IN MOST PARTS OF THE WORLD, if conventional hierarchic organizations and risk-averse bureaucracies fail, they lose their reputation. By contrast, fail often and fail fast is part of the innovation ethos in Silicon Valley where failure is associated with learning. Rapid prototyping involves learning through iterative stages of disciplined failure—each characterized by an effort to surface design errors. In this context, engineering design reviews draw on peers with knowledge from across specialized and interdependent organizations within industry clusters to critically examine alternative solutions. Beta tests are used to shorten feedback loops, expose faulty assumptions, and refine design requirements. Similarly, ongoing feedback from early adopters is used to specify the requirements for new product releases, and market segmentation drives subsequent customization to expand market reach. And, since winning in the marketplace entails collective agency, rewards for individuals are tied to the value they contribute to team efforts. Individuals may win trophies,
but in the innovation game teams win championships. What if
development worked this way? What if an entrepreneurial
ethos and collective agency drove innovation in development?

The growing field of social entrepreneurship represents a
bottom-up model of socio-economic development. This
model can foster rapid prototyping, tap into tacit knowledge,
and enable customization for diverse user requirements. The
Center for Science, Technology, and Society at Santa Clara
University has developed a learning laboratory, the Global
Social Benefit Incubator, which mirrors the innovation ethos
of Silicon Valley. Through both mentor-supported distance
learning and an intensive two-week in-residence boot camp,
this program enables social entrepreneurs from developing
countries to accelerate learning by doing as well as from plan-
ning and execution (see www.scu.edu/sts/gsbi). Work in the
Santa Clara University’s GSBI suggests the need to address
seven considerations in analyzing whether this kind of social
enterprise approach fits a particular organization and offers a
promising bottom-up model of socio-economic development.

Analyzing social ventures

Does the venture specify the problems or challenges to be addressed
in a particular sector?

Three sector categories are relevant to the alleviation of
poverty: those pertaining to the failure of government to pro-
vide access to public goods; those pertaining to market failure
and the need for innovative market-based solutions to access
affordable products or services; and, those pertaining to jobs
and inclusive market opportunities (e.g., economic empower-
ment of the poor as producers through market linkages). The
GSBI sector strategy has four key elements—the nature of chal-
lenge by geography, technology alternatives, needed business
model innovations, and enabling or constraining public policy
considerations. Within this framework, the 2008 “water sec-
tor” strategy identified alternative social venture models for
addressing the specific challenges of access to clean water in
thousands of villages across India. In this instance, Naandi
Foundation leveraged advanced Reverse Osmosis (RO) mem-
brane technologies that were experiencing cost reductions as a
result of expiring patents in combination with an innovative
subscription-based business model to provide a scalable solu-
ion. In addition, its tripartite approach combined the
strengths of an entrepreneurial business with strong industry
partners and local governance to provide the basis for ongoing
political support and ensure local maintenance.1

What is the essence of the solution and business model
innovation?

This entails an assessment at three levels: Is there a unique
value proposition? Does the solution provide greater value
than substitutes or competitive alternatives? Does it deliver
on its promise by providing greater economic value to specif-
ic target markets of the poor?

What are the investment requirements and probable sources of capital?

Social enterprises can tap multiple sources of capital—

grants, the Program Related Investment (PRI), investments of
foundations, government or public-private partnership
financing, and debt or equity capital tied to various Internal
Rate of Return (IRR) requirements depending on the source
of capital. In addition, social businesses must demonstrate
market acceptance by generating a portion of revenues from
recurring or earned income.

Is there proof of concept and evidence of the ability to attract critical
resources?

Venture capitalists seek to mitigate risk in three categories,
so should governments and development funders: Does the
technology or solution work? Is there evidence of market
adoption and benefit? Is the leader able to attract key
resources, especially a strong team?

Is there a plausible theory of change?

A theory of change comprises inputs, activities, outputs,
and outcomes. Activities can be thought of as hypotheses
about points of leverage for achieving desired behavioral
changes or improvements in living conditions and life choic-
es for the poor. Are these clearly specified and plausible?

Holistic sustainability: Does the social enterprise provide a solution
with sustainability at four levels—social benefit at the local level;
financial sustainability; conservation of the global eco-system;
empowerment of the human spirit?

Social benefit can be measured in various ways. Cost per
outcome, for example, considers the efficiency with which
desired outcomes are achieved and might be compared with the
Best Available Charitable Option (BACO) or comparable
government costs. Financial sustainability has to do with
whether a “financial engine” exists. For example, are there
sources of recurring revenue, adequate reserves, and positive
cash flows? Eco-system sustainability considers screening for
preservation of the natural environment. Empowerment is
reflected in evidence of whether leaders are using the organi-
ization’s vision as an engagement tool. Examples of this might
be reflected in increasing organizational capacity, partner or
institutional support, volunteers, and community participa-
tion in governance.

Given the social venture’s value proposition, what is the total address-
able market?

This consideration addresses the total size of the market
and how much of this market might be served by a particular
social enterprise. It also addresses whether business plans
exist to realize growth opportunities. Alternatively, does the
possibility of “demonstration effects” exist where a successful
model can lead to replication by others?

Conclusion

SOCIAL ENTREPRENEURSHIP can be viewed as a bottom-up
model of socio-economic development that seeks to over-
come government and market failures. This model of eco-

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onomic development has the potential to draw on important
elements of a Silicon Valley approach to innovation. Through entrepreneurial business planning knowledge and skill building as well as access to Silicon Valley mentors, the Global Social Benefit Incubator has made key elements of the Silicon Valley model accessible to Development Marketplace winners like Digital Design Data in Cambodia and PumpAid in Africa and many others around the world. Based on its work with more than 100 such organizations, the GSBI evidence in support of this bottom-up model is strong. This article suggests seven analytic questions that need to be addressed assessing whether a given organization is a good fit for a social enterprise approach to achieving sustainability at scale and addressing the urgent challenges of poverty.

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Note 1  http://www.mitpressjournals.org/doi/abs/10.1162/itgg.2009.4.3.107