

Types of Entrepreneurship and Models –Social Entrepreneurship

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Types of New Ventures

- **Salary Substitute Firms**

- In this kind of entrepreneurship, the entrepreneur is seeking to create a career for themselves. They generally want to create a business at which they intend to work for many years. They may not intend to sell the business unless they are planning to retire and do not have a family member to hand this down to.
- Examples include: Restaurants, convenience stores, dry cleaners, doctor's offices, service stations, etc.

- **Life Style Firms**

- These kinds of firms are created when a person wants to indulge their passion, their hobby or their desire for a particular lifestyle.
- Examples might include: artists and galleries, custom jewelry makers, pet services, sporting goods and services, and others.
- A marina owner I met in Tortola was a former Wall Street Executive

- **Entrepreneurial Firms**

- Details on the next page.

Types of New Ventures –Entrepreneurial Firms

- **Entrepreneurial Firms**
 - These kinds of firms are generally created by individuals that feel that they have a potential business from which they can profit handsomely.
 - In many cases, the entrepreneur is planning to start the firm, but then find a way to sell the firm, go public, or otherwise profit from the value that their hard work has created.
 - Many of our best known examples of recent entrepreneurship fall in this category.
 - Examples include Facebook, Amazon, Google(Now Alphabet), Instagram.
- Often they begin as private firms, but eventually most of them “go public” through some kind of “exit strategy.”
 - Going public refers to being able to sell shares of the company in one of the public market places or stock exchanges.
- An exit strategy is some way that the founders and early investors are able to cash out on the value they have created.
 - One exit strategy is to sell the company to a larger company. The early investors are then paid for their shares and take the profit. This is termed “being acquired.”
 - Another way to exit is to do an Initial Public Offering (IPO).
 - In an IPO, the company registers their shares on a stock exchange and offers them for sale to the public. This is a very formal and highly regulated process.

The Team: ILinc LearnLinc Founders

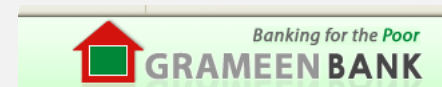
- Degerhan Usluel, Mark Bernstein, Jack Wilson
- Sat in my basement to discuss: what kind of company did we want to build.
 - We all had the same answer: Become a public company by being acquired or doing an IPO.
- We founded ILinc in 1993 and sold it in 2000 as part of a triple reverse merger.
- Software Company
- Sold in 2000 to Gilat Communications for \$52 million
- Resulting Company \$500 million by March 2000.



<http://www.jackmwilson.net/ILincLearnLincStory-text.htm>

Different types of Entrepreneurship

- **Technology Entrepreneurship**
 - A firm built on the application of some technology to a business problem.
 - Google, Yahoo, Facebook, Microsoft, Apple, Twitter, Instagram, Tinder, Amazon, etc.
- **Small Business Entrepreneurship**
 - Often an example of a salary substitute firm
 - Restaurants, laundry, small grocery stores,
- **Corporate Entrepreneurship**
 - Entrepreneurial activity in a very large firm
 - Can be by investing in smaller firms and spin-offs, or
 - Projects can be set up in “sandboxes” inside the larger firm and protected from the corporate bureaucracy in order to let them innovate.
- **Social Entrepreneurship**
 - The primary driver is a focus on a social mission.
 - They can be EITHER non-profit or for-profit.
 - They do not need to be non-profit.
 - They are often set up to make a profit in order to make the firm self sustaining.
 - Examples include the case we will study this week, [SELCO and Harish Hande](#) as well as the Grameen Banks founded by Noble Prize winner [Muhammad Yunas](#) or another firm, [d-Light](#).

The logo for Yahoo!, featuring the word "YAHOO!" in a bold, red, sans-serif font with a registered trademark symbol.The logo for Google, featuring the word "Google" in its characteristic multi-colored font (blue, red, yellow, blue, green, red) with a trademark symbol.

Corporate Entrepreneurship

- Recent business history is replete with companies who have either gone to the corporate graveyard (e.g., **Digital Equipment Corporation**; **Wang**; Siemens-Nixdorf) or are now sadly diminished (e.g., **Polaroid**; Kodak) because of the reluctance of senior management to embrace necessary change (a classical yet apocalyptic example was the collapse of the Swiss watch industry in the 1970s and early 1980s where companies refused to accept the digital threat to their analog dominance).
 - Philip Dover, Babson College and Udo Dierk, Paderborn
- There are also great examples of companies that have re-invented themselves many times over many decades –even centuries.
 - IBM was founded in 1911 to sell tabulating and time recording machines, was named International Business Machines (IBM) in 1924, and managed to evolve over the decades into Selectric typewriters, mainframe computers, IBM PC's, Software, Services, and Cloud Computing.
 - General Electric was founded in 1892 in a merger that included the original Edison Electric. Over the next century GE made and sold various products including light bulbs, appliances, jet engines, radios, televisions, power plants, nuclear reactors, and medical devices, as well as helping to create the entertainment industry and such stalwart names as RCA and NBC. Today they are also a major financial (GE Capital), medical and service industry.
 - Both IBM and GE have prided themselves on their research and have had scientist win the Nobel Prize as well as being prodigious producers of patented intellectual property.

Social Entrepreneurs

- Social Entrepreneurs use many of the same techniques as the other forms.
- The key difference is that their primary goal is to meet social needs rather than financial profit.
- However, they do need to make the enterprise financially sustainable and thus they have to attend to revenues, expenses and profits like anyone else.
 - If there is no margin (profit or surplus), then there is no mission.
- They can organize as a non-profit and support the enterprise, at least in part, through charitable donations to the mission. Mother Teresa organized her enterprise in this way.
- They can also organize as a for-profit as did Harish Hande, Muhammad Yunus, and d-Light.

Large Corporations

- Large Corporations will often become involved in some kinds of Social Enterprise.
- They often do this through a sense of corporate responsibility toward the communities in which they operate.
- Corporate Social Responsibility (CSR) has become an important part of their operation and is often required by communities as part of their license to operate.
- The **triple bottom line** encourages companies to focus on more than the bottom line of profits. It includes
 - 1. Social,
 - 2. Environmental, and
 - 3) Financial results.
- Engaging with the community can sometimes be challenging. In many cases the company may be engaging with individuals who are leading bitter protests towards the company.
- All of this is a part of creating sustainable enterprises and sustainable communities. They are linked.

Public Sector

- There is also a need for entrepreneurship in the public sector.
- How can the government deliver better services and do so economically.
- Each year the University Of Massachusetts Lowell sponsors the [Deshpande Symposium on Innovation & Entrepreneurship in Higher Ed.](#)
 - The goal is to
 - 1. teach the university to be more entrepreneurial, and
 - 2. provide educational opportunities for the students to encourage them to be more entrepreneurial.

Motivations

- The primary motivation for most entrepreneurs is “to change the world” or to “make a difference.” Even entrepreneurs who are motivated financially demonstrate strong desires to do these things.
- People feel more satisfied when they are “making a difference.”
- Some research has shown that motivations can be organized in three categories:
 - Darwinians –focused on competition and business success.
 - Communitarians focused on social identity and the community, and
 - Missionaries –who have the strongest desire to change the world.
 - http://www.bsl-lausanne.ch/wp-content/uploads/FauchartGruberAMJ_Oct2011.pdf
- Organizational Motivations –social innovation as
 - Securing a license to operate
 - Community and government pressure to be socially responsible
 - Aligning values
 - Creates an esprit d ’corps and excitement around the mission.
 - Creating a learning laboratory.
 - Involvement in social challenges can yield insights into innovative ways of doing things in difficult conditions.

Challenges

- The Challenges of the Social Enterprise can be similar to those of a commercial enterprise and can even exceed those.
- Among those are
 - Lack of Resources
 - Conflicts with stakeholders with different needs.
 - Compliance and participation is often voluntary and is often mediated by volunteers who do what they want to do and are not easily organized.
 - Funding can often come in lumps, with big grants and then long periods without.
 - Many of the problems have of huge scale or may indeed be unsolvable. One can make improvements, but the underlying problem is only being managed –not fixed.

Muhammad Yunus

- Bangladesh
- Chittagong College
- Dhaka College
- PhD Economics Vanderbilt
- Professor Economics in Bangladesh
- Founded profitable packaging company
- Invented microcredit and microfinance
- Nobel Peace Prize
- Founder of Grameen Bank
 - In the late 1980s, Grameen started to diversify by attending to underutilized fishing ponds and irrigation pumps like deep tube wells.
 - In 1989, these diversified interests started growing into separate organizations. The fisheries project became Grameen Motsho ("Grameen Fisheries Foundation") and the irrigation project became Grameen Krishi ("Grameen Agriculture Foundation").
 - In time, the Grameen initiative grew into a multi-faceted group of profitable and non-profit ventures, including major projects like Grameen Trust and Grameen Fund, which runs equity projects like Grameen Software Limited, Grameen CyberNet Limited, and Grameen Knitwear Limited, as well as Grameen Telecom, which has a stake in Grameenphone (GP), the biggest private phone company in Bangladesh.
 - From its start in March 1997 to 2007, GP's Village Phone (Polli Phone) project had brought cell-phone ownership to 260,000 rural poor in over 50,000 villages.[24]
 - The success of the Grameen microfinance model inspired similar efforts in about 100 developing countries and even in developed countries including the United States. Many microcredit projects retain Grameen's emphasis of lending to women.
 - More than 94% of Grameen loans have gone to women, who suffer disproportionately from poverty and who are more likely than men to devote their earnings to their families



Who are the social entrepreneurs?

In the last chapter, you got to know something about a wider range of entrepreneurs. Perhaps you found some of the stories surprising? Had you ever thought of Mother Teresa as an entrepreneur before?

My friend Jim O’Keefe certainly never had –until he went to visit her and work with her.

Jim grew up in Pittsfield Massachusetts. In his teen years, Jim caddied at the local golf course where Jack Welch, who was then an executive with GE Plastics, often played. Soon Jim became Jack Welch’s (UMass Amherst ‘57) favorite caddie. When Jim headed off to college, Jack told him to come back and see him after college and he would get him a job at the GE plant in Pittsfield.

After Jim finished his undergraduate degree, and then did an MBA in Wharton, he decided to take Jack up on the offer. But, by now Jack was the CEO of General Electric -headquartered in Fairfield Connecticut. Undaunted, Jim went to the CEO’s office and told the receptionist that he had an appointment with Jack Welch. You will not be surprised that the receptionist was not buying the story –even when Jim told her the whole story. But she took his name and passed it on up the chain of command.

A few days later, Jim O’Keefe got a call from someone who said that he was Jack Welch’s Chief of Staff.

“So, Mr O’Keefe I guess I had better find out who you are and what you can do because Mr. Welch says I need to find you a job,” he offered.

Over the years, Jim rose through the ranks to head all of GE’s Latin American holdings. At one point he took a short sabbatical to go to India and work with Mother Teresa. Jim was ready to be impressed to the point of awe by her charitable work, but something that he had never considered just blew him away.

He called Jack Welch to say something like: *“Jack, you have got to come over here and see the amazing thing that Mother Teresa is doing.”* *“I know all about her Charity work”* Jack replied. *“No! Not that,”* Jim retorted. *“She is running a world-wide enterprise with the smallest and most efficient management team I have ever met.*

In the last chapter we learned that she ran an enterprise, the Missionaries of Charity, with over 4,000 missionaries -- in addition to thousands more lay volunteers – and with 610 foundations in 123 countries.

Social Entrepreneurship

- Jim learned what every leader of a charity or a non-profit organization quickly learns:
 - **No margin – no mission.**
- Being a non-profit does not mean non-expense and certainly cannot mean non-revenue.
- Mother Teresa was a very effective entrepreneur.
- The wealth that she created could be seen in the health and welfare of the people whose lives she helped –directly or indirectly.
- Her profit was the lives she saved, the diseases she cured, and the afflicted that she comforted.
- The technical term for what she did is “**Social Entrepreneurship,**” but even that seems so inadequate in her case.

Social Entrepreneurship

- Although Mother Teresa organized her enterprise as a non-profit enterprise, most examples of Social Entrepreneurship are organized as for-profit enterprises.
- Muhammad Yunus, Harish Hande, and perhaps Teresa Mbagaya are all considered social entrepreneurs and they all have founded for-profit enterprises.
- The key aspect is whether the driving force is the profit or the social problem being addressed. One of the best expositions of this comes in a paper published by Stanford University entitled “*Social Entrepreneurship: The Case for Definition;*”
 - Roger L. Martin & Sally Osberg; Stanford Social Innovation Review Spring 2007
 - <http://www.ngobiz.org/picture/File/Social%20Enterpeuneur-The%20Case%20of%20Definition.pdf>
- The money quote here is “*This does not mean that social entrepreneurs as a hard-and-fast rule shun profitmaking value propositions. Ventures created by social entrepreneurs can certainly generate income, and they can be organized as either not for-profits or for-profits. What distinguishes social entrepreneurship is the primacy of social benefit, what Duke University professor Greg Dees-^{*} in his seminal work on the field characterizes as the pursuit of “mission-related impact.”*”
 - Their cover story on social entrepreneurship features Muhammad Yunus.
 - ^{*}- <https://entrepreneurship.duke.edu/news-item/the-meaning-of-social-entrepreneurship/>

Social Entrepreneurship in Wikipedia

- *“Social entrepreneurship is the attempt to draw upon business techniques to find solutions to social problems. This concept may be applied to a variety of organizations with different sizes, aims, and beliefs. Conventional entrepreneurs typically measure performance in profit and return, but social entrepreneurs also take into account a positive return to society. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals often associated with the voluntary sector. At times, profit also may be a consideration for certain companies or other social enterprises.”*
- Note that Wikipedia also says: *“Some have advocated restricting the term to founders of organizations that primarily rely on earned income—meaning income earned directly from paying consumers. Others have extended this to include contracted work for public authorities, while still others include grants and donations.”*
 - In other words, some scholars feel that to be an example of a social entrepreneurship the organization essentially must be a for-profit organization or at least a non-profit that operates like a for-profit with revenues and expenses and net margins. (But may not distribute those profits to owners)
 - I side with most scholars who take the definition more inclusively as defined by the previous page.
- Thus Muhammad Yunus is considered a social entrepreneur even though his enterprises are often for-profit.
- I am sure that you can think of many others including -Harish Hande and Teresa Mbagaya.