunately is the case with most social entrepreneurs in Nigeria.

It is sad to see many social enterprises collapsing. This is because the collapse of every social enterprise comes with two major negative implications. First, the business (social enterprise) will lose and secondly, the social impact which it was creating will also be lost. Understanding business models and their potential impacts in terms of designing social enterprises could help us avoid the risk of social business failures as well as increasing the viability and sustainability of the social enterprise both in financial and social impact terms.

3.2 BUSINESS MODELS CANVAS

Alex Osterwalder and Yves Pigneur developed the Business Model Canvas (BMC). It offers a simple, visual, one-page canvas on which we can design, innovate and dialogue about our business models. It is not the only framework that has been

developed to articulate business models. Like many of the frameworks this one was built out of careful research, but unlike many others, it has also been tested and enhanced through the input of many practitioners. (see www.businessmodelgeneration.com).

3.3 SPECIAL CONSIDERATION WHEN DEVELOPING A SOCIAL BUSINESS MODEL

Managing a social enterprise is not about just adding business skills to the realm of social impact. Balancing a social (or environmental, cultural or economic) mission with an intention to trade and manage a business requires a blending of skills which is greater than the sum of each set of skills alone.

Furthermore, addressing a social impact inside a business operation is not necessarily cost neutral - so both the skills needed to deliver on a social impact and the costs involved in doing so need to be considered in designing a viable and sustainable business model. So, for example, if you are focussed on employment outcome amongst people who have previously experienced long-term unemployment, then you need to be fully aware of the business model implications of supporting and training people who may not have worked for some time. There may be cost implications, in addition to challenges in relation to key activities, customer relationships and key resources. Further, you may need to explore options for accessing non-trade income to pay for additional supports that are needed to ensure that employees can sustainably participate in the workforce over time. Profits from the business may not actually cover the wages needed to pay for support workers. However that doesn't mean that a viable business model cannot be developed. It is just that we need to recognise that social enterprises have business models that can be a little different from an ordinary business.

This is not to say that a social enterprise will need a totally different business model canvas. It is just that we must build into the canvas, a clear picture of the social mission of the enterprise in addition to the actual business of the social enterprise. For social enterprises, the business model canvas should provide an opportunity to see not just the business, but also to identify the social impact they are trying to achieve.

3.3.1 Interaction of Commerce and Impact

A remarkable importance of a social business model is its ability to show how commerce and impact interact – their symbiotic nature, how they compete, what opportunities there are to bring them into alignment and what tensions exist in between them. Understanding this can be immensely helpful to social enterprises operators and can lead to a greater capacity to achieve viability and sustainability.

The reality for social enterprises is that they cannot work if the business model does not work financially. But they also cannot work if the social objectives are not realised within the business (then there is no social enterprise, just a business). Business

models that achieve both a social and financial value are by no means impossible. It can be helpful to see this separation between ‘commerce’ and ‘impact’ as a variation of what is called a ‘double-sided platform’ in business modelling. This is where a business services two different customer groups, and in the case of a commercial business, the aim is to facilitate interaction between these different customer segments.

In social enterprises, the main aim may not be to facilitate interaction between these groups, but rather, to facilitate a connection that enables the delivery of sustainable social impact within a viable business model. In this way the social enterprise becomes an intermediary between impact and commerce. The way to represent this on the Business Model Canvas is to differentiate between that side of the social enterprise that is directed to impact, and that side directed to commerce. By separating and visualising both sides on the canvas we can begin to see how they interact and what the story of the social enterprise is in relation to both commerce and impact. In a social enterprise neither the commercial nor the impact story is sufficient in and of itself - the important part of telling a business model story is for there to be a coherent and sensible relationship between commerce and impact.

3.3.2 Importance of Linking Commerce and Impact

Being able to visually and concisely tell the story of how commerce and impact are linked inside a social business model is a critical part of designing an effective and sustainable enterprise. If a social enterprise decides to fund a significant and complex social issue using an unrealistic commercial model, this will be obvious to an astute observer as soon as the elements and the relationships are mapped out on a business model canvas. If, on the other hand, the commercial model is robust, but the impact is weak, using the canvas will help figure that out and strengthen the impact through business model innovation. Mapping both impact and commerce models on the one canvas helps us to understand and innovate around not just each element alone, but about how they interact and support each other. This is an essential part of social enterprise design.

3.3.3 Balancing the levels of social impact and commerce

A business model design for a social enterprise need to be well thought-out. It should be a business model that can generate sufficient revenue from operations to ensure viability for an enterprise regardless of its intended social impact. Many social enterprises begin with a business that is marginal at best and then when you add the intention to generate social impact, becomes financially non-viable without other types of funding support.

3.3.4 When social impact is paramount

For some social enterprises, the social mission is paramount and the business angle is sideline regardless of the fact that the business angle is great as a source of revenue.

This is because there are bigger things at stake than the bottom line of generating and appropriating wealth. For these type of social enterprises, the business model needs to ensure that there are other revenue inflow sources other than that from trade. This will ensure that the enterprise can continue to operate even if costs exceed revenue generated from trade.

There is nothing wrong with this as a business model, except that it requires focussed attention on ensuring that the impact generated is, in turn, able to generate on-going revenue. The big challenge in this type of model, however, is not to let the impact focus result in commercial complacency - even if the social impact is paramount, this should not be an excuse for poor commercial management.

3.3.5 The Role of the BMC in Correcting Diminishing Social Impact/Viability

When it seems the 'social mission' in the social enterprise is diminishing (that is – the business is becoming socially unviable), the Business model canvas can help to explore the potential for strengthening the social impact dimension of a social enterprise. It can help to generate honest and open conversations about the links between financial viability and impact, and it can help us to make some design decisions as to how we could strengthen impact. In trying to achieve this, some pertinent questions must be answered. They are as follows:

- i. How can we innovate to increase the social impact?
- ii. Are we really a social enterprise?
- iii. How could we grow or scale?
- iv. Should we rethink this whole thing or innovate/redesign the enterprise
- v. How can we generate sustained income from the impact we are creating?

The BMC can help us visualise and understand when it's time to reassess whether there will ever be real social impact or opportunities for financial viability and to either decide to redesign the business or to liquidate.

3.3.6 Value Proposition

When exploring the business model of social enterprises we start with the question, 'what value are we creating?' When we use the BMC in commercial businesses we often start with the customers - because ultimately they are at the heart of the business. This equally applies to social enterprises. This is because most social enterprises begin with a quest to generate some kind of 'social value' either alongside or through a commercial value proposition. Social value is therefore defined as the social outcomes and benefits that are generated through the enterprise. It is actually what makes the enterprise a 'social enterprise. Articulating the social value that we are seeking to generate inside our social enterprises is a critical first step in designing a social enterprise. However, a social enterprise cannot exist through generating social value alone – this reduces it to a charity. As an 'enterprise' it also needs to generate 'commercial value' – this makes it sustainable.

This therefore follows that social enterprises often have two value propositions. The first is the impact value proposition (the social value you are seeking to deliver and what makes it attractive to customers) and the second is the commercial value proposition (the goods and/or services you are offering to the market and what makes them attractive to customers). At the early stages of designing a social enterprise in particular it can help to separate out the commercial value proposition and impact value proposition. They are ultimately linked, but separating them out for discussion can help us to see how each relates to our different customer segments. It is likely that the commercial and impact value propositions will be inter-dependent, but one may be more important to particular customer groups than the other. If government funders or philanthropists are our customers, then they may be much more interested in our impact value proposition than in our commercial value proposition.

On the other hand, if we are operating a retail business, our retail customers may or may not be interested in our impact value proposition. Ultimately, if the business of the social enterprise is to be successful from a financial perspective, then our commercial value proposition has to hold up whether or not we have a parallel impact value proposition. Doing good will not suffice if the service or product is done badly.

No matter how laudable and ethical your impact value proposition may be, if the business value proposition doesn't add up for your customers, then you may as well be running a not-for-profit organisation because a social enterprise can't run on an impact value proposition alone.

3.3.7 Presenting Your Value proposition

It is very important for social enterprises to work out how they will present their value propositions to their customers. For some, the only visible part of the enterprise is the 'business value proposition'. In this case, the impact value proposition is inherent inside the enterprise but it is not what is visible to customers and it is not the reason why customers engage with the enterprise. For others, the impact value proposition is very visible, and it may be important to present it in a way that will draw customers in. The way a social enterprise communicates its impact value proposition is often an important design decision, and requires a deep understanding of customers and of the nature of the impact itself.

3.3.8 Customer segments

Social enterprises in retailing for the purpose of generating its social impact will at least have two different (maybe overlapping) categories of customers. The first are the customers who are interested in their goods and/or services and the second category are the 'customers' who are interested in supporting the social impact of the enterprise. Understanding these two key customer segments is critical to understanding a social enterprise business model. When social enterprises use the

BMC for design purposes, it can be helpful to distinguish business and impact customers for number of key reasons.

- i. Some social enterprises don't see their 'impact' as potentially having 'customers'. This is the reason why some social enterprises see funders as 'partners' rather than customers (which is not a problem).
- 2 Exploring how much our customers value our impact and our products/services can yield some interesting design insights for social enterprises.
- 3 Understanding the different customer segments and whether they value your products/services and/or impact can help business design innovation. For example, if your 'impact customers' are currently all government and philanthropic funders, can you explore additional opportunities for growing the interest of these 'customers' in your products and services

For social enterprises, understanding your customer segments is critical. In addition, it is of vital importance to understand the balance within the customer segments. If an enterprise is consistently disappointing its core business customers and is increasingly relying on 'selling' its impact, then work needs to be done to understand the implications of this.

3.3.9 Channels

Working out how to reach and communicate with customers and help them to evaluate a value proposition is as important as the value proposition. For social enterprises it may not only be about helping customers to evaluate business value propositions - some customers may also need to understand our impact value proposition. Osterwalder and Pigneur (2009) outline five phases that are important in designing and nurturing effective channels inside businesses. They are equally important for social enterprises. They include word of mouth, www Impact, Social enterprise networks and directories as well as Social procurement directories.

3.3.10 Customer relationships

Customers of social enterprise may be attracted to our value proposition just from a purely business perspective, and we should aim to retain their custom on this basis. However, some may 'fall in love' with us as social enterprises once they learn of the 'added value' our social impact brings to the exchange.

When customers become active in your social enterprise they can also take on roles associated with deepening or scaling your social impact. They can become champions of your cause; they could volunteer; donate; become your network or your partners. Building customer loyalty, and in turn, exploring what customer loyalty can build in terms of social impact is fundamental. Customer loyalty programs may look different in social enterprises when compared with traditional enterprises. This is so because they may focus on what can be co-created or what difference can be made together

rather than what rewards individual customers could receive. Loyalty programs in social enterprises could thus be seen as potentially the base for an impact movement.

3.3.11 Revenue Streams

Revenue streams are what enable a social enterprise operator to remain liquid, to run the business and to generate the impact they were established to do. Although, some contention as regards the revenue mix of social enterprises have emerged in the public domain. Some argue that social enterprises should avoid any revenue source other than trade or earned revenue. This will be great and achievable but it will translate that there is no difference between running a social enterprise and running a commercial business. The revenue sources of a social enterprise need to be linked to its purpose (the social benefits it can generate) and towards its intention to build viability and sustainability over time.

A social enterprise must derive a majority of its revenue from trade (earn income) because this is what makes it a **enterprise** however, it also needs to deliver a social impact, which is what makes it a **social** enterprise. In many ways, understanding revenue inside a social enterprise requires some consideration of the costs of mixing together social purpose and commercial realities.

Different revenue streams can have different functions in a social enterprise. Using grant or philanthropic funding alone to run a social enterprise will not be helpful in the long run because it will not deliver a sustainable social impact. The commercial business around which a social enterprise is structured needs to operate in such a way to become viable and hopefully sustainable. That is, it should be able to generate sufficient revenue from its trading activities to cover operating costs and even generate profit.

What is important in a social enterprise is that the right revenue mix that is appropriate to deliver the intended social impact and yet generating profits make the enterprise commercially viable is implemented.

3.3.12 Key resources

Key resources are the assets, tangible and intangible, that makes your business model work. In the case of a social enterprise, key resources refers to the resources that drive your commercial model and the resources that drive your impacts model.

Just like many other start-ups, a small and new social enterprises start-up may not have all the key resources it requires to scale up their businesses or their impact. This can be a work in progress. However, for social enterprises it is imperative to

understand how critical it is to ensure access to the key resources needed to drive both the commercial business and the impact, and to plan ahead for how such resources can be developed and maintained.

3.3.13 Key activities

The key activities of a social enterprise encompass the things it must do to deliver value to the enterprise customers. To ensure that both commercial and social value proposition are economically achieved, the key activities across the commerce and impact sectors of the social enterprise must be complementary.

3.3.14 Key partnerships

Key partnerships refer to the network of suppliers, allies, supporters, co-creators and champions that are needed to ensure that a social enterprise can deliver on both impact and commercial objectives. Partnerships can support and enhance both the commercial and the impact objectives of a social enterprise. The enterprise may have an active network of supporters who promote products and services or who are vital as a distribution network. Equally, the enterprise may have a network of partners who offer value-adds to your impact

3.3.15 Cost structure

The cost component of a social business model must take into account, the cost associated with both commercial operations and the costs associated with delivering their impact. For most social enterprises this means understanding the costs involved in keeping the 'business' going, and unpacking what extra costs are needed to actually deliver on the impact of the enterprise. Impact is rarely, if ever, cost neutral - if it was, then every business would be a social enterprise. If your social impact is to offer employment to people who have suffered long term unemployment, training and retraining will constitute a serious cost. In addition, the model will have to cope with reduced productivity and poor performance at the onset. These are costs which you must be willing to incur in order to achieve your impact objectives. It is important to articulate what activities are undertaken and what resources are needed to deliver your social impact.

4.0 CONCLUSION

In this unit, an attempt was made to provide ideas and knowledge on social business model and their importance to a social entrepreneur. Students are expected to know how to build a social business model, the role of the business model canvas in correcting diminishing social impact, how to present value proposition, key resources, key activities and revenue streams.

5.0 SUMMARY

A business model is an important instrument used to articulate how an organization will do business, how the business will generate income, the value the business will offer to its customers and why customers should patronize the business. The unit also critically x-rayed the conditions required to prepare a social business model that will stand the taste of time.

6.0 TUTOR-MARKED ASSIGNMENT

- a. What makes a business model social in nature?
- b. Should the impact value or the commerce be considered much more important when constructing a social business model

7.0 REFERENCES/FURTHER READINGS

Ingrid Burkett Knode: Using the Business Model Canvas for social enterprise design - Nourishing our community while fostering economic independence. www.businessmodelgeneration.com, <http://www.haleyhouse.org/>, Ingrid Burkett ingrid@knode.com.au

MODULE 3 – UNIT 2

SOCIAL INVESTMENT (FUNDING OPTIONS FOR SOCIAL ENTERPRISES)

1.0	Introduction
2.0	Objective
3.0	Main Content
3.1	Who should consider a social investment
3.2	The process of social investment
3.3	Screaming and due diligence
3.4	Choosing an appropriate social investor
3.5	Types of funding available to a social enterprise
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

1.0 INTRODUCTION

Funding has always been a great challenge to all entrepreneurs whether traditional or social entrepreneurs. Just like the traditional entrepreneurs, a social enterprise must generate profit from trading/commercial activities. Its ability to generate profit is what qualifies it as an enterprise.

More recently, a lot of funding windows have been opening for social enterprise operators who may be seeking funding to grow or scale. Social Enterprise must therefore make good choice of their funding mix. Their best funding option will be that option which will best help them achieve their triple bottom. Making good choices based upon understanding priorities and trade-offs is valuable in order to pursue best matched capital sources. For example, obtaining funds from a commercial banks will first require building relationship. Bank relationships take time to build and the money can seem expensive at first, especially for start-ups, but might be a best choice over the long term. Socially responsible investors/Impact investors may have closer mission alignment and more attractive rates, but might be difficult to access (Tulchin & Lin).

2.0 Objective

3.0 MAIN CONTENT

3.1 WHO SHOULD CONSIDER SOCIAL INVESTMENT

The social enterprises that are best served by social investment are those that have clear and realistic plans for how they will address their short and medium term funding needs and are open to inviting outsiders into their decision making processes and, in some cases, ceding decision making rights on their strategy and operations to outsiders. Given that investors demand a high level of accountability and quantifiable results, social investment should not be used to plug holes in a budget, nor is it well suited to enterprises operating in a saturated social market with limited future growth.

3.2 THE PROCESS OF SOCIAL INVESTMENT

The social investment process can be broken into several stages as shown below:

1. The first step is to find the financing instrument most appropriate for your enterprise.
2. The second step is to find the right social investor
3. The third step is to approach the social investor
4. The fourth step is to pass the initial screening and participate in the due diligence process.
5. The fifth step is to negotiate the financing terms. The terms of the contract must be properly negotiated prior to the completion of the deal.
6. The sixth step is to work with the investor to work out the structure on the investment as well as formalizing the investment.
7. The seventh step performance measurement. This will enable the social investor to control and monitor the work of the social enterprise. The Roberts Enterprise Development Fund has developed a quantitative method called social return on investment (SROI), which aims to express the value of an enterprise's activities in monetary terms.
8. The last step is to establish an exit strategy. This will detail out how the relationship subsisting between the social investor and social enterprise will terminate

3.3 SCREENING AND DUE DILIGENCE PROCESS

Social investors receive and analyze request from several social enterprises per year, but only a few make it to the final round. Investors have some important criteria's or basis of assessment when evaluating request from social enterprise. They include but are not limited to

- Concept
- Market
- Financials
- Social impact
- Social entrepreneur

Concept: The single most important selection criterion, allows investors to understand whether the offering will change the relevant sector through its strategy or innovation. Investors assess how the social enterprise works with the target group and whether it has the support of the relevant stakeholders. For the due diligence, social entrepreneurs can prepare to answer specific questions on whether the enterprise has a clear strategy to solve the social problem (the theory of change) and how it differs from existing concepts.

Market: Market which allows investors to evaluate the potential of an enterprise, explores the competitive environment and the characteristics of the target group. Social entrepreneurs should be prepared to answer questions about the total number of people affected by the social problem and how the social enterprise is positioned to reach them.

Financials: Financials which are relevant for debt capital investments, evaluate the business model and capital requirements in the context of how they will generate their income, how much income will be generated etc. The social enterprise should have 3 to 5 year projections in terms of revenue, costs, and budget based on realistic assumptions and past data.

Social impact: Social Impact refers to both the scalability and reach of the business model. Scalability depends on the business model characteristics, such as the necessary know-how for providing a service and how certain stakeholders can block the scaling of the social enterprise. Reach is the percentage of the market covered by the concept. The social entrepreneur should be prepared to speak in depth about the external and internal factors that will facilitate (or might limit) the enterprise and increase its scale and impact.

Social entrepreneur: This refers to the leader of an organization. Many investors say that they invest first in the entrepreneur and second in the enterprise. Once an investor has faith in an entrepreneur, they will invest in whatever that person churns out. There are five different aspects of the social entrepreneur that investors consider: strategic skills, professional skills, creativity, attitude, and development potential. Most important to the assessment of the social entrepreneur are their commitment to the concept, creativity in achieving the social impact or reaching the market, and their previous track record.

3.4 HOW TO CHOOSE AN APPROPRIATE SOCIAL INVESTOR

For a social entrepreneur (start-up or existing) to succeed in his or her drive in obtaining the right mix of funds, the enterprise operator must be able to develop a good capital strategy. Secondly, the enterprise operator must be able to compare capital sources available before making decisions.

3.4.1 Capital Strategies

A good strategy has been behind every successful fund raising initiative. To secure initial or expansion capital, a proactive plan is suggested. A few strategy considerations include:

i. Understand what financiers value and how they make decisions:

Getting an in-depth understanding of what financiers' (banks and other financial institutions) value and how they make decisions is paramount. The social entrepreneur must consider the position of the other person with whom he/she is negotiating with. You must be familiar or get acquainted with what is important to that individual on the other side of the table as well as how they make their decisions. What bankers actually see in a start-up social enterprise is always very different from what the entrepreneur is trying to entrepreneur communicates. Many entrepreneurs explain their business proposition very well however, they must also consider bankers' language such as "value proposition," "return on investment", and "debt service coverage". These are cardinal if a bank must fund your business.

ii. Establish Long Term Networks:

Social entrepreneurs cannot survive without networks. Supportive community builds social enterprise. Networks of potential value include Social Enterprise Alliance (SEA), Net Impact and even Small Business Development Centers (SBDCs). Net Impact has chapters worldwide. Think long-term by starting small and immediate. You must identify a person whom you can you access to bring into these circle

iii. Build Credit History:

Funders access enterprise operators using different apparatus or approaches. Establishing credit history is a cardinal part of how investors like banks assess borrowers. To be eligible for bank funding at all times, entrepreneurs are encouraged to set up commercial accounts early on with formal institutions so these financial institutions know their business entity.

iv. Formalize and Report the Enterprise:

Just like most entrepreneurs, a lot of social enterprise operates in the informal sectors of the economy. Cutting corners is primarily responsible for keeping social entrepreneurs in the informal economy. Social entrepreneurs are advised to compute enterprise value regardless of its numerous implications such as

paying of taxes. Financial professionals need to document how loans get repaid. An existing track record is the strongest evidence. In a loan package, make it easy to understand how the enterprise will repay their debt, the collateral available and other financial assurances.

v. Equip the enterprise:

There are common prerequisites for most funders such as experienced management, transparent board governance, solid accounting, internal control systems, independent auditing, written business plan, etc. These are known criteria and expected by all.

vi. Have back-up plans:

Always have alternatives and contingencies if at first you don't succeed. Developing multiple sources for capital distributes risk.

3.4.2 Make Comparison between Capital Sources

There are many funding options for social entrepreneurs to raise capital either to start-up or scale. It is valuable to identify appropriate sources. There are different criteria to you can consider before settling for a funding option. Depending on your situation, you might include additional factors or reduce some of the under mentioned factors. A comparison scoring example will help you make a good choice.

Financial Options	Timeliness	Amount	Stability	Mission	Distance
Conventional Financing	OK	Good	OK	Poor	Good
Social Investment	Poor	OK	Good	Good	OK-Varies
Govt Contracts	Poor	OK	Poor	Good	OK
Crowd Funding	Good	Poor	OK	Good	n/a
Internal Resources	Good	OK	Good	n/a	Good

Factors Defined:

- i. Timeliness: Level of effort needed to obtain the cash from the source
- ii. Amount: Funding levels likely to be obtained from that source
- iii. Stability: Availability of capital over time
- iv. Mission: How motivated the option is by an enterprise's purpose
- v. Distance: How far the option is to the social enterprise

Trade-Offs

Capital options have trade-offs, making comparisons dependent on entrepreneurs' needs. For instance,

- i. Bank are closer social entrepreneurs and are wildly spread. However, they are indifferent to the impact mission of the social enterprise

- ii. Social investors are often far away geographically, but share same values with the social entrepreneur
- iii. Donor contracts could bring in decent money, but might be predictable hence unsustainable
- iv. Crowd funding is cost-effective, but needs promotion and often small amounts
- v. Internal options usually offer results quickly; sums may be small and may not be able to significantly solve the financial need of the social entrepreneur.

3.5 TYPES AND SOURCES OF FUNDING FOR SOCIAL ENTERPRISES

All Social enterprises have triple bottom line (people, environment and commerce) which they ought to achieve. The social and environmental value creation efforts stand out as a competitive advantage, setting social enterprise apart in the marketplace. Money is however needed to accomplish the social mission of a social enterprise. Unfortunately, traditional sources of funding, such as charitable donations, foundation grants, and government subsidies, are no longer keeping pace with the innovations social entrepreneurs are creating to address the society most pressing social problems. As social enterprises have gained scale and credibility, new funding sources have emerged that aim to provide both financial and social returns to the investor.

Social investment or impact investment, as this form of financing is often called, provides an important complement to grants and government subsidies. Social investors typically invest in organizations that have a strong mission of social change and generate an income but are not yet considered commercially attractive. However, and for the purposes of academics, we will discuss several funding options open to a social enterprise:

1. Conventional Finance

Many social entrepreneurs especially those operating in the informal sectors of the economy feels they cannot qualify for conventional financing. Many of them who think they have a chance don't even understand how to apply for these loans from formal financial institutions. In many instances, these enterprise operators have high distrust for conventional financing institutions and the capital market (which in every sense is a very good source of long term funding that in many instances seem out of reach for small and/new social enterprises). However, conventional sources of funding for social entrepreneurs are:

Equity Financing:

Generally, equity finance requires no collateral and can be raised from stake holders. Raising this kind of funding becomes easier if they social entrepreneur can sell part of the business. It should not surprise you that a even a non-profit

entity can have its ownership sold through imaginative structures, donations or joint ventures with private firms.

For social enterprise, equity capital is the financing instrument with the highest risk for the investor. The social investor gives the social enterprise a certain sum in exchange for a share of the company (for instance, 15% of total shareholdings). The social investor receives no regular annual payments but a share of the profits generated by the social enterprise. Besides a share of future profits, the social investor has certain control and voting rights. Control and voting rights depend upon the legal form of the enterprise and are usually structured in the contract between investor and investee.

Friends and Family:

A social entrepreneur can lobby his friends and family members to believe in his course and subsequently ask them to support his course with funding. They may wish to lend to the social enterprise or take stake in it. This type of funding is quicker and cheaper to obtain. It requires less formality, repayment terms are flexible and it may not have any interest burden. If you pursue this route as a means of funding your business, be sure to document any relationship formally and ensure that expectations are matched before agreements are made.

Commercial Banks:

Banks and other formal financial institutions are highly regulated in Nigeria. Due to the high volume of non performing loans, banks due diligence procedures is now more tasking than ever before. Even at that banks will not provide volumes of affordable capital for a small/new social enterprise right from inception. Relationship must be built to establish trust and track record. Depending on the economic situation in a particular country, bank loans can be very expensive (high interest some times over 25%) and mostly short term orientation.

Microfinance Institutions (MFIs):

Social innovations are mostly done at the bottom of the pyramid and Microfinance Institutions are most often created to serve lower-income clients who lack access to financial services. These people lives at the base of the pyramid. Historically, MFIs are familiar with community lending and transactions. Loan paperwork is not sent off to lagos like most banks in Nigeria will do, some local personnel make decisions.

Sustainable Banks:

Sustainable banks (also known as ethical or civic banks) are not yet available in Nigeria banking spacer. This banks exist mostly in the United States of

America and their numbers are growing. The New Resource Bank based in San Francisco for example is a commercial bank that focuses on businesses that share their mission to progress sustainability within their community. In addition, Permaculture Credit Union operates nation-wide (in the USA) supporting customers seeking to do green things.

2. Social Investors

The dawn of the 21st century can witness some innovations in the financial sub sector. Investors interested in social, environmental and community efforts are increasingly prevalent. Socially Responsible Investing (SRI), as well as “patient capital”, “impact investing” or “slow money,” are no longer abstract or new concepts in Nigeria, they are just new terms especially in the academic domain. They consider financial return with other value creation. Socially Responsible Investing (SRI), in the formal markets uses screens to avoid investing in certain enterprises such as companies selling weapons, alcohol, tobacco, gambling, or nuclear energy. They tend to encourage investment for positive change, environmental stewardship, consumer protection, human rights, and/or fair trade.

Social investor funding can come in the form of debt or equity. The number of institutions currently offering debt and the amount of capital is much higher than for equity. Debt providers may balance below market return expectations and modest borrowing obligations in exchange for social/environmental value creation.

Underwriting criteria are still formal, but may be more lenient than conventional financing. Equity typically must be able to generate significant increases in value, which is harder for new social enterprise. Example of social investors with international approaches include Grassroots Business Fund, Root Capital, Bamboo Finance, Oikocredit, and Calvert Foundation just to mention a few.

3. Grants

Grants are a traditional form of financing in the social sector that is provided by charities, foundations, wealthy individuals or government. Traditionally, non-profits have subsisted primarily or entirely on grants. It has also provided funding and it has continued to be an important funding source for social enterprises. It is a small and competitive source, which scales for few entities. If grants can be secured, especially for one time start-up or as an offshoot to a larger capital strategy, that is great and helpful. Institutions that focus their financial strategy only on philanthropy will likely always be raising money, and slower growth. They are not enterprises because they cannot generate their own money to cover their expenses.

Grant is not recommended as a central focus for social enterprises. This is because it is not always a wise decision for any social enterprise to rely almost entirely on grant. Social enterprise movement is largely a recognition that organizations that have some

degree of self-sufficiency are more stable and therefore more likely to continue to serve their beneficiaries in the long term.

Corporations like Gate foundation, Rockefeller foundation, Skoll, and Omidyar which finances start-up of sustainable ventures leads to greater good than just writing checks to grant-seeking NGOs. Success in this arena often hinges on relationships. Having access to wealthy or well connected people and institutions is beneficial. Corporations may be a channel, providing professional volunteers or other in-kind support, even if not cash. Appropriate approaches, presentation, particularly specifying impact and value creation, and networking help here.

Except for recoverable grants which are not very rampant nowadays, grants do not have to be repaid. It can cover costs while building up a revenue generating activity. This is because you can use it to purchase asset which will generate revenue and/or provide security to the organization. Grants can fund non income-generating activities as well as risky but socially beneficial activities that have a high social impact, such as research and development and best practice studies.

The down side of grants is that they are often short-term, making it hard to make long-term financial plans based on them. This is in addition to the fact that they are always tied to specific projects which makes it very difficult to obtain grants to fund your core business area.

4. Government and Donor Capital

The public sector is another source of funding for social entrepreneur. It has been a consistent resource for decades, with international funding in the US running into billions of dollars. Nigeria in this fiscal year (2017) has set aside N500b for social intervention. One potential source of this type of funding is government contracts. It often requires extensive competitive application and long lead times. This option is often financially cheap but far from free, as there are obligations like information tracking which takes staff time, relationship requirements and perhaps the institution's perception in the marketplace.

5. Mezzanine capital:

Mezzanine capital combines elements of debt and equity capital and represents a convenient financing alternative if pure equity or debt capital is not applicable. The interest payment can be linked to the profits of the company, whereas the total amount is repaid after a certain time period or converted into equity capital. The structuring flexibility makes mezzanine capital an attractive option for social entrepreneurs as well as social investors.

6. Hybrid capital

As contained in the Social Investment Manual (2011) hybrid capital contains elements of grants, equity and debt capital. The grant character can be explained through the fact that there are no interest costs and, in certain pre-agreed scenarios, the financing instrument is converted into a grant. Financing instruments with hybrid capital character include recoverable grants, forgivable loans, convertible grants and revenue share agreements described below.

- A **recoverable grant** is a loan that must be paid back only if the project reaches certain previously defined milestones. If the milestones are not reached, the recoverable grant is converted into a grant. This mechanism can be used if success of the project enables the social enterprise to repay the loan to the social investor.
- A **forgivable loan** is a loan which is converted into a grant in the case of success. If the social enterprise reaches the goals agreed on beforehand by the investor and investee, the loan does not have to be repaid.
- A **convertible grant** is another financing instrument with hybrid capital character. The social investor provides the enterprise with a grant that is converted into equity in the case of success.

7. **Crowd Funding**

The 21st century came with an all interesting new channels to access capital, including through the Internet. They are built upon old ideas to foster community, making things affordable for everyone and building trust. Crowd funding describes a collective cooperation, attention and trust by people who network and pool money and other resources, usually via the Internet, to support efforts initiated by other people or organizations. It has taken off with many sites offering similar services. For instance, Kickstarter (a crowd found provider site) focuses on projects, mostly for artists. Indiegogo is quite large and works with a wider range of efforts. Prosper, is America's largest peer-to-peer lending marketplace, of which there are now a half dozen. Vittana: This entity offer educational loans to foster the next generation in select developing countries. These models shows how trust and simple ideas, spurred by technology, make a difference. The power of the internet makes capital available affordably to benefit individuals, businesses, and entire communities.

4.0 **CONCLUSION**

5.0 **SUMMARY**

6.0 **TUTOR-MARKED ASSIGNMENT**

7.0 REFERENCES/FURTHER READINGS

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MODULE 3 – UNIT 3

SOCIAL RETURNS ON INVESTMENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 The Concept of Social Returns on Investment (SROI)
 - 3.2 Types of Social Returns on Investment (SROI)
 - 3.3 The Principles of Social Returns on Investment (SROI)
 - 3.4 Stages in Social Returns on Investment (SROI) Analysis
 - 3.5 Advantages of Social Returns on Investment (SROI)
 - 3.6 Who can use Social Returns on Investment (SROI)
- 4.0 Conclusion

- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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1.0 INTRODUCTION

Conventionally, Returns on investment (ROI) is used to measure the gain or loss generated on an investment relative to the amount of money invested. It is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of investments. ROI is usually expressed as a percentage and is typically used for personal financial decisions, to compare a company's profitability or to compare the efficiency of different investments. To calculate ROI, the benefit of an investment is divided by the cost of the investment, and the result is expressed as a percentage or a ration.

The crux of this unit is social returns on investment. Social returns on investment is a principle-based method for measuring extra financial value (i.e environmental or social value not currently reflected in the conventional financial account) relative to resources invested. SROI is a way of accounting for the value created by our activities and the contributions that made those activities possible. It is also the story of the change affected by our activities, told from the perspective of the stakeholders (Social Impact Scotland).

In this unit, an attempt is made to present the basic ideas about social returns on investment. This includes the principles of SROI, types of SROI and stages of SROI. Students will need to understand these to be able you appreciate specific issues you will need in real life situation.

2.0 OBJECTIVE

At the end of this unit, it is expected that you should have become familiar with the concept of Social Returns on Investment (SROI), its types, the principles guiding Social Returns on Investment (SROI) analysis, the stages involved Social Returns on Investment (SROI) as well as the benefits and usage.

3.0 MAIN CONTENT

3.1 THE CONCEPT OF SOCIAL RETURNS ON INVESTMENT

Our everyday activities or actions are capable of creating and/or destroying value thereby changing the world around us. Although the value we create through these activities goes far beyond what can be captured in financial terms. This is, for the most part, the only type of value that is measured and accounted for. As a result, things that can be bought and sold take on a greater significance and many important things get left out. Decisions made like this may not be as good as they could be as they are based on incomplete information about full impacts.

Social Return on Investment (SROI) is a framework or method for measuring communicating and accounting for a broad concept of value that incorporates social, environmental and economic impact. It seeks to reduce inequality and environmental degradation and improve wellbeing by incorporating social, environmental and economic costs and benefits. SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It tells the story of how change is being created by measuring social, environmental and economic outcomes and uses monetary values to represent them. This enables a ratio of benefits to costs to be calculated. For example, a ratio of 3:1 indicates that an investment of N1 delivers N3 of social value. SROI is about value, rather than money. Money is simply a common unit and as such is a useful and widely accepted way of conveying value.

SROI is a story about change, on which to base decisions, that includes case studies and qualitative, quantitative and financial information. An SROI analysis can take many different forms. It can encompass the social value generated by an entire organisation, or focus on just one specific aspect of the organisation's work. There are also a number of ways to organise the 'doing' of an SROI. It can be carried out largely as an in-house exercise or, alternatively, can be led by an external researcher.

3.2 TYPES OF SOCIAL RETURNS ON INVESTMENT (SROI)

There are two types of SROI. They are evaluative social returns on investment and Forecast social returns on investment.

- a. The Evaluative SROI is a principle-based method for measuring extra financial value conducted retrospectively and based on actual outcomes that have already taken place (preceding period events).
- b. Forecast SROI, is a futuristic measuring mechanism which predicts how much social value will be created if the planned activities meet their intended outcomes. Forecast SROIs are especially useful in the planning stages of an

activity. They can help show how investment can maximise impact and are also useful for identifying what should be measured once the project is up and running.

For a start-up social enterprise. A lack of good out-come data is one of the main challenges when doing an SROI for the first time. To enable an evaluative SROI to be carried out, you will need data on outcomes, and a forecast SROI will provide the basis for a framework to capture outcomes. It is often preferable to start using SROI by forecasting what the social value may be, rather than evaluating what it was, as this ensures that you have the right data collection systems in place to perform a full analysis in the future.

3.3 THE PRINCIPLES OF SOCIAL RETURNS ON INVESTMENT (SROI)

SROI was developed from social accounting and cost-benefit analysis and is based on seven principles. These principles are:

3.3.1 Involve stakeholders:

Stakeholders are the beneficiaries in the impact to be created. They are the target audience who will experience the change created as a result of the activity. Their involvement is critical because they will be best placed to describe the change. This principle means that stakeholders need to be identified and then involved in consultation throughout the analysis, in order that the value, and the way that it is measured, is informed by those affected by or who affect the activity.

3.3.2 Understand what changes:

Value is created for different stakeholders as a result of different types of Change activity. This principle requires the theory of how these changes are created to be stated and supported by evidence. These changes are the outcomes of the activity, made possible by the contributions of stakeholders, and often thought of as social, economic or environmental outcomes. It is these outcomes that should be measured in order to provide evidence that the change has taken place.

3.3.3 Value the things that matter:

Financial proxies should be used in order to recognise the value of these outcomes and to give a voice to those excluded from markets but who are affected by activities. This will influence the existing balance of power between different stakeholders.

3.3.4 Only include what is material:

This principle requires an assessment of whether a person would make a different decision about the activity if a particular piece of information were excluded. Deciding what is material requires reference to the organisation's own policies, its peers, societal norms, and short-term financial impacts. External assurance becomes important in order to give those using the account comfort that material issues have been included.

3.3.5 Do not over-claim:

This principle requires reference to trends and benchmarks to help assess the change caused by the activity. It also requires consideration of the contribution of other people or organisations to the reported outcomes in order to match the contributions to the outcomes.

3.3.6 Be transparent:

This principle requires that you demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.

3.3.7 Verify the result:

Ensure appropriate independent assurance. An appropriate independent assurance is required to help stakeholders assess whether or not the decisions made by those responsible for the analysis were reasonable.

3.4 STAGES IN A SOCIAL RETURN ON INVESTMENT (SROI)

Conducting an SROI analysis would naturally involve six stages which are:

- a. Establishing scope and identifying key stakeholders
- b. Mapping outcomes.
- c. Evidencing outcomes and giving them a value
- d. Establishing impact
- e. Calculating the SROI
- f. Reporting, using and embedding

3.4.1 Establishing scope and identifying key stakeholders

It is important to have clear boundaries about what your SROI analysis will cover, who will be involved in the process and how. This stage will help ensure that what is being proposed is feasible. At this level, the purpose, audience, resources, those to execute and the time frame to be covered will be established.

3.4.2 Mapping outcomes

Through engaging with your stakeholders you will develop an impact map, or theory of change, which shows the relationship between inputs, outputs and outcomes. Mapping outcome will require that we build an impact map which will be informed by the engagement we had with stakeholders. This will detail out how the activities been analysed will use certain input resources to deliver some measured outputs. Sometimes the relationship between inputs, outputs and outcome felt by target audience tells the story of how your intervention makes a difference in the world. By involving stakeholders in constructing the Impact Map you ensure that the outcomes that matter to those who are directly affected will get measured and valued.

3.4.3 Evidencing outcomes and giving them a value

This stage involves finding data to show whether outcomes have happened and then valuing them. This will be done after you have completed mapping out and describing the outcomes that are occurring for stakeholders. In this step, we develop outcome indicators and use these indicators to collect evidence on the outcome that is occurring. Four stages are involved. First, you will develop outcome indicators, next you will collect outcomes data, thirdly, you will establish outcomes last and lastly, you will put a value on the outcome

3.4.4 Establishing impact

Having collected evidence on outcomes and monetised them, you will have to eliminate those aspects of change that would have happened anyway or are a result of other factors other than your activities.

This section provides a number of ways of assessing whether the outcomes you have analysed result from your activities. Establishing impact is important as it reduces the risk of over-claiming. It also means that your story will be more credible if the are more factual. It is only by measuring and accounting for all of these factors that a sense of the impact that the activity is having can be gained. Otherwise there is the risk of investing in initiatives that don't work, or don't work as well as intended.

3.4.5 Calculating the SROI

At this stage you would have collected all the information required to enable you calculate your SROI. You will also have recorded qualitative and quantitative information that you will need in the report. This stage sets out how to summarise the financial information that you have recorded in the previous stages. That is, you would be required to add up all the benefits envisaged, subtracting any negatives and comparing the result to the investment. This is also where the sensitivity of the results can be tested.

This therefore follow that the basic idea is to calculate the financial value of the investment and the financial value of the social costs and benefits. This results in two numbers – and there are several different ways of reporting on the relationship between these numbers. If you are carrying out an evaluative SROI analysis, then the evaluation should ideally take place after the period for which the outcome was expected to last. However, interim evaluations will still be useful in order to assess how well the intervention is working and to provide information to support any changes. If you are comparing actual results against a forecast you will need the information relating to the time periods over which your outcomes last. There are four steps to calculating your ratio, with an optional fifth. The first is to project into the future, the second is to calculate the net present value, thirdly, you can calculate the ratio, fourthly, you can carryout sensitivity analysis and lastly, you can calculate the payback period of the investment.

3.4.6 Reporting, using and embedding

Reporting, using and embedding is the vital last step. It involves reporting to your stakeholders (sharing findings with stakeholders), communicating and using the results, and embedding the SROI process in your organisation completes your SROI analysis. This stage gives guidance on how to make the most of all of your hard work so far.

3.5 ADVANTAGES OF SOCIAL RETURNS ON INVESTMENT (SROI)

An SROI analysis can be used to fulfil a range of purposes. SROI can be used as a tool for strategic planning, for communicating impact and attracting investment or for making investment decisions. In addition to the above, SROI can help a social enterprise improve Service: SROI can help facilitate strategic discussions. It can help the enterprise operator understand and maximise the social value an activity creates. It will help you to target appropriate resources at managing unexpected outcomes, whether positive and negative. It can also help identify common ground between what an organisation wants to achieve and what its stakeholders want to achieve. It can help maximise social value, create a formal dialogue with stakeholders and accountability by social enterprise operator. Finally, SROI can also help to make a social enterprise more sustainable by raising the profile of the social organization, improving your case for further funding and making your tenders more persuasive.

3.6 WHO CAN USE A SOCIAL RETURNS ON INVESTMENT (SROI)

SROI can be used by different organizations. They include but are not limited to:

- a. The Third Sector organizations and private businesses. Third sector organisations and private businesses that create social value can use SROI as a management tool to improve performance, inform expenditure and highlight added value. These may be start-up organisations developing business plans or established organisations. It can be used for analysing the value arising from trading activities whether the organisation is selling to the general public, to the public sector or to other businesses.
- b. Funders: Organizations or bodies that commission social value or invest in the creation of social value can use SROI initially as a way to help them decide where to invest their funds and other resources. It can also help them to later assess the performance of the social enterprise by measuring progress over time.
- c. SROI can be used in investment process
Social investors are in the business of securing social value that is delivered by third parties. SROI can be used at three points in the investment process. They points include: pre-procurement, application & contract management.

- **Pre-procurement** – forecast SROI analyses can be used at the strategic planning stage to decide how to set up a programme, for market testing and to determine scope and specification of contracts.

- **Application/bidding** – forecast SROI analyses can be used to assess which applicant or bidder is likely to create the most value. (Where applicants or bidders are already delivering the intervention that is being invested in, evaluative SROI can be used at the application/bidding stage.)

- **Monitoring and evaluation** – evaluative SROI analyses can be used to monitor the performance of a successful applicant or contractor. In the United States of America for example, using SROI to inform public sector commissioning decisions is in line with HM Treasury guidance on value for money appraisals which stipulates that value for money assessments should be based on the ‘optimum combination of whole-of-life costs and quality (or fitness for purpose) of the goods or service to meet the user’s requirement. These costs and benefits must include ‘wider social and environmental costs and benefits for which there is no market price’.

d. For developing policy

SROI can be used by organisations that develop public policy, for which recognition of social value is important. For example, it has been used to compare the value of investing in support-focused community penalties for women offenders as opposed to sending them to prison.

4.0 CONCLUSION

This unit has added immensely to the build-up of your vocabulary and knowledge in Social Returns on Investment (SROI). So far, you would have learnt about services the types of SROI, the principles governing SROI, the stages involved in a SROI, advantages of conducting a SROI as well as those who are entitle to use a SROI.

5.0 SUMMARY

Social returns on investment have been defined as a principle-based method for measuring extra financial value relative to resources invested. There are two types of SROIs. The evaluative social returns on investment and the forecast social returns on investment. The Evaluative SROI measures in retrospect while forecast SROI, is a futuristic in nature.

There are seven principles of SROI which requires you to: involve the stake holders, understand what changed, and value the things that matter, only include what is material, do not over claim, be transparent and verify result.

The unit also pointed out six stages involved in conducting an SROI analysis which are: establishing scope and identifying key stakeholders, mapping outcomes, evidencing outcomes and giving them a value, establishing impact Calculating the SROI and reporting/using/embedding the process.

Finally, the unit pointed out that SROI can be used as a tool for strategic planning, for communicating impact and attracting investment or for making investment decisions by different organizations such as the third sector organisations, (any business that create social value) as well as funders (social investors).

6.0 Tutor-Marked Assignment

What are they benefit of conducting an SROI to:

- a. A social investor
- b. A Social enterprise operator
- c. To stakeholders

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