

Online Learning Edition

The Social Entrepreneur's Playbook



*Phase One:
Pressure Test Your Start-Up Idea*

Ian C. MacMillan
James D. Thompson



Praise for *The Social Entrepreneur's Playbook*: Pressure Test Your Start-Up Idea—Step One

“Social entrepreneurship represents an innovative and effective mechanism for addressing many problems around the world. *The Social Entrepreneur's Playbook* is an important contribution to help aspiring entrepreneurs take the first step.”

—**David Bornstein, author of *How to Change the World*:
Social Entrepreneurs and the Power of New Ideas and coauthor
of *Social Entrepreneurship: What Everyone Needs to Know***

“*The Social Entrepreneur's Playbook* provides invaluable insights into how best to foster truly sustainable enterprises that are economically viable and that significantly improve quality of life for individuals and communities.”

—**Kenneth C. Frazier, chairman of the board, president,
and CEO, Merck & Co., Inc.**

“The processes recommended in *The Social Entrepreneur's Playbook* show that due diligence matters, and can be carried out, for organizations that attend to those in need. That way, resources can be focused, and well-meaning but vainglorious resource expenditures avoided. What's more: MacMillan and Thompson clearly walk their talk; rather than simply publishing a book, they are pressure-testing their own first draft and asking readers to help write the final manuscript.”

—**Mark O. Winkelman, senior director, Goldman Sachs Group, Inc.**

“*The Social Entrepreneur's Playbook* shows us how to understand, evaluate, and pragmatically fund investments designed for significant social impact. It is essential reading for those who care about deploying philanthropic and impact investing resources for the greatest good.”

—**Ronald D. Cordes, board member, ImpactAssets, and co-chairman,
Genworth Financial, Inc.**

“I have long felt that we can do better by using our altruistic resources to build self-sufficiency instead of dependency. *The Social Entrepreneur's Playbook* shows that it can be done and how to do it.”

—**Robert B. Goergen, chairman and CEO, Blyth, Inc.**

“MacMillan and Thompson have delivered a powerful set of tools for anyone interested in creating scalable, positive social impact while conserving resources through disciplined entrepreneurship. *The Social Entrepreneur's Playbook* provides a unique and compelling framework for funders, investors, and others who would like to increase the reach, efficacy, and investment transparency of their contributions.”

—**Arthur D. Collins Jr., retired chairman and CEO of Medtronic, Inc.,
and senior advisor to Oak Hill Capital Partners**

© 2017, 2015, 2014, 2013 by Ian C. MacMillan and James D. Thompson

Published by Wharton School Press
The Wharton School
University of Pennsylvania
3620 Locust Walk
300 Steinberg Hall-Dietrich Hall
Philadelphia, PA 19104
Email: whartonschoolpress@wharton.upenn.edu
Website: wsp.wharton.upenn.edu

All rights reserved. No part of this book may be reproduced, in any form or by any means, without written permission of the publisher. Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

Online Learning Ebook Edition ISBN: 978-1-16363-092-1
Ebook ISBN: 978-1-61363-030-3
Paperback ISBN: 978-1-61363-032-7

Our deepest thanks to the Wharton alumni who have sponsored this program, including the Ambani, Collins, Durrett, Gruber, Holekamp, Hurst, Meyer, Poole, Rosenstein, Snider, and Trone families for their interest, commitment, and willingness to support work in a space so fraught with uncertainty.

This book would not have been possible without the concerted efforts of many social entrepreneurs. In particular, we owe a debt of gratitude to Ilona for her tenacity, candor, and commitment to working with us over such an extended period of time. Alicia Polak made key contributions to the elaborations of frameworks within the manuscript.

Thanks also to Marc Gruber of the College of Management of Technology at École Polytechnique Fédérale de Lausanne for his support in this research.

The Social Entrepreneur's Playbook

Please visit
*[wsp.wharton.upenn.edu/book/the-
social-entrepreneurs-playbook-2/](http://wsp.wharton.upenn.edu/book/the-social-entrepreneurs-playbook-2/)*
to download forms to help you with
your project assessment and planning.



Contents

A Note to Learners	viii
A Personal Note	ix
Introduction: The Creation of Social Wealth Out of Poverty	xi

Phase One. From Possible to Plausible: Pressure Test Your Start-Up Idea

Chapter 1. Articulate Your Targeted Problem and Substantiate Your Proposed Solution	3
Chapter 2. Specify Performance Criteria	15
Chapter 3. Define and Segment Your Target Population	21
Chapter 4. Understand the Beneficiary Experience	29
Chapter 5. Analyze the Most Competitive Alternative	35
Chapter 6. Identify Operations Realities	45
Chapter 7. Address the Inevitable Sociopolitics	57
Chapter 8. Develop a Concept Statement	77
Acknowledgments	82
The Social Entrepreneur's Playbook Advisory Group	84
About the Authors	90

Dear Learner,

Thank you for downloading the free online learning edition of *The Social Entrepreneur's Playbook*. This ebook covers Phase One of the start-up to scale-up process: Pressure-Test Your Start-Up Idea. Please refer to your course syllabus for recommended readings from this ebook.

Thank you for reading.

Mac and Jim
November 2017

A Personal Note

On June 18, 2013, Wharton Digital Press published *The Social Entrepreneur's Playbook: Pressure Test Your Start-Up Idea—Step 1*. We provided the ebook for free to more than 10,000 active and aspiring social entrepreneurs as part of what publishing industry blog *ThinReads* called “one of the more unusual ebook ... experiments of the year.”

We used our own start-up-to-scale-up method to publish *The Social Entrepreneur's Playbook* because the book is itself a social enterprise: it seeks to generate modest, self-sustaining revenues from book sales while helping social entrepreneurs start up their ventures with less risk and a greater likelihood of success while helping others. The free ebook introduced readers to the first phase of testing a social enterprise start-up idea: defining the social problem and articulating the revenue-generating solution, developing a qualified advisory group, defining and segmenting a seed target population, identifying the most competitive alternative, and addressing the operating realities.

We invited readers of the free ebook to join the Social Entrepreneur's Playbook Advisory Group by taking a survey. This crowdsourced feedback helped shape the complete edition of the book, which you now have in your hands or on your screen: *The Social Entrepreneur's Playbook: Pressure Test, Plan, Launch, and Scale Your Social Enterprise—Expanded Edition*.

Nearly 300 readers joined the Social Entrepreneur's Playbook Advisory Group, many of whom are aspiring and active social

entrepreneurs and philanthropists. Their ranks include founders, CEOs, executive directors, managing directors, and other leading social entrepreneurs and supporters. Members hail from for-profits and nonprofits and from all around the world. For a list of the advisory group members, see the Acknowledgments.

In addition to providing feedback on the free book, members of the advisory group shared where they were in the start-up process, what their biggest challenges were, and what they needed to know to be successful. The expanded edition you are now reading covers the issues that the advisory group told us are important. It includes the complete three-phase method for successfully testing, planning, and launching and scaling a social enterprise.

If you have read the free ebook, you will still want to start at the beginning of this book. Phase one has been expanded to include advice on setting revenue and social impact goals, how to navigate the inevitable sociopolitics, how to develop a strong concept statement, and more.

We wrote this book to share what we have learned over the past 12 years while working with social entrepreneurs. We want to broaden the impact beyond those we work with directly by assisting anyone devoting resources to helping the less fortunate, wherever that might be, in making a positive social impact and generating an income while doing so.

Thank you for reading this book. We wish you all the best with your social enterprise.

For updates, downloadable forms, and additional information for nonprofits, please visit wsp.wharton.upenn.edu/book/the-social-entrepreneurs-playbook-2/.

Introduction

The Creation of Social Wealth Out of Poverty

*“If you don’t know for sure what will happen,
but you know the odds, that’s risk. ...
If you don’t even know the odds, that’s uncertainty.”*

—Frank Knight¹

In 2000, Ilona’s social enterprise was launched in northwestern Zambia, a region that was suffering widespread unemployment precipitated by a collapse of copper prices followed by the closing of Zambian copper mines, which in turn had led to widespread malnutrition.² Her idea was to find ways to reduce the price of animal feeds (heretofore affordable only to larger-scale chicken producers), thereby creating a whole new market (small-scale chicken farmers), enriching the local economy (by creating new jobs), and reducing malnutrition (small-scale chicken farmers would keep some of the chickens for their families while selling the bulk at local markets), all the while building her own business (as small-scale chicken farmers succeeded, they would continue to buy chicken feed from her company).

She began Zambia Feeds in a shed, with six men mixing feed by hand on a concrete floor. The company produced just enough feed per month for her first few customers. Six years later she stood on a mezzanine platform in her new warehouse and threw a switch at a ceremony to inaugurate newly commissioned equipment that would

mix, pelletize, and pack nearly 2,000 tons of chicken feed per month, which was destined to be sold to a growing group of self-employed farmers, who would then sell their chickens at local markets. Now her business was serving 1,600 independent farmers, many of whom had sprung from the ranks of the unemployed, and who were now employing one or more workers themselves. The feed Ilona was selling would translate into approximately 40 million daily protein portions per year of chicken meat from chickens reared by these farmers. This number would eventually grow to 70 million daily protein portions per year. Ilona launched an enterprise that helps thousands of people, creating nutrition and employment through self-sufficiency, while at the same time generating tidy but not excessive profits through the phenomenon of social entrepreneurship.

Social entrepreneurship has rapidly become a mainstream topic and field of interest spanning the boundaries of academia, entrepreneurship, nonprofits, and the economic development sector. Organizations worldwide are testing new approaches to attempt to alleviate poverty and other social problems (whether in emerging economies or in often large pockets of poverty embedded in advanced economies). These organizations—be they nonprofits (increasingly under financial strain), for-profits (looking to combine corporate social responsibility with growth possibilities in bottom-of-the-pyramid environments), or public-private partnerships—have begun launching revenue-generating enterprises to carry out their social missions. These “social entrepreneurs,” as they are generally called, have captured the interest of business schools (every major business school now offers courses in social entrepreneurship); books and magazines (“doing well and doing good” is one of the hot topics in the business press); philanthropic organizations; and, recently, economic development and foreign aid agencies, which are helping to launch these new hybrid businesses, or are promoting partnerships with them. Yet despite such pervasive interest, little is

known about how to make such ventures work, or why some fail and others succeed.

To find out for ourselves, we entered this space in 2001 as a first step in creating what is now the Wharton Social Entrepreneurship Program. We work on the ground in Africa and in the United States with social enterprises—organizations created to address and alleviate a social problem by generating a revenue stream. Our goal has been to study the challenges of building dual- or multiple-objective business models under conditions of high uncertainty. Since venturing into this space, we have seen firsthand the challenges of social enterprises. Some of our enterprises have been quite successful, others not, and still others have developed or spun off in unanticipated directions.

Our experience has led us to conclude that there is both good news and bad news for social entrepreneurs. First the bad news: these organizations face daunting odds as they try to create wealth where currently only poverty exists. Doing business in areas where markets have failed means high levels of uncertainty that often leave well-intentioned social entrepreneurs blindsided by unexpected problems. Not surprisingly, one study of revenue-generating ventures launched by nonprofits finds that very few actually make money.³ Moreover, the same study discovered “a pattern of unwarranted optimism” when examining how nonprofits evaluate possible ventures.⁴

We did promise good news: Despite the dark picture we’ve just painted, the odds are not insurmountable. Our years in the field have introduced us to social enterprises, such as Zambia Feeds, that are quietly making a real impact on society and earning modest net revenues. Our work has proved that it is possible to launch a successful social enterprise—by taking small steps, focusing on discovery versus outcomes, and being constantly vigilant for the unexpected. The insights we have gleaned from our field experience are the basis for the ideas we present in this book.

The process we have developed does not guarantee success. It does, however, increase the chances that, inexpensively and early on, you will be able to spot those ventures that simply won't make it and refocus your energy on those that may just have legs, at the same time reducing the cost and consequences of those that fail.

Who Should Read This Book?

This book is for anyone who wants to create and run a social enterprise that generates revenues or, better yet, profits while alleviating social problems. However, despite the revenue-driven perspective we cover, the principles and tools in this book will also benefit any of the following organizations:

- Agencies and charitable organizations attempting to deliver poverty alleviation directly;
- Foundations and nongovernmental organizations (NGOs) facing increasingly distressed pleas for funding from the agencies and charities they support, while themselves facing reductions in resources;
- Established firms seeking to deliver meaningful corporate social responsibility (CSR) programs or, more selfishly, to build future markets at the Bottom of the Pyramid;⁵
- Venture capital firms and impact investors with a social orientation; and
- Donors and philanthropists interested in enhancing the impact of the funds they donate.

Social Entrepreneurs: Addressing Social Problems with Revenue-Generating Solutions

The fundamental purpose of the social enterprise is to address a social problem and generate revenues in so doing. The way the Wharton Social Entrepreneurship Program does this is to generate revenues, preferably net revenues,⁶ thereby reducing dependency

and increasing the self-sufficiency and sustainability of an enterprise. After 12 years working on the ground with social enterprises, we conclude that they typically function in environments much different from more traditional entrepreneurial enterprises. One major difference is the perceived level of risk. It's not that social entrepreneurs face more risk than traditional entrepreneurs; they face greater uncertainty. Although the two terms are often used interchangeably, the concepts underlying them are different: risk is measurable; uncertainty is unknowable, and therefore immeasurable.

Why this higher level of uncertainty? We point to three main factors:

1. Social entrepreneurs target highly intractable social problems. If the problems were not intractable, some profit-seeking enterprise would already be earning income by resolving them (or exploiting the opportunity).
2. Instead of simply entering a market, the social entrepreneur often needs to create a market where none yet exists.
3. Social entrepreneurs work in uncharted environments that, by their very nature, generate uncertainty. All the enterprises we worked with met some of, if not all, the following challenges:
 - **Undeveloped markets.** Nascent markets typically offer entrepreneurs or firms little idea about what beneficiary/customer segments to target and what the reactions of those segments might be.
 - **Uncertain pricing.** Given that the market is weak, there is scarce indication of what prices might be acceptable for the products or services envisioned by the social entrepreneur. Furthermore, there are few proxies available to provide price baselines or bands of comparison.
 - **Absence of consistently administered (predictable) governance.** Entrepreneurs can confront mazes of ambiguity when they try to navigate the corridors of permissions,

people, and policies. Interpretations of legal frameworks and their corresponding requirements can be frustratingly unclear and often ad hoc.

- **Unreliable infrastructure.** Nonexistent, poorly developed, or poorly maintained infrastructure often translates into unacceptably high operational costs and high unreliability of transportation, power, water, and labor.
- **Untested technology.** The use of a technology, especially a new one, in an undeveloped market environment adds additional complexity to the venture, and the new technology is unlikely to work as it did in its original environment and likely will need to be modified to adapt to local conditions. Even then, acceptance is not guaranteed.
- **Unpredictable competitive responses.** In environments with significant market failures, the nature of competitive response may be very different from that in more developed markets. For example, over the last two decades in southern Africa, we have regularly seen the burning or shooting-up of taxis and buses competing for a share of fares between new informal (and unregulated) settlements and the cities to which commuters need to travel. The “combatants” have little concern over whether the vehicles contain passengers.

Our research and fieldwork show that given the uncertainties involved in trying to create a solution via social enterprise, potential solutions must be “funneled” in a way that systematically reduces their intrinsic uncertainty ahead of major resource commitments.

At the start of an initiative in such uncertain environments, there are many conceivable approaches, all of which may be equally *possible*. The first challenge is to configure, from among the many possible approaches, those that are *plausible*, and then to reduce the uncertainty of these plausible approaches to the point where probability distributions can be assigned to outcomes,⁷ thereby

making the approaches progressively *plannable*—that is, developed to the point where more conventional risk assessment and valuation methods can be used. This process of moving from uncertainty to risk (simplified as Figure I.1) creates a basis from which to experiment and learn. The process is designed to help identify those ideas that may “have legs” (success potential), guiding the social entrepreneur toward a feasible business model (if one exists). It also helps identify, early on, those ventures that will likely fail, allowing the social entrepreneur to abandon the idea at little cost (either financially to the entrepreneur or to the potential beneficiaries) and move on to other potential ideas.

Figure I.1: Moving from Uncertainty to Risk



From Possible to Plannable— A Process for Social Entrepreneurs

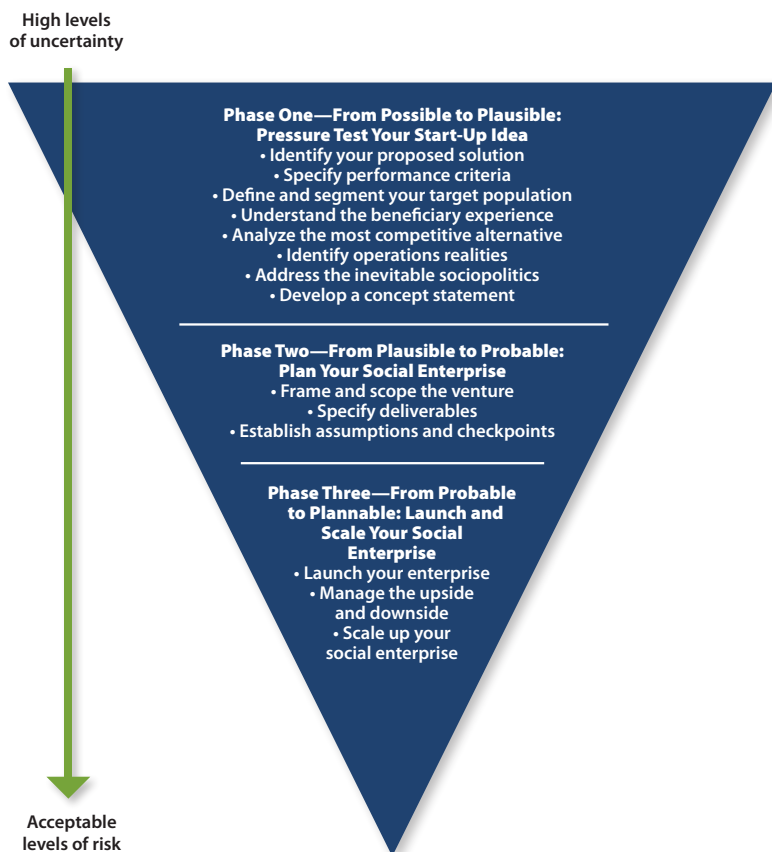
Moving from uncertainty to acceptable levels of risk requires a different approach from that normally adopted by traditional entrepreneurs. In particular, it requires significantly more pre-work, experimentation, reality checks, and planning. Much like a sieve works, we propose a process of continual feasibility checks and low-cost trials en route from possible to plannable, ideally having the sieve hold back the less doable ideas and letting the most viable ones pass through to the next level. In essence, the process is that of an enterprising mind-set.

This front-end work of remorselessly redirecting or abandoning ideas is crucial for two reasons. First, resources available to address social problems are limited, and are becoming more so every day, so it is a tragedy if they are vaingloriously wasted. Second, the cost of failing later on in the process may have grave consequences for the potential beneficiaries, who are often left to flounder when a venture

or aid program runs out of funding and pulls up stakes. Figure I.2 outlines our process for developing social enterprises.

This book addresses each phase of the process. We have framed the book in a way that will constantly guide you in preserving your scarce resources and help you do more with less—a perspective in keeping with our earlier work⁸ and one that shares elements of the newly resurgent “lean thinking” trend in innovation. At this early stage, you are spending your imagination and time, rather than your funds or those of your supporters.

Figure I.2: Building Social Enterprises: A Process



- **Phase One: Pressure Test Your Start-Up Idea.** To enable you to progress from possible to plausible, we will help you analyze a proposed revenue-generating solution to a social problem; specify performance criteria; define and segment your target population or beneficiary; understand the beneficiary experience; analyze the most competitive alternative; identify operations realities; address the inevitable sociopolitics; and, finally, develop a concept statement.
- **Phase Two: Plan Your Social Enterprise.** To support you in your move from plausible to probable, we will explain how to frame and scope the venture, specify deliverables, and establish assumptions and checkpoints.
- **Phase Three: Launch and Scale Your Social Enterprise.** To help you go from probable to plannable, we show how to launch your enterprise, manage the upside and downside, and scale your enterprise.

We end each chapter with two short sections: a Chapter Checklist and a Tough Love Test. The Chapter Checklist tasks you to review what you have done to make sure you are ready to go forward. The Tough Love Test asks a series of challenging questions for which only a positive response will justify your going further with your project.

Social entrepreneurs must beat enormous odds to create a business that alleviates widespread social problems (malnutrition and unemployment) while making meaningful net revenues (when she retired, her enterprise earned a 12% return on sales). For Ilona, moving from 6 employees mixing feed by hand to 200 employees working in a semi-automated facility required immense discipline and a rigorous process to navigate the high degree of uncertainty she faced from the get-go. We strongly believe that social entrepreneurs who follow the principles and processes we outline in this book put themselves in the best possible position to achieve success in this challenging arena.

PHASE ONE

From Possible to Plausible: Pressure Test Your Start-Up Idea

Articulate Your Targeted Problem and Substantiate Your Proposed Solution

In 2012, when Ilona retired from the poultry feeds business she had started with six men mixing feed with shovels in a shed, the social enterprise she had built was producing more than 3,000 tons of feed per month—enough to support nearly 2,000 small-scale poultry farmers whose combined output delivered nearly 70 million daily protein servings per annum to their communities. To do this, Ilona had to overcome the manifold uncertainties we described in the introduction. What the rest of this book will do is lay out the systematic process we developed from our fieldwork with Ilona and others, a process that will help anyone concerned with using minimal resources to accomplish the greatest good in any organization set up to assist those in need. This process can be (and we believe should be) used by managers of social enterprises, by managers of NGOs and nonprofits, by large firms entering the Bottom of the Pyramid space, and by philanthropists interested in seeing that their philanthropic funds have maximal impact.

Given that social entrepreneurs confront such high levels of uncertainty, we suggest that from the very beginning you adopt a learning approach by initially spending a serious amount of time systematically researching the problem and substantiating the feasibility of your solution; discussing it with people in the know; and bringing to the table a willingness to be open to what your research tells you.

One of the biggest mistakes social entrepreneurs make is to charge in with inadequate understanding both of the problem they want to address and of the practicability of the solution they have in mind.

The first step is crucial: carefully articulate the problem and your proposed solution. This step has three components:

1. What is the social problem I wish to address?

- Who is suffering?
- What are they suffering from and when?
- What's causing this suffering?
- How many people are affected?
- Where are they located, and how are they geographically distributed?

2. What is my solution?

- How will my enterprise alleviate the problem?
- Who and how many will benefit?
- What major costs will be incurred?
- If it is to be a business, how will revenue (income) be generated?
If it is not to be a business, how will operating funds be secured?

3. What will beneficiaries have to do differently for my proposed solution to work?

- This is very important: What behavior changes am I seeking on the part of the target beneficiaries?
- In particular: How difficult will it be for us to effect these behavior changes?

To illustrate these three components of the first step, let's look at Ilona and Zambia Feeds.

Articulate the Problem/Solution: Zambia Feeds

When Ilona approached what was to become the Wharton Social Entrepreneurship Program about a severe malnutrition and unemployment problem in the Copperbelt and northwestern provinces of Zambia, she explained to us that the region, with approximately 2 million inhabitants, had experienced up to 50% unemployment at times over the previous two decades, mainly because of copper mine closures. Furthermore, those out of work did not have easily transferable or marketable skills. Without money, they couldn't afford food (particularly food rich in protein) for themselves and their families. With her experience in animal husbandry and animal feeds, Ilona chose poultry farming as the start to a solution—small-scale poultry production doesn't require advanced skills and needs very little capital investment.

The largest cost (approximately 70% of the cost of goods sold) of producing poultry is the feed consumed by the fowls. At the time, national poultry production was dominated by a few established commercial growers, who sold their meat in larger, wealthier urban areas. Ilona observed that the existing suppliers of feed mixes were geographically distant and produced what she believed to be lower-quality products, with a resultant lower yield in animal output. Furthermore, she believed the incumbent feeds producers to be oligopolistic, overpriced, and indifferent to the potential of two highly underserved market segments: subsistence farmers and small-scale commercial poultry producers in the rural areas remote from the major towns. If she could find a way to produce and distribute higher-quality feeds for a lower price, she could team up with a company already producing cornmeal and flour and start a feeds business—creating a new market for small poultry producers in remote northwest Zambia, who, as they built their own businesses, would buy ever more of the product. Of course, she would need to educate her potential new customers (the currently unemployed or underemployed) about chicken farming and its benefits to them and their families.

Thus, she would articulate her problem as follows:

What is the social problem I wish to address?

Malnutrition and unemployment in the Copperbelt region of northwestern Zambia.

- Who is suffering? The large undernourished and underemployed population in northwestern Zambia.
- What are they suffering from and when? Poor nutrition (particularly, low protein consumption). The problem is ongoing.
- What's causing this suffering? Low or no incomes due to poor employment opportunities.
- How many people are affected? Between 500,000 and 1 million, depending on the season and geographic expanse included in the early estimates.

What is my solution?

Develop a commercial feed production business (selling poultry feed) that would open up new rural markets comprising subsistence and small-scale poultry farmers, who could then feed their families (addressing malnutrition) and sell surplus birds in the local markets (generating earnings and employment).

What will beneficiaries have to do differently for my proposed solution to work?

The unemployed and the current subsistence farmers (potential customers, or “users” of her feed products) would need to understand and agree on the benefits of rearing chickens and be willing to learn and execute the entire process of rearing and selling chickens.

Articulate the Problem/Solution: Ikotoilet

Let's turn to a case outside the Wharton Social Entrepreneurship Program to offer a second illustration of the articulation process,

namely Ecotact, a private, for-profit company that addresses sanitation problems in developing nations. The company received start-up funds from the Acumen Fund,⁹ a nonprofit global venture fund that uses entrepreneurial approaches to solve problems of global poverty. One of its products is the Ikotoilet, a freestanding pay-per-use sanitation center that has since been installed in many towns in East Africa. Here is how articulating the problem would look for the Ikotoilet.

Globally, nearly 2.5 billion people lack access to proper sanitation, half of whom must defecate in open sewers due to lack of infrastructure.¹⁰ This “sanitation system” serves as a virulent breeding ground for cholera and dysentery, resulting in staggering social costs: high rates of morbidity and mortality as a result of diarrheal diseases. In Kenya alone, one in five children under the age of 10 dies of diarrheal diseases. Taking a cue from Mahatma Gandhi, who once said that “Sanitation is more important than independence,” Ecotact founder David Kuria challenged himself to find a business solution to sanitation problems in Africa, while at the same time to make a small profit that would at the very least be enough to keep the business sustainable. Kuria realized that while the problem could not be quickly solved globally, it could be addressed at least in East Africa, starting in Kenya.

What is the social problem I wish to address?

Poor sanitation in East Africa, beginning with Kenya.

- Who is suffering? The densely concentrated urban populations of the region.
- What are they suffering from and when? Relatively high levels of preventable, debilitating, and often fatal gastrointestinal diseases such as diarrhea. The problem is ongoing.
- What’s causing this suffering? Poor sanitation is a persistent culprit for infection.

- How many people are affected? Approximately 9 million (22% of the total population of 43 million).

What is my solution?

Build sanitation stations (Ikotoilets), initially in Kenya, and expand later throughout East Africa, which users could access on a pay-per-use basis.

What will beneficiaries have to do differently for my proposed solution to work?

Kuria's problem was that even if he charged very little, would he be able to compete with a system that, in the eyes of many people, was basically free? Potential users (customers) were currently "paying" nothing for sanitation services—they simply defecated in sewage pits or in the street at night. It was going to require a significant amount of effort both to educate potential toilet users and to convince them that what they thought they were getting for "free" actually came at great social cost (e.g., morbidity and mortality caused by fecal-borne disease). This is a typical "tragedy of the commons" situation: "Even if I do pay to use the toilets, if others do not, infection will continue."

Once you have put together your initial description of the social problem, your solution, and the beneficiaries' required behavioral changes, you can analyze your population of proposed beneficiaries to identify the different segments of the population and target which segments you will engage with first, as your seed segment, and why. This will be covered in the next chapter.

Establish Plausibility Criteria

Establishing a defining set of criteria that your business must meet to justify moving forward is one of the most powerful ways to prune out implausible ideas, saving precious resources for the more plausible ones.

Two types of criteria shape such pruning. We deliberately use the “pruning” metaphor; your yield of fruit is much larger and of much higher quality if you prune a fruit tree back to fewer high-yielding branches instead of letting it grow uncontrolled and wild, which results in a paltry yield.

Screen-Out Criteria: Your Institutional Disqualifiers

Screen-out criteria are what you use to disqualify automatically any proposed project, no matter what other redeeming features it has. These are really tough criteria and should be kept to a minimum. A project that fails even one of these criteria is presumed to be doomed from the start or totally in conflict with your values, and therefore should be dropped. A project that incurs even one such disqualifying condition should automatically be screened out unless you can come up with a strategy to mitigate the offending condition.

The Wharton Social Entrepreneurship Program’s list of disqualifiers was developed over the 12 years we have worked with social entrepreneurs in the United States and several African nations. We will screen out any venture:

- That generates dependency rather than self-sufficiency;
- That will be located in countries where corruption (and/or bribery) is rampant, deeply embedded, and not able to be circumvented;
- Where any necessary equipment is not highly robust, simple to operate, and easy to repair;
- Whose operations require a large percentage of employees to have advanced technical qualifications;*
- Where (eventually) the net revenues from activities are insufficient to cover *replacement* of assets;
- Where workers or partners involved in the project will earn less than the nationally stipulated minimum wage;

*This is particularly important in rural Africa and other developing regions.

- Where a pilot business cannot be launched and run at low cost;
- Where you do not believe you will successfully effect the requisite beneficiary behavior change; and
- Where U.S. or host country laws will be transgressed.

Note that these disqualifiers need not be *your* disqualifiers. You surely will want to generate your own. But to the extent that you create similar disqualifiers, you certainly will reduce the number of costly and ultimately unsuccessful projects you undertake.

Note also that we have had to turn our backs on many projects, often with enormous regret, but we have thereby also been able to avoid pouring resources into what would have ended up as unsuccessful efforts.

Screen-In Criteria: Conditions That Increase the Attractiveness of a Project

Screen-in criteria are those that we believe enhance the attractiveness of projects. Unlike with the screen-out criteria, where the presence of only one disqualifies the project, the more screen-in criteria present, the more attractive the project becomes. In other words, screen-in criteria are cumulative builders of attractiveness, and if you score competing projects on these project-boosting criteria, you can use their total scores to choose among those projects. We have also found it useful to use the criteria as a creativity trigger, asking what we might be able to do to enhance a project along the criterion being considered.

Our screen-in criteria include the following:

- The number of people who will be helped will be high (instead of dozens, perhaps hundreds, if not thousands, of beneficiaries).
- The direness of the problem to be attacked is high (the reduction in suffering is high).
- The project has large long-term benefits.
- Key stakeholders will be highly supportive of the project.

- Beneficiaries are highly receptive to the solution.
- The degree of on-the-ground experience of the team is high.
- Experience of the lead entrepreneur is extensive.
- Testing on a small scale (low cost, short time frame) is easy.

Note: We emphasize the importance of low-cost testing by including it on both the screen-out (reject any project that cannot be tested at low cost) and screen-in (the easier it is to test, the more attractive it is) criteria.

You can convert these criteria into a scoring table to compare competing projects in terms of attractiveness (if you have a number of potential projects in mind or different approaches to the same project). For example, Table 1.1 shows how the Zambia Feeds project fared on the screen-in criteria.

Table 1.1: Screen-In Criteria for Zambia Feeds

	Very low > Very high
Number of people who will benefit	1 2 3 4 5
Suffering of beneficiary as a result of problem	1 2 3 4 5
Long-term social impact potential of project	1 2 3 4 5
Degree of key stakeholder support for project	1 2 3 4 5
Receptiveness of beneficiaries to solution	1 2 3 4 5
Degree of local knowledge and experience of team and/or advisors	1 2 3 4 5
Degree of entrepreneurial experience of management	1 2 3 4 5
Ease of testing on a small scale (low cost, short time frame)	1 2 3 4 5
Total Score	32 of a possible 40

Scoring allows you to see problems you may need to resolve before moving ahead. In this example, Ilona anticipated a fairly low receptiveness level on the part of the beneficiaries: people might feel inadequate to the task of raising small batches of chickens for sale or for their own consumption. If she felt she couldn't do anything to change this, she would not have launched the project. She decided, however, that through a series of informational seminars in villages and with the support of influential resident community members, she could get the buy-in from enough farmer recruits to start her company. The success of the first farmers would ramp up attendance at subsequent seminars, where she would respond to questions from newly minted farmers.

In high-uncertainty environments, this set of preliminary filtering criteria is a key weapon for driving down the probability and incidence of failure. Our 12 years of experience on the ground have shown us that the presence in a project of any one of the *disqualifying conditions* we use will at best severely cripple if not kill a project. Ideas are limitless; time and resources are not. By identifying and killing disqualified projects from the get-go—and not later, after you have expended energy and wasted resources—you will have the resources to launch projects with higher chances of success. Projects that survive the disqualifying screen can then be rated for their screen-in scores. If you have only one project, you can develop screen-in scores for major locations or customer segments and select the highest-scoring segments to focus your start-up.

Start to Assemble an Advisory Group for Purposes of Validation

Now that you have begun to build a sense of the problem and the possible solution to it, you must consider whether you have advisors with adequate on-the-ground knowledge of the environment. If you do not have people with such knowledge on your project already, you

need to identify and recruit them now. The role of this group, at this stage, is primarily to provide concept validation and market insight.

Begin with one or two knowledgeable advisors to act as sounding boards. As your venture progresses, you can augment your advisory group with appropriate and useful members (start small and snowball) and, in so doing, build an influential support group to provide concept validation, implementation guidance, and help on stakeholder management.

In the Zambia Feeds case, Ilona first made certain she had the support of the CEO of the milling company with whom she had teamed up to implement the project and of a salesperson from the region in which she would be launching. As the venture developed, she gradually augmented her informal board of advisors with experts in animal nutrition, veterinary science, and feed production systems. By the time the venture was ready to scale, she had built a formidable advisory group of influential people from both within and outside her region of operations.

Once you have secured the advice and support of your first experienced advisors, you can begin to dig more deeply into the context and environment of your proposed beneficiaries.

Chapter Checklist

Following the processes outlined in this chapter, you will have:

- Articulated the social problem.
- Articulated the proposed solution.
- Articulated what the beneficiaries will need to do differently for your solution to work.
- Developed disqualifying criteria for screening out highly vulnerable ideas and screen-in criteria that will enhance the plausibility and attractiveness of the project.
- Started to assemble an advisory board and begun validating your problem and proposed solution with the board.

Now we ask you to subject your idea to the first of the Tough Love Tests you will encounter in this book. The idea is to challenge yourself to make sure you have done the homework needed to avoid going forward with a poorly formulated venture and thereby wasting scarce resources on a project doomed to failure.

Tough Love Test

If you answer no to any of the following questions, you should seriously reconsider your idea. If you answer no three times or more, you should drop the idea. It simply won't be worth your time and resources if you cannot surmount the challenges at this early stage. If you answer yes to all the following questions, by all means, continue exploring your idea.

1. Are you confident that you have specified the full dimensions of the social problem with respect to its scope, dispersion, and distribution?
2. Are you confident that you have identified a solution that will work in the context of the environment where your product or service is going to be delivered?
3. Have you carefully thought through any changes in behavior your beneficiaries will need to make in order to benefit from your solution? Are you confident that you will eventually be able to effect that behavioral change?
4. Does the proposed venture avoid your screen-out criteria?
5. Does the proposed venture score high on your screen-in criteria?
6. Have you begun to develop an advisory group of people "in the know"?
7. Have you discussed your project's feasibility with your advisory group, which should comprise people who are knowledgeable about the environment and people knowledgeable about the social condition you are tackling?

CHAPTER 2

Specify Performance Criteria

If your idea still looks plausible, you can now turn to performance expectations, which comprise your specifications of social impact and financial outcome.

Unit of Social Impact

You need to decide on a unit of social impact, which specifies how you will measure the benefits being delivered by your program, such as lives saved, disease cases cured, number of children able to read, food available and consumed, and so on. Specifying the unit of social impact forces you to think about how you are going to rate your performance and measure it, and thereby, how you are going to communicate to the world and stakeholders (people who have a vested interest in your outcome) what social impact your project is delivering. It often requires a lot of (perhaps uncomfortable) thought to come up with a clearly articulated measure by which you and others will be able judge the social value and contribution of your enterprise.

A way to approach this is to revisit your problem analysis and solution and think of an outcome metric that will measure the impact you intended. The challenge is to select a unit of social impact measurement that closely correlates with your desired social benefit. For instance, Ilona of Zambia Feeds reasoned that an adequate way of reflecting an easing of hunger and malnutrition was to estimate the number of daily protein portions per year that would result from the consumption of the chickens of growers who purchased her feed. While not precise, this unit of impact goes straight to the social

bottom line: every pound of chicken feed sold yields an estimable poundage of chicken meat that can be consumed by the population in her target area.

Kuria of Ecotact had a more difficult problem: It is virtually impossible to measure the reduction of disease resulting from his Ikotoilets; the social impact of prevention is always difficult to measure. What he could do is measure the number of uses of his facilities. Then, for purposes of estimating actual social impact, he could use available data from sources such as the World Health Organization to infer the number of infections and deaths avoided by the use of his toilet facilities. While such data may not provide precise estimates, they do provide a plausible basis for reasonable estimations of infections and deaths avoided.

Unit of Revenue

For financial performance, you need to decide on the unit of revenue, namely, the elements for which payers will pay and thus generate the revenues needed for operating the project. Examples of revenue units are items sold, paid service hours delivered, and paid contracts completed. As we note later in this chapter, the beneficiary is not necessarily the one who pays. In the case of Ilona's project, the revenue unit she selected was a 25 kilogram (kg) bag of feed purchased by a chicken farmer; in the case of Kuria's Ikotoilet, the revenue unit was a single use of his Ikotoilet.

Before you go any further toward starting the actual project, it will pay off handsomely to discuss your proposed metrics with potential stakeholders, getting their buy-in so that they are assured that you will be disciplined and that they can track your progress.

However, such stakeholders will be interested not only in how you are going to monitor performance, but also in what levels of social impact and financial performance you hope to achieve. And before you can realistically decide on the levels of outcome you intend to achieve, you need to examine realistically:

- What you need to be able to do to deliver your social impact, and
- What the reaction will be by those who will be affected by the success of your project.

Upcoming chapters attend to these issues: Chapter 4 is devoted to deciding what activities and capabilities will be needed to actually deliver your intended social impact, and chapter 5 is focused on analyzing key stakeholders who could materially influence the venture outcome. Once these assessments have been done, we can turn to setting minimum realistic performance targets for the venture.

Beneficiaries Are Not Necessarily the Ones Who Pay

In social-entrepreneurial settings, the beneficiary is not necessarily the person paying for the product or service. In many cases, a third party—maybe a governmental or nongovernmental organization—will pay. If this is the case with your idea, you will need to take into account how likely the third party is to pay and their capabilities to do so. It may be useful to use the language users and payers rather than customers.

In the case of nonprofits, while you may not be generating business-like sales revenues, the cold reality is that there has to be a source of funds to support your operations. For a nonprofit, the funding unit needs to be specified in place of a revenue unit. This funding unit might be an average annual donation, an average annual grant approved, or even the securing of one major grant annually, but you need to specify the key measures you will use to monitor progress in securing sufficient funds, at minimum, to cover the total costs of operations.

An example of this is the Hippo Roller. Traveling around Africa, social entrepreneur Grant Gibbs was struck by the amount of time and effort women villagers spent collecting water. In poor, rural communities a water source may be many miles away, and walking there to collect the day's water needs is backbreaking (almost

literally), hugely time-consuming work that is delegated primarily to women. Gibbs wondered about the effects of this work on women. Beyond the physical degradation to their bodies (many women in Africa suffer from premature spinal aging because of this work), this work also prevented them (and their daughters) from going to school or working. Gibbs devised a simple, elegant solution: a barrel-shaped strong plastic container that can hold 90 liters (24 gallons) of water with a handle attached to the axis of the barrel allowing the user to either push or pull the barrel. His beneficiaries (users), however, did not have the money to pay for the barrels. Instead, Gibbs decided to go to sponsors (payers), such as the World Food Programme and other NGOs, who in return for their sponsorship (i.e., paying for the production and distribution of the rollers) would have their logos printed on the round caps that seal the barrels. In this case, therefore, the revenue unit becomes a batch of funded rollers with a sponsor's logo; and the unit of social impact is the roller itself, with the imputed hours of water-carrying saved and a reduction in physiological damage. In his planning, therefore, Gibbs takes into account how many batches of rollers he is required "sell" to third parties (payers) in order to accomplish his social goals in assisting users.

Gibbs has undertaken a redesign of the roller in recent years. Once again, its original use is morphing into other uses, and it is attracting other users: in certain locales, the Hippo Roller is now also being used as a base for mobile retail kiosks, where shelves are mounted on the roller axle and fixed on the handle above the roller, which then serves as the mobile shop's wheel. It is also being used by small-scale produce farmers to roll their produce to market, the roller being cheaper and far more navigable over poor-quality, muddy roads than a bicycle.

In the Wharton Social Entrepreneurship Program, we first determine the appropriate metrics and then decide on what the minimum required performance targets are in order that the venture deliver goals considered worth the time and effort of all those involved.

This approach allows us to develop and model any proposed venture before launching it. In the planning stage, we will show you how to set these minimums and then how to scope, frame, and build a venture operations model prior to investing in the actual venture. We prefer that our modeling show us if our assumptions about the impact of a new venture are wrong, so the venture can fail or be redirected on paper before failing in the field—it is cheaper that way.

Chapter Checklist

Following the processes outlined in this chapter, you will have:

- Decided on units of social impact to measure social impact (by which you intend to measure and monitor social performance progress) and discussed and validated it with potential supporters.
- Decided on a revenue unit (by which you will measure and monitor financial performance progress) and discussed and validated it with potential supporters.

With this in mind, you can now turn to the Tough Love Test.

Tough Love Test

If you answer no to any of the following questions, you should seriously reconsider your idea. If you answer no three times or more, you should drop the idea. It simply won't be worth your time and resources if you cannot surmount the challenges at this early stage. If you answer yes to all the following questions, by all means, continue exploring your idea.

1. Are you confident that the proposed unit of social impact is appropriate for measuring and monitoring progress in achieving social outcomes? Does your advisory board agree?
2. Are you confident that the proposed revenue unit is appropriate for measuring and monitoring progress in achieving financial outcomes? Does your advisory board agree?

3. If the beneficiaries will not be paying for the product or service, have you identified one or more other parties who will pay for it?
4. Do these parties agree with your proposed unit of social impact and revenue units?

Define and Segment Your Target Population

Next you need to define a population segment to start with in order to further test your idea. Again, pursue small starts and learn before investing much money. Ask yourself: Who of the proposed beneficiaries are most likely to adopt my offering? Where are they located? Are enough of them willing to adopt my offering to warrant my efforts and demonstrate evidence that my concept is sound? Is reaching them possible at an acceptable cost?

Segment Your Target Market

Your beneficiary population is unlikely to be completely homogeneous, and targeted segmentation of the population is critical for increasing the chance of early traction. The idea is to think of a subset of your beneficiaries with whom you hope to gain as rapid an acceptance as possible at minimal cost. One way is to select a target segment that scores highly on a “willingness to adopt” measure. The 10 attractiveness features listed here are those we used to develop a score sheet for different segments of the beneficiary population. This list can be used as a starting point for your endeavor, but should be modified, as you learn, to reflect your specific case.

Ten Attractiveness Features Increasing Willingness to Adopt

1. Their perception of the need to benefit: Are they aware of their need for your proposed benefit?

2. Connectedness of actions to positive outcome: Do they clearly recognize the link between the actions you propose and the expected positive outcomes?
3. Salience to customer: How much does the need matter to them?
4. Urgency to customer: How long might they postpone having the need satisfied?
5. Visibility of benefit: How easy is it for them to see the benefit?
6. Timeliness of effect: How quickly is the effect of the benefit observable?
7. Credibility of the benefactor: How much do they believe your solution will help?
8. Performance contingency: How sure is the solution to work?
9. Reversibility of effect: If the benefit stops, does the problem return?
10. Fundability of the benefit by or for them: Can they afford the solution, or will someone else pay for it on their behalf?¹¹

These generic attractiveness features work well with most projects, but are neither mandatory nor exhaustive. In creating your own list, you may want to remove features that don't fit your venture or add those that fit your venture more closely.

From your version of this list, generate a score sheet to compare the market segments on their views of the potential solution. To create the score sheet, first identify several types of potential beneficiaries (or customers). In the case of Zambia Feeds, the first three segments Ilona identified were (i) large commercial producers, (ii) small-scale producers, and (iii) villagers (free-range growers).

Define and Segment Your Market: Zambia Feeds

Ilona felt confident that she fully understood the potential beneficiaries of her enterprise, and the competitive landscape she was entering. Having grown up in the area, she was very familiar

with local customs, language, and sociopolitical conditions, thus she possessed great insight into which beneficiaries might be most likely to adopt her idea. She also had the advantage of having worked in agriculture and animal husbandry, which gave her key insights into her competition, including their geographic location and concentration, distribution reach, and pricing schemes. Her initial target customer segment, or beneficiary segment, was the small-scale, primarily rural subsistence farmers interested in improving their lives without having to relocate. To further test her intuition, however, she created a table (Table 3.1), based on the list of 10 attractiveness features.

You need to develop a set of criteria (attractiveness features) for your choice of segment, though it may be useful to start with the ones we used or the ones in the following tables, weeding out any that are inappropriate for your project and adding any that are germane to you.

Scoring is done as follows: As you go down the list of attractiveness features, rank how the relevant segment stacks up against each feature. A ranking of 3 is the highest, 2 is medium, 1 is low.

The objective of this exercise is to see which segment is most attractive, and therefore most likely to get traction, so that it can be assessed as a possible seed segment for which you launch your enterprise. Based on this table, it is clear that the most promising market segment, and therefore the seed segment to start with, is the small-scale chicken producer, which scored 22. Once the company was established, Ilona would be positioned to encourage the next-most-promising segment—namely, villagers rearing free-range chickens—to buy her feed and then build small-scale chicken coops after they were convinced of the merits of the proposition. Selling to larger commercial producers would have to wait, if she attended to them at all.

Table 3.1: Segment Attractiveness Factors—Zambia Feeds

	Large commercial producer	Small-scale producer	Free-range villager
1. Pervasiveness—scale and scope of the segment need	1	2	3
2. Acceptance of your offering by customer and other key players	1	3	2
3. Salience to customer— Is the need your solution meets important to the customer compared with other needs?	1	2	3
4. Urgency to customer— Is it important that the need be satisfied soon, or can it wait?	1	2	1
5. Visibility of benefit— Can the satisfaction of the need be easily observed?	2	3	1
6. Timeliness of effect— Can the need be quickly satisfied by your offering, or will it be delayed?	1	2	1
7. Credibility of your company— Is it seen as legitimate, qualified, and competent?	2	1	1
8. Performance contingency— Is your solution sure to work?	2	3	2
9. Competitiveness of your solution—How does it fare against alternative solutions?	1	2	1
10. Fundability of the purchase and use by segment—Is your solution fundable?	3	2	1
Total	15	22	16

Define and Segment Your Market: Ikotoilet

For the Ikotoilet solution to be accepted, beneficiaries would need to change the way they thought about sanitation. Potential users/customers were currently paying nothing for sanitation services; they simply defecated in open sewage areas or in the street at night. It would require a significant amount of work both to educate potential buyers and to convince them that what they thought they were getting for free¹² was actually costing a great deal in the long run (e.g., in morbidity and mortality caused by fecal-borne disease).

Potential Market Segments

Although the problem is widespread throughout the world, Kuria, founder of Ecotact, chose to begin in Kenya, a country he knew well, and within a specific city, namely Nairobi. Now he had to find a market segment that could see the value of his solution and that had the means to pay for it. There appeared to be three potential beneficiary types, based on population location:

1. **Local markets.** Generally outdoor markets where people buy and sell goods and services. Public toilet pits can be found in many of these markets, but they are generally extremely unhygienic. People coming and going to markets generally have some, though perhaps not a lot of, money.
2. **Central business districts.** Administrative and commercial centers of towns where one finds government offices and small to large businesses. Some buildings have their own toilets, but others do not. People visiting the town and people who work in buildings without toilets are generally obliged to use municipal toilets, many of which are free but generally badly maintained, highly unsanitary, and in some cases very unsafe. The people in these districts generally have some money.
3. **Estates/townships.** Large “ghettos” that have very little in terms of infrastructure. Residents are overwhelmingly poor,

and personal safety is a major concern, especially at night. Some have communal toilet pits, and others have no sanitation whatsoever. Many residents resort to “flying toilets”: plastic bags defecated in and then hurled into the street after dark.

Table 3.2 rates each of these potential markets in relation to selected aspects of Kuria’s proposed solution.

Based on the criteria, central business districts and local markets emerge as the segments where the Ikotoilet could get early traction. Over time, the project could eventually be migrated to the estates/townships. The scores for the central business district and the markets are close, and much higher than that for the estates/townships. Kuria chose central business districts as the seed segment to demonstrate feasibility. But the major impact would be on markets, and eventually the estates/townships. As the project took hold, he focused on markets and then found that bus stations were major areas where toilet facilities could be offered at low prices to people who had some money and a need for privacy.

In your case, you will need to decide which of the 10 (and any other project-specific) attractiveness features fit your particular project and then generate a table similar to Table 3.2. Here it would pay to get input from your advisory group and people knowledgeable about the problem, and/or the location in which you intend to attack the problem, to help you identify key segments, formulate criteria, and rate the segments on those criteria.

Again, do not spend huge amounts of time building these scoring tables and arguing over close scores. When operating in conditions of high uncertainty, you would rather be “roughly right” than “precisely wrong,” particularly in the early days, as you learn your way into the new venture. Ecotact’s Ikotoilet is a fascinating example of how, as the uncertain project unfolded, the locations in which it was executed (bus stations) were different from those expected.

Table 3.2: Segment Attractiveness Factors—Ikotoilet

	Local markets	Central business districts	Estates/ townships
1. Pervasiveness—scale and scope of the segment need	3	2	3
2. Acceptance of your offering by customer and other key players	2	3	1
3. Salience to customer— Is the need your solution meets important to the customer compared with other needs?	2	3	1
4. Urgency to customer— Is it important that the need be satisfied soon, or can it wait?	3	1	1
5. Visibility of benefit— Can the satisfaction of the need be easily observed?	2	3	1
6. Timeliness of effect— Can the need be quickly satisfied by your offering, or will it be delayed?	2	1	3
7. Credibility of your company— Is it seen as legitimate, qualified, and competent?	2	3	1
8. Performance contingency— Is your solution sure to work?	2	3	1
9. Competitiveness of your solution—How does it fare against alternative solutions?	2	3	1
10. Fundability of the purchase and use by segment—Is your solution fundable?	2	3	1
Total	22	25	14

Chapter Checklist

Following the processes outlined in this chapter, you will have:

- Specified some major beneficiary segments.
- Generated a set of attractiveness features against which your segments were scored (starting with our list, but tailoring it to your project).
- Applied the attractiveness features to those segments.
- Articulated a high-scoring seed segment with which you could test-launch your idea.
- Discussed the market and segments with your advisory group.

With this in mind, now turn to the Tough Love Test.

Tough Love Test

If you answer no to any of the following questions, you should seriously reconsider your idea. If you answer no three times or more, you should drop the idea. It simply won't be worth your time and resources if you cannot surmount the challenges at this early stage. If you answer yes to all of the following questions, by all means, continue exploring your idea.

1. Are you and your advisors satisfied that you have developed meaningful project-specific attractiveness features for scoring the attractiveness of your beneficiary segments?
2. Are you and your advisors confident that you have identified distinct segments of your beneficiary population that will respond differently to your proposed solution?
3. Have you scored these segments according to your attractiveness features, as in Tables 3.1 and 3.2, and selected a target segment with which you estimate you will get the most traction early in the launch?
4. Have your advisory board members agreed that this specifically articulated population segment is the target segment with which to test your idea?

Understand the Beneficiary Experience

It's easy to get excited about an idea—one that you think is going to change the world. Yet seemingly great ideas are often received with indifference, if not outright rejection, by their intended beneficiaries. Why this frequent disconnect?

Many would-be social entrepreneurs grow up and first work in developed nations and later attempt to create solutions for emerging nations or for pockets within their own nations characterized by grinding social woe. This outsider status frequently results in a misunderstanding of the market and of the “need” for one’s solution.¹³

If you view the challenges of others through your own lens of limited contextual understanding, you run the risk of proposing a solution that is not deployable in the beneficiaries’ environment. In a case involving attempts to stem HIV/AIDS in Africa, cultural naïveté (at best) or cultural arrogance (at worst) illustrates this lack of contextual insight. In the early 1990s it became clear to many Western NGOs and governments that the condoms they were distributing in African nations were simply not being used. The conventional wisdom in the West was that the populations in these nations were in denial, or simply being fatalistic by choosing not to use condoms.

Susan Watkins, a professor of sociology at the University of Pennsylvania, thought there had to be more to the story. She followed the same group of women in Malawi from 1991 to 2005 to better understand their views of HIV/AIDS and condom use, documenting conversations they had with one another, whether at the local water source or in small groups in the fields or the village. She found a very

active population of women who were keenly aware of the ravages of AIDS. Only, the Western panacea of “give them condoms” ignored deeply ingrained social norms, and the fact that many women wanted to have children (women’s fertility is highly valued in most African nations) and many were afraid their husbands, if forced to use condoms, would leave or evict them.

Cultural naïveté or even arrogance often leads to one of the most common and critical business mistakes: having a product orientation rather than a beneficiary orientation. A product orientation means that you charge ahead creating the offering you want without taking into account what the users want, expecting them to readily accept what you have to offer. Safeguarding against this requires a keen understanding of the potential beneficiaries of your solution and how *they* see the “problem” you have identified. In the rest of the book, we emphasize the idea that your challenge is to “sell” your offering into a population of (perhaps unconvinced) beneficiaries. We shall often speak of the beneficiary of your effort as a “customer” in a “market” for your offering in which there is “competition” in the form of alternative options for the beneficiary.

To repeat: One of the biggest mistakes an entrepreneur can make is to have a product rather than a beneficiary (or customer) orientation. To avoid having a product rather than a beneficiary orientation, the first step is to take a serious look at the offering from the perspective of the beneficiaries by systematically thinking through the *entire* set of experiences your target segment must go through in order to derive a benefit from your offering. It is amazing how many projects fail because well-intentioned individuals or groups neglect to look at those projects from the point of view of the people they aspire to help.

Beneficiary Experience: Zambia Feeds

Ilona, like any other entrepreneur, could not simply assume that producing and selling high-quality, low-cost feed would result in

the production of chicken meat. She would need to recruit and train locals to use her product (animal feed) to raise their chickens.

These farmers would need to go through many steps before the feed they purchased could be converted into chicken sales at the local market. Before farmers can sell chickens at market, they must transport those chickens to market, and before that, rear the chickens, which means they must:

- House them;
- Feed them;
- Water them;
- Keep them warm;
- Vaccinate them; and
- Keep the facilities clean (biosecurity).

And before rearing them, they must:

- Purchase chicks (from a third-party supplier) to be fed.

And before that:

- Store feed.

And before that:

- Transport feed to a poultry house.

And before that:

- Purchase feed.

And before that:

- Raise funds to start rearing.

And before that:

- Learn how to rear chickens.

And before that:

- Decide to rear chickens.

And before that:

- Hear about the poultry rearing program.

Get the idea? Beneficiaries may need to do an awful lot to experience the benefit of your solution, especially if, up to now, the only alternative to your offering has been for them to do nothing but endure their situation. Systematically thinking through what the beneficiary needs to be able to do to experience the benefit of your solution can be mapped into a Beneficiary Experience table (see Table 4.1).

Table 4.1: Beneficiary Experience Table for Zambian Poultry Farmers

Hear about poultry-rearing program.
Decide to rear chickens.
Learn how to rear chickens.
Raise funds to start rearing.
Purchase feed.
Transport feed to poultry house.
Store feed.
Purchase chicks (third-party chick supplier needed).
Transport chicks to poultry house (possible third-party transportation needed).
Rear chickens: <ul style="list-style-type: none">• Keep housing clean (biosecurity).• Vaccinate them (third-party veterinarian needed).• Keep them warm.• Water them.• Feed them.
Slaughter some fowls for home consumption.
Consume chicken.
Transport surplus chickens to market.
Sell chickens at market.
Manage income.

Beneficiary Experience: Ikotoilet

For comparative purposes, let's look at the simpler Beneficiary Experience table for Ecotact's Ikotoilet, depicted in Table 4.2.

Table 4.2: Beneficiary Experience Table for Ikotoilet Users

Hear about Ikotoilet.
Decide to use facility.
Become aware of need.
Get to the facility.
Be instructed in use of facility.
Pay for use.
Use the facility.
Habitually reuse facility.

In Kuria's case, this is a much simpler Beneficiary Experience table. The beneficiaries need to do little other than know about the facility, be convinced to use it, and then regularly use it. With this much simpler Beneficiary Experience table, of course, things were easier for Kuria than for Ilona, but even a simple table such as his can harbor problems. One would think that using a toilet would be quite simple. However, the early Ikotoilet design was challenged as inadequate for use by practicing Muslims, for its lack of a shower attachment or other device for post-use cleansing.

With the Beneficiary Experience table fleshed out, it is time to talk to your advisory group and have them challenge your Beneficiary Experience table. You should also seriously consider talking to a number of target beneficiaries to get their reaction to your idea of what the experience of your project needs to be for them to accept it—a step that the ill-fated condom programs should probably have undertaken.

Chapter Checklist

Following the processes outlined in this chapter, you will have:

- Defined the requisite beneficiary experience and associated activities.
- Generated a Beneficiary Experience table, and had it accepted by your advisors and discussed with beneficiaries.

Tough Love Test

If you answer no to any of the following questions, you might want to rethink your idea. If you answer no twice, abandon your idea—it simply won't be worth your time and resources if you cannot surmount these challenges at this early stage. If you answer yes to all the following questions, by all means, continue exploring your idea.

1. Do your advisors agree that you deeply understand what the proposed beneficiaries are doing *currently* to manage/endure their problem?
2. Have the advisors signed off on your proposed Beneficiary Experience table?

Analyze the Most Competitive Alternative

Having tried to understand what a beneficiary will need to experience, now ask yourself: What is the most competitive alternative already out there? That is, who currently offers the best alternative approach to the problem? Put differently, how do beneficiaries currently cope in the absence of your envisioned product or service? This chapter focuses on helping you think through the direct and indirect competition for your proposed solution and pinpoint whether your venture is sufficiently different from, and superior to, what is currently available. Are you attempting to deliver a substantively superior experience or something only incrementally different from an available alternative?

In the case of Zambia Feeds, some farmers mixed their own feeds from locally sourced raw materials, which made them Ilona's indirect competitors, even though they were also potential customers. The more extreme case was free-range chicken producers, who sporadically scattered corn grit but generally expected their chickens to forage for themselves, and who provided only a primitive protective enclosure for their chickens to take shelter and sleep, and who did not require a supply of "imported" chicks, leaving chick production to Mother Nature.

Another possible source of competition for an enterprise might be government or NGO programs that subsidize a product or service you intend to provide. In such cases, you may find it extremely difficult to compete with or "match" what in effect are indirect competitive solutions to your idea. You may even have direct competitors already

providing a somewhat different offering. Such competition provides valuable benchmarking information such as price, product or service features, and distribution channels. It also offers a platform for questioning during research as you try to determine what about your envisioned offering would need to be different and/or superior in order for beneficiaries to support it. Do not lightly dismiss competition as not being present. As we have mentioned before, it may be that the beneficiaries' current alternative is simply to endure their problem. This alternative, though it may be frustrating for you, is nonetheless competitive, and is frequently present for nutrition-, education-, and health-related deprivations. In fact, in some cases, beneficiaries' fatalistically *doing nothing at all* itself constitutes an entrenched competitive alternative that you may have to overcome.

As you look at the most competitive alternative, if your solution appears to come up short against it, ask yourself if and how you can *innovate* to provide a significantly superior offering. If you cannot, scrap the project—don't squander scarce resources replicating what is already being done! Innovation can come in many forms, from innovation in delivery to innovation in payment systems. One of the most famous innovations in business dates back to 1856, when the Singer sewing machine company in New York introduced the “hire-purchase” plan, the prototype for all future installment loan plans, thereby forever enabling people of limited means to make purchases for which they do not have cash.¹⁴ The idea opened up an entire new market of low- and middle-income consumers, who would use money earned by sewing and selling garments to pay off their sewing machines, rather than paying up front in cash they did not have.

Nearly 150 years later, the largest cement manufacturer in Mexico, CEMEX, took similar steps, with similar success. During Mexico's economic downturn in the mid-1990s, CEMEX saw a major drop in domestic sales. The formal segment (contractors and builders) dropped roughly 50%, while sales in the informal segment (do-it-

yourselves) dropped just 10% to 20%.¹⁵ Realizing it was missing out on a huge market—the informal market for cement has a potential for \$400–\$500 million annually¹⁶—CEMEX turned the existing cement-buying process on its head. The company experimented with a new program called *Patrimonio Hoy* (or “Your Heritage Today”), giving the poor access to the materials they needed to build their houses. With this innovative project initiated in 1999, CEMEX opened a multitude of small kiosks throughout Mexico to be closer to its customers, using the opportunity to explain credit and building practices to them. It then helped local neighborhoods raise funds and provided them with a small team, including an architect, to facilitate construction. In return, the communities purchased cement from CEMEX to build their houses. The program was both philanthropic and profitable. By 2005, more than 100,000 houses had been built by and for low-income Mexican families, and CEMEX had received greater than \$42 million in total sales.¹⁷ CEMEX now has similar programs generating homes self-built by the poor in more than a dozen developing countries.

Both Singer and CEMEX innovated by having a beneficiary-centric, instead of a product-centric, orientation. It is vital that you carefully consider what you propose doing from the perspective of the user, or beneficiary, you have in mind, and that you ask yourself, “Is what I am proposing *truly* a superior and attractive alternative to the current situation?” If your answer is yes, then the sooner you are able to get concept validation from the intended beneficiaries, the better. If no, then either stop what you are doing or consider how you might transform the current situation into one with more compelling incentives for the intended beneficiaries. Should you wish to read examples of transformative moves made by firms across geographies and industries, we suggest you refer to the book *MarketBusters*,¹⁸ by Rita McGrath and Ian MacMillan.

Most Competitive Alternative: Zambia Feeds

As we showed in the Zambia Feeds case, Ilona's seed customer segment comprised existing small-scale producers. The most competitive alternative for these small producers was for them to buy and mix their own (lower-quality) feed, using seasonally available raw materials, and to forgo the benefits of higher production yields (much-better-quality meat) and thus higher selling prices and therefore higher cash flows. We also showed that for the *longer term*, the highest potential lay in persuading village farmers to put together a small chicken coop (or to use a spare room under cover or an unused hut) and rear chickens as a profitable enterprise using the more productive Zambia Feeds product.

In the right-hand columns of Table 5.1 on pages 39-40, we have listed the advantages of farming using Zambia Feeds versus two existing competitive alternatives: the "seed segment" (existing small-scale producers), some of whom are mixing their own feed; and the "longer-term" segment (villagers with "free-range" chickens). For the free-range villager segment, reality kicks in: It is clear that any farmers Ilona recruits are going to have to invest considerable effort and incur some expenses compared to simply having a flock of chickens running free and foraging around their village. For existing small producers mixing their own feed, the challenge is to convince them that Zambia Feeds will in fact deliver attractively higher cash flows stemming from faster and greater yields of better-quality meat.

Most Competitive Alternative: Ikotoilet

Next let's look at Ecotact's Ikotoilet, as shown in Table 5.2 on page 41, remembering that the seed target beneficiaries are members of the public frequenting the central business district without access to clean toilets. The longer-term major target segments are the local trading markets for goods and services, and eventually the residential estates/townships.

Table 5.1: Beneficiary Experience Table for Small-Scale Zambian Poultry Farmers

Beneficiary experience	Advantages of Zambia Feeds program	Advantages of existing small producers (who already farm, mixing own feed)	Advantages of villagers with small flock of free-ranging fowls foraging for themselves
Hear about program.			
Decide to rear poultry.			
Learn how to rear poultry.	Much better meat quality		
Raise funds to start.			No funding costs
Purchase feed.	Much higher quality premixed feed	<i>Disadvantage: has to source ingredients and mix own feed</i>	No funding costs
Transport feed to poultry house.		Lower transport costs (some raw materials)	No transport costs
Store feed.		Lower spoilage costs	No spoilage costs
Purchase chicks.			No chick costs
Transport chicks to poultry house.			No transport costs
Rear chickens.	Much higher yield		
Keep housing clean (biosecurity).			No cleaning costs
Vaccinate them.	Lower disease losses	Lower disease losses	No vaccination costs
Keep them warm.		No fuel costs	No fuel costs
Water them.		No water feeder costs	No water feeder costs
Feed them.		Lower feed costs	No feed costs

Table 5.1 continued on next page

Table 5.1: Beneficiary Experience Table for Small-Scale Zambian Poultry Farmers *(Continued)*

Beneficiary Experience	Advantages of Zambia Feeds program	Advantages of existing small producers (who already farm, mixing own feed)	Advantages of village with small flock of free-ranging fowls foraging for themselves
Slaughter some fowls for home consumption.			Cheaper to rear and consume
Consume chicken.	More higher-quality meat faster		
Transport surplus chickens to market.			No transportation of chickens
Sell chickens at market.	Much higher prices and greater income	Some income	<i>Disadvantage: no income from chickens</i>
Manage income.		<i>Disadvantage: less income</i>	<i>Disadvantage: less income</i>

Note: For purposes of greater clarity, we occasionally insert a disadvantage of a competitive alternative versus the proposed offering by flagging it as a disadvantage and by entering this disadvantage in italics.

Is Your Offering Competitive?

If what you propose to offer is not meaningfully superior, different, or attractive (after validation by your advisors), you need to reconsider your offering prior to attempting to launch. If we consider the Zambia Feeds Beneficiary Experience table, it is clear that two of the critical differences between the existing small producer alternative and Zambia Feeds’ proposed activities are the ability of the small-scale farmer to generate larger quantities of higher-quality meat more quickly, and to extract a price premium and greater cash flows once the grown chickens have been sold at market. In order to enable this, Zambia Feeds needed to be sure it had the capabilities required to sell high-quality feed at a low enough price such that farmers

Table 5.2: Beneficiary Experience Table for Ikotoilet Users

Beneficiary experience	Advantages of Ecotact's Ikotoilet	Central business district: Advantages of established municipal toilet	Markets: Advantages of open pit (or holding it in till finding a ditch or bush)
Hear about. Ikotoilet.			
Decide to use facility.			
Become aware of need.			<i>Disadvantage: prolonged discomfort</i>
Get to facility.			<i>Disadvantage: hard to find a suitable spot</i>
Be instructed in use of facility.			
Pay for use.		No need to pay	No need to pay
Use the facility.	Avoid infection and disease	<i>Disadvantage: unsanitary and often does not work; dangerous</i>	<i>Disadvantage: no privacy; highly unsanitary</i>
Habitually reuse facility.	Avoid infection and disease	<i>Disadvantage: exposure to disease</i>	<i>Disadvantage: huge exposure to disease</i>

could make a profit. The visible success of the program for the small-scale producers could then be leveraged to convert some (hopefully many) free-range villagers into small-scale commercial producers. In the case of the village farmer-to-be converts, the advantage is the ability to generate meat for the family and cash for other expenses, but this must be offset by the extremely low cost of free-ranging, which involves zero investment.

A second feature of the tables is that they highlight the behavior changes your target beneficiary would need to make in order to accept your product or service. Consider the HIV/AIDS-prevention

program we referred to in the previous chapter. It turns out that the program administrators, in many cases, focused on the proper use and handling of the condoms they were making available, but few tried to affect the highly entrenched behaviors and beliefs that made condoms an extremely unpopular choice among men. Not surprisingly, many of these programs have been colossal failures.

It is worth repeating that there is *always* a competitive alternative, even if the alternative is merely to do nothing.

Now that you have further developed your insights into the beneficiary, you must consider whether you and your advisory group have sufficient expertise to evaluate your current position and assist in your next steps. We highly recommend that you use this opportunity to consult with your advisors in order to determine whether:

- They believe your solution is sufficiently superior to the most competitive alternative;
- They believe it possible for beneficiaries to secure or develop the necessary capabilities required to participate in your program; and
- They can direct you to other suitable advisors whom you might recruit to assist you with additional facets of your enterprise development.

Members of your advisory group should play an active role in the development of your enterprise. The earlier you solicit their help, including in expanding the group itself, the better.

As important as their support is their identification of key risks within the environment early on and help in mitigating and/or overcoming those risks so as to prevent unnecessary barriers and time-consuming delays.

A cautionary note here: It is in your best interest to listen to the advisors you have assembled, but this does not mean you have to blindly obey them. It is not uncommon for the first response to a

new and innovative idea to be skepticism. However, there is nothing to stop you from pushing back if you feel you have a powerful counterargument; but you should pay attention to their concerns and be open to suggestions that will alleviate those concerns. This should be done in the spirit of constructive deliberation. Encourage anyone with serious doubts about an aspect of your enterprise to offer a constructive alternative, not just an objection.

Chapter Checklist

Following the processes outlined in this chapter, you will have:

- Developed a Beneficiary Experience table showing the advantages and (in italics) the disadvantages of your enterprise versus the most competitive alternative for your target segments.
- Thought about how you will handle the disadvantages and exploit the advantages for your key segments.
- Confirmed with your advisors that the target beneficiaries can be coaxed into embracing your proposed solution and change their behavior to accommodate the solution you are proposing.

Tough Love Test

If you answer no to either of the following questions, you might want to rethink your idea. If you answer yes to both questions, by all means, continue exploring your idea.

1. Are you and your advisory group confident that you have a plausible and attractive proposition to outperform the most competitive alternative in the key segments you have targeted? (Outperforming means doing *meaningfully better than the most competitive alternative in the eyes of the beneficiary*. If you can't do better than replicate the beneficiary's most competitive alternative experience, your duplication will simply waste valuable resources.)

2. Can you overcome the disadvantages you have in comparison with the most competitive alternatives for your target segments? Can you clearly articulate how you will do this? If not, you should forget about those segments.

Identify Operations Realities

Knowing what the competition has to offer now sets you up for the tough job of thinking through what you will have to be able to *do*, not just say, in order for your program to work. In this chapter, we look at what your enterprise needs to be able to do to make sure the beneficiary experience is actually delivered. What skills, systems, assets, and other resources will you need to deploy to make the whole thing work?

We meet with many well-intentioned social entrepreneurs who have great ideas but who have not thought through all they will be required to do to make their ventures work. It is here that you first begin to boil your concept down to the practicalities of daily operations.

As a first step, you should develop a Deliverables table to outline all the capabilities you will need to have in place so that the benefit can be delivered. Think through the important steps you will need to take for your venture to deliver the required activities. Start off with the steps you outlined in your Beneficiary Experience table in chapter 4 and then lay out all the major steps your project must execute for the whole system to work. Avoid getting lost in too much detail in the early stages; you will revisit and revise your tables and steps more than once as the project unfolds. If you have more than 10 major steps, unless you have a really complicated project, you may be getting lost in unnecessary detail.

Let's return to the Zambia Feeds case. It would have been no good for Ilona just to assume that systems were in place to make happen what needed to happen, where and when she needed it to

happen, to make her feeds business operate smoothly. She had to think through every step of the process:

- Raw materials will not magically appear on the doorstep; they will have to be purchased, transported, and stored for use when needed.
- Those raw materials then need to be mixed; the mixing plant needs to be purchased, maintained, and repaired; and spare parts need to be available.
- Materials and equipment can be stolen unless secured.
- The bagged feed mix will not move miraculously from her plant to farmers' doorsteps; it will have to be transported to a place where the farmers can buy it.
- The farmers need to be sure the feed is there when they need it, or their chickens will die.

Note: You simply cannot afford to do a cursory job. There are too many things that can and, more often than not, will go wrong.

So think through what Ilona must do to make sure the beneficiaries can actually experience the items in her Beneficiary Experience table. Before Ilona can have feed available for farmers to buy, she has to follow these steps:

- Buy bags and raw materials, then
- Transport the bags and raw materials to the mixing plant, then
- Store the bags and raw materials, then
- Mix the feed, then
- Bag the mix, then
- Store the mixed feed, then
- Transport the feed to distribution centers accessible to farmers.

Once you have thought through all the steps needed to deliver the business, put them into a Deliverables table. Table 6.1, for Zambia Feeds, lists all the major activities needed for Ilona to be

Table 6.1: Deliverables Table for Zambia Feeds

Recruit and hire labor.
Buy bags and raw materials.
Store bags and raw materials.
Mix the feed.
Bag the mix.
Store the mixed feed.
Transport the feed to the distribution center.
Transport bags and raw materials to mixing plant.
Store the feed at distribution center.

able to deliver the benefits she had in mind. (This is why we call them “deliverables.”)

In the case of Zambia Feeds, other, less obvious issues were lurking: If a would-be farmer wanted to start raising chickens, where would she get the chicks? Simply assuming that day-old chicks would be there when needed was not an option. Knowing that they would need to be vaccinated to prevent potentially devastating disease outbreaks was critical. Ilona realized that it was up to *her* to arrange for a supply of chicks and vaccines to be available when farmers came to buy feed. Hence, three more steps in her Deliverables table:

Arrange supplier of chicks for distributors.
Arrange chick delivery to distributors.
Arrange vaccines/vaccination services.

Note: Your tables will evolve as you learn what is required in the field. For the sake of simplicity, this is not included in the tables just given. You will need to be vigilant about updating your tables and the associated financial plans you develop (chapter 9).

For comparative purposes, let's look at the Ikotoilet case (Table 6.2) and see what the entrepreneur needed to have in place for each of his Ikotoilets to work.

Table 6.2: Deliverables Table for Ikotoilet

Secure site property and permits.
Excavate and build facility.
Ensure water and electricity supply.
Build and operate Ikotoilet facility.
Instruct users.
Receive and secure payments from users.
Arrange property guards.
Manage waste recovery conversion to fertilizer.
Sell waste recovery by-products as fertilizer.

This is a good time, once again, to consult with people in the know. Armed with the Beneficiary Experience and Deliverables tables, which have the power of being very easy to explain, seek the input of your advisory group. And remember to challenge them not just to raise concerns and objections, but also to give advice on how to circumvent the problems they raise.

Identify Your Necessary Capabilities

The activities outlined in the Deliverables table will require that you either possess or have ready access to specific capabilities. Identifying those capabilities is important for two reasons. First, you need to be confident that you have or can get the skills needed. Second, capabilities are a key contributor to costs you are likely to incur.

In the spirit of learning ahead of major investment, we capture this information by mapping key capabilities into rows in the Deliverables table. This is an important step. The careful articulation

of the skills needed for operations reveals another hard reality of distressed environments: staffing can be a major problem, particularly recruitment, training, and retention of staff conversant in local conditions.

Lack of attention to the capability requirements has doomed many a well-meaning enterprise. In fact, we were speaking recently with a consultant to a social entrepreneur in India who told us that “you have to think about the last ten miles, then the last mile, then even the last ten yards of a delivery.”¹⁹ Why? Because myriad problems might occur, including local power failures and lack of emergency power. One social entrepreneurship project in India almost collapsed because the perishable vaccine that the entrepreneur was distributing could not be kept safely and reliably refrigerated due to the unreliability of kerosene supplies for the refrigerators used to store it.

In another example, this one from Africa, a well-meaning nonprofit undertook a reforestation project for which funding was raised, managers hired, nursery space procured, and tree seedlings grown. By the time the nonprofit was ready to plant the seedlings in the area designated for reforestation, however, the rainy season had begun. The rain and mud made it impossible to access and work the reforestation area for three months. Thousands of seedlings continued to grow in the rain—in makeshift locations frantically and very expensively secured after the completely disrupted planting schedule. (Locals, who had not been consulted, were hugely amused that the reforesters were ignorant of the seasonal storms.)

The following Deliverables tables for Zambia Feeds (Table 6.3) and Ikotoilet (Table 6.4) were created earlier in the chapter, but now include a new column listing the capabilities needed to achieve the deliverables. If you do not possess your required capabilities, or know of any way of reliably procuring them (through consultants, outsourcing, or hiring staff), then you may want to think hard about pursuing your venture.

Table 6.3: Deliverables Table with Required Capabilities for Zambia Feeds

Zambia Feeds deliverables	Capabilities needed
Arrange for supplier of chicks.	Identification of and negotiation with supplier
Arrange chick delivery to distributors.	Identification of and negotiation with supplier
Arrange vaccines/vaccination services.	Identification of and negotiation with veterinarians
Recruit farmers.	Marketing and selection skills
Train recruited farmers.	Training skills and chicken-rearing knowledge
Buy bags and raw materials.	Purchasing skills
Transport the bags and raw materials to plant.	Logistics
Store bags and raw materials.	Inventory management
Mix feed.	Superior formulation capabilities Equipment repair skills
Bag mix.	Inventory management
Store mixed feed.	Inventory management
Transport bags of feed to distribution center.	Logistics
Store feed at distribution center.	Inventory management

Ecotact founder Kuria needed very different, more political, regulatory and construction capabilities to build his multi-location sanitation program, as shown in Table 6.4. The point is that unless you really think through the skills that need to be done well to launch and execute the entire Deliverables table, you will find yourself short of skills at a critical, often fatal, juncture as your program unfolds.

Table 6.4: Deliverables Table with Required Capabilities for Ikotoilet

Ecotact deliverables	Capabilities needed
Secure property and permits.	Municipal dealings/relations
Excavate and build facility.	Construction engineering
Ensure water supply.	Civil and chemical engineering Construction engineering
Build and operate Ikotoilet facility.	Construction engineering Sewage treatment
Instruct users.	Instruction
Receive payments.	Cash management
Manage waste recovery.	Waste treatment and recovery
Sell waste recovery by-products as fertilizer.	Industrial selling

Identify Beneficiaries' Necessary Capabilities

You also need to consider the capabilities and skills your *beneficiaries* must have in place in order to make your program work. To do this, go back to the Beneficiary Experience table from chapter 4 and identify the capabilities your beneficiaries need and whether they have them.

Let's return to the Zambia Feeds example and consider the activities a farmer-to-be in the village needs to execute well if her chicken farming is to succeed. See Table 6.5 on the following page.

Now that you have considered the capabilities required by your beneficiaries, revisit the alternatives they have. Think deeply, and candidly, about how superior your proposal truly is relative to the beneficiaries' most competitive alternative. Then consider the effort and capabilities required for the adoption of your offer relative to that alternative.

Think also about how your beneficiaries are going to acquire the needed skills. In many cases, the development of these skills may

**Table 6.5: Beneficiary Experience Table with Required Capabilities for
Zambian Poultry Farmers**

Beneficiary experience	Capabilities/skills for small producers
Hear about program.	
Decide to rear poultry.	
Learn how to rear poultry.	Educational seminars
Raise funds to start.	Loan procurement
Purchase feed.	
Transport feed to poultry house.	Transportation
Store feed.	Storage
Purchase chicks.	Ordering and payment
Transport chicks to poultry house.	Transportation
Rear chickens: <ul style="list-style-type: none">• Keep housing clean (biosecurity).• Vaccinate them.• Keep them warm.• Water them.• Feed them.	Hygiene/cleaning Drug dispensing, disease management Temperature management Clean water delivery Feed delivery
Slaughter some fowls for home consumption.	Hygiene, poultry processing
Consume chicken.	
Transport surplus chickens to market.	Transportation
Sell chickens at market.	Sales, cash management
Manage income.	

well end up as your responsibility, which could add considerably to your cost. However, without those skills, the beneficiaries will not benefit—and in turn, neither will you.

Identify Your Costs

In your Deliverables table, you listed all the steps necessary for you to be able to deliver a unit of social impact to your beneficiaries, as well as the capabilities needed to take those steps. Most of those capabilities, however, will most likely incur costs. So your next task is to begin carefully thinking about the resources you will need to accomplish each step in your table.

In Table 6.6, on the following page, we have expanded the number of columns of the original Deliverables table for Zambia Feeds to reflect the kinds of materials, staff, and equipment the venture will need to create and operate the feed plant. Note that, at this stage, we are not estimating the *values* for the actual costs; we are simply making sure we have identified, flagged, and listed the *types* of resources needed, so as not to neglect costs that will be important later.

Determine Your Funding Sources

Once your other tables are completed, we are going to hit you with yet one more! Our apologies, but this table is crucial: it identifies the sources of the funds needed to support operation of your program. In the Zambia Feeds case, Ilona decided that most of the funds would be generated through sales of 25 kg bags of chicken feed. But she also decided that funding for her equipment would come from investment from the Zambia Feeds parent company and funding for inventories from bank loans.

This leads to a simple Funding table (Table 6.7 on page 55). Note that, again, we are not yet quantifying the *amounts* needed, just identifying the *types* of funding sources to be pursued. The task is to review the Deliverables tables to identify all the places where funding will be required, and in the Funding table, to specify how you think the items should be funded.

Table 6.6: Deliverables Table with Types of Costs for Zambia Feeds

Cost types	Equipment	Staff	Materials
From Beneficiary Experience table: Arrange for supplier of chicks.		Manager of feeds company	
From Beneficiary Experience table: Arrange chick delivery to distributors.		Manager of feeds company	
From Beneficiary Experience table: Arrange vaccines/ vaccination services.		Manager of feeds company	
Recruit farmers.		Representatives of feeds company	
Train recruited farmers.		Trainers	Printed materials
Buy bags and raw materials.		Manager of feeds company	Raw materials
Transport bags and raw materials to plant.	Trucks	Drivers	
Store bags and raw materials.	Warehouse, inventory management system	Guards	
Mix and bag feed.	Mixing plant, bagging plant	Mixers, baggers	Power for machinery
Store mixed feed.	Warehouse, inventory management system	Guards	
Transport bags of feed to distribution center.	Truck	Drivers	Fuel
Store feed at distribution center.		Managers/money handlers, guards	Feed inventory

Table 6.7: Funding Table for Zambia Feeds

Funding need areas	Source of funding
Operations	Revenues from feed sales
Equipment	Parent company investment
Inventory	Local banks

In nonprofits the sources of revenues can be more complex, such as grants from governments or foundations, donations from the public, or a combination of these. An example of such a Funding table is Table 6.8.

Table 6.8: Funding Table for a Nonprofit

Funding need areas	Source of funding
Operations	Charitable donations
Equipment	Foundation grants
Land and buildings	Local banks

Chapter Checklist

Following the processes outlined in this chapter, you will have:

- Revisited your Beneficiary Experience table and identified all the activities your enterprise must deliver to ensure that your beneficiaries actually experience what you propose and that what you propose is superior to the most competitive alternative. This is captured in your Deliverables table.
- Identified all the capabilities your enterprise will need in order to execute your solution.
- Started planning how you are going to develop or secure needed capabilities.
- Revisited your Beneficiary Experience table and, in a separate column, identified all the capabilities your beneficiaries need in order to experience the benefits you envisage, and which capabilities they do not have.

- Started planning how you are going to develop or secure the capabilities your beneficiaries lack.
- Identified the types of costs you will incur to deliver yours and your beneficiaries' capabilities.
- Determined your funding sources and noted them in the Funding table.

Tough Love Test

If you answer no to any of the following questions, you might want to rethink your idea. If you answer no more than twice, abandon your idea—it simply won't be worth your time and resources if you cannot surmount these challenges at this early stage. If you answer yes to all the following questions, by all means, continue exploring your idea.

1. Have you clearly identified all the activities your enterprise needs to be able to realize the items listed in your Beneficiary Experience table?
2. Are you confident you can secure access to the capabilities you will need? This would include resources that might normally be readily available in developed countries/situations, such as power, transportation, skills, equipment repair and maintenance, and accounting and recordkeeping.
3. Have you identified the gaps between the skills and resources the beneficiaries have and those they need in order to experience the benefits you propose to deliver?
4. Are you confident that there are ways to close those gaps?
5. Have you identified your potential costs? Are you certain you have or can secure the resources to meet those costs?
6. Have you determined your funding sources? Are those sources reliable and secure?

Address the Inevitable Sociopolitics

In 2002, Jaytee,²⁰ a technology entrepreneur, approached us about developing and introducing a new electronic medical decision-making methodology to significantly enhance medical services in countries facing severe HIV/AIDS patient care challenges. Jaytee, who was well connected to the medical, veterinary, and business school community in the United States, had researched several potential African nations and used his list of project-specific attractiveness features to decide where to launch his enterprise, and eventually settled on a country.

The government in that country was actively concerned with improving the health of its citizens. Over the prior 20 years, the country had been ravaged by HIV/AIDS, which had severely debilitated the economy's working population of 18- to 50-year-olds and put a massive strain on the health care system. Jaytee's idea was first to computerize all medical records (then in paper form) and eventually to build an expert system that would enable suitably trained nurses to do HIV/AIDS diagnostic and prescription work, which was then handled by the country's limited pool of highly overloaded doctors. The system, which we shall call AidsAid, would include such activities as diagnosis, first-line therapy prescription decision support, laboratory report follow-up, and patient record management. Jaytee planned to sell the software system to hospitals through government contracts, eventually throughout Africa and later globally. He saw many positives in the idea: by putting many

tasks in the hands of nurses, the AidsAid system would significantly increase the efficiency of day-to-day patient care, thus freeing up doctors to focus on the sickest, neediest patients, and ideally resulting in lowered costs for the hospital and better care for patients. To anyone looking from the outside, it seemed like a win-win-win.

Therefore, Jaytee was shaken at the manifold negative responses to his proposed idea. Reactions from people in the health department, in local hospitals, and in public clinics ranged from complete indifference to outright hostility. Then he learned that two years before, a well-established local subsidiary of a multinational software and consulting firm had sold a full-service health care management system to the country's health department. The system had then been force-launched in a number of public hospitals and clinics, at great expense, and was simply not working as hoped. The post-installation challenges caused major disruptions in health care delivery, thereby creating a highly dissatisfied set of stakeholders, who were disillusioned and disgruntled. Fortunately, this system had not been imposed on the private clinics in the country, including the largest one, located in the capital city. The management and staff of this large private clinic were therefore not frustrated by implementation failures. However, they were deeply and understandably circumspect about the plausibility of any electronic system, given the woes they had observed in their public clinic counterparts. Jaytee also experienced resistance from the country's major medical analysis laboratory, which was responsible for the analysis and transmission of all medical tests done for HIV/AIDS patients. Its transmission system was a manual (paper and CD) one, and conversion to an electronic system would have required significant effort on the lab's part, something its management was not yet ready to undertake, since it was comfortable with a manual system that was working well.

The Challenge of Analyzing the Sociopolitical Landscape

In the introduction, we talked about the high uncertainty that social entrepreneurs typically face: imperfect markets, uncertain prices, lack of consistently administered (predictable) governance, unreliable infrastructure, untested technology, and unpredictable competitive responses. In particular, the absence of consistently administered, predictable governance often makes for an extremely punishing environment in which to work. You might, for example, complete all the appropriate application forms to receive a permit to start a business or enlarge a building, only to be told no by the local authorities, with no explanation as to why.

These kinds of bureaucratic headaches happen in every country. However, the minimally resourced social enterprise is more vulnerable to such obstacles, particularly if the start-up disrupts the status quo, and must then defend itself against resistance by entrenched interests. Every one of our projects has been hampered by one or more instances of official inertia, lack of support, bureaucratic foot-dragging, or even outright corruption. In one case, an entrepreneur we were working with attempted to meet a senior government member on six occasions over as many months, only to have every confirmed meeting postponed at the last minute. Whether this was due to corruption or simply incompetence, we never found out, but the delays seriously compromised and almost destroyed the initiative. In Jaytee's case, he was initially almost derailed by unexpected negative feedback from key stakeholders.

A Three-Step Approach to Addressing Sociopolitics

Poor political savvy has destroyed many a well-intentioned enterprise. Analyzing sociopolitics is challenging. You need to use *a lot* of judgment when developing a sociopolitical strategy, but doing so is mission-critical. We recommend the following approach:

1. Identify stakeholders.
2. Categorize your stakeholders: allies, opponents, and needed indifferents.
3. Develop a sociopolitical strategy.

Each project's challenges, and of course yours, will be unique. For instance, you might very much want to block an opponent but simply do not have the wherewithal to do so. Or you might want to mobilize a potential supporter but are not able to generate interest on their part. Unfair as this may seem, our response to such difficulties is to say, somewhat callously, "Life's unfair. Either find another way or stop fruitlessly wasting time and resources."

Identify Stakeholders

To begin the process, start by thinking through all the people and organizations that will be impacted by the success of your venture. Think about parties that will benefit. Think about parties that will experience negative impacts or be inconvenienced. Think about all the parties whose support will be needed. Then think about each party's possible reaction, so you can prepare for the inevitable sociopolitics.

Think of how stakeholders may be affected both negatively and positively. In the real world, there are often cases where stakeholders are conflicted, perceiving both benefits and annoyances from what you are doing.

You will want to capture your thoughts in a Stakeholder Impact table, which will allow you to list the stakeholder, anticipated negative impacts, and anticipated positive impacts. For each impact, note if it is short, medium, and/or long term.

To show how this might look for Jaytee's AidsAid project, see Table 7.1.

Table 7.1: Stakeholder Impact Table for AidsAid

Stakeholder	Major negative impact (if any)	Major positive impact (if any)
Health department	Short term: Large potential write-off of existing program; egg on face	Long term: Major increase in patient treatment efficacy
Hospital administrator of major private clinic	Short term: Installation difficulties with new electronic (in place of paper) system	Medium term: Major reduction in workload and increase in medical services
Multinational medical software firm	Short term: Potential loss of business and reputation	Long term: Possible licensing opportunity with new technology
Doctors	Short, medium, long term: Perceived erosion of influence and value of expertise; perceived loss of income (private sector)	Long term: More patients handled much more efficiently
Nurses	Short, medium, long term: Additional responsibilities	Medium, long term: Hugely increased efficacy
HIV/AIDS patient	Short term: Perceived risk of "lower expertise" when being treated by a nurse versus a doctor	Medium and long term: Increased vitality; potentially longer lifespan, with more time to work and make money
Medical analysis laboratory	Short term: Inability to handle lab reporting using electronic records	Medium and long term: Much more efficient and accurate record management and transfer

Notice in Table 7.1 that many of the AidsAid stakeholders may be affected both negatively and positively and that the negative effects happen in the short term and that the positive benefits may emerge only after a delay. This is not atypical. Handling this combination of short-term negatives before longer-term positive effects is difficult, but it is further reason to make your table comprehensive.

When you create your own sociopolitical strategy, be aware that your Stakeholder Impact table will evolve over time and will need to be regularly updated as you learn and as stakeholders in the environment begin to hear about, and respond to, your plans.

A good time to revisit your Stakeholder Impact table is when you hit a key checkpoint in your Discovery-Driven Plan, which will be discussed in chapter 11. It is also worth noting that in the mind of stakeholders, particularly those who feel threatened, there is little difference between perceived and real impact. Until such time as an incorrect perception is remedied, you must expect the stakeholders to react and respond to *their* perception of reality.

If completed comprehensively, your Stakeholder Impact table will be a valuable tool for your advisory group members when you discuss your planned activities with them. Bear in mind that your advisory group can be an outstanding sounding board for getting ideas and insights about the reactions of stakeholders as you undertake this rather challenging, perhaps intimidating exercise. If you have chosen them well, the people in the know on your advisory group are the best sources of sociopolitical insight for your specific context. It is critical to engage them early to help you think through the execution of your enterprise.

Categorize Your Stakeholders

The next step in the process is to review your Stakeholder Impact table and begin to categorize your stakeholders. Through our experiences in the field, we identified three important categories of stakeholders that could affect the success of your program:

- Potential allies
- Primary opponents
- Needed indifferent

Potential Allies

Potential allies are those who will benefit from and may be willing to commit support to your project. These people might be transactional partners (such as suppliers and distributors); leaders in commerce; members of local or national government; NGOs and not-for-

profits; well-wishers; employees of regulatory or commerce bodies; or local dignitaries, such as tribal chiefs, local healers, or village elders. Among potential allies, you need to identify those who have *meaningful* influence in the market/environment of your project, and think about how to mobilize them, since often they will be the ones you'll most need to help you cope with opposition.

Primary Opponents

Primary opponents are those who will be adversely affected or greatly inconvenienced by your project's success and who also have the wherewithal to resist or delay its execution. Primary opponents who have meaningful power and influence must be identified as early as possible so you can prepare to deal with their concerns and reactions.

Needed Indifferents

These are people or parties who are indifferent to your project's success but whose support, effort, or resources may be necessary, such as government officials responsible for the issuance of permissions, licenses, and certificates. An official responsible for the issue of a license, which legally permits you to operate your enterprise, may have little knowledge of or interest in your beneficiaries or the purpose of your project. Another example of needed indifferents are suppliers and/or distributors who do not see support of your program as particularly beneficial to them financially. Their supplies may be critical to your operations, but the supplier or distributor may see you as "small potatoes," not worth the bother of timely support when supplies are short.

As you begin to categorize your stakeholders, beware of overkill: It is easy to spend an inordinate amount of time generating long lists of stakeholders whose actions are unlikely to have a major impact on your success. Confine your list to no more than eight of the most important stakeholders. If you can't handle the top eight, your project is doomed anyway.

As you saw in Table 7.1, there is a time dynamic at work. In the beginning, few of the stakeholders will be active—after all, you probably have not started your project yet. Still, we have found it helpful to distinguish between players who very rapidly will become active and those who may join the fray later. For simplicity, we distinguish between those stakeholders who are: (i) active or soon to be active when your embryonic program is just starting and is highly (perhaps most) vulnerable; and (ii) inactive and whose active involvement with your enterprise or other stakeholders may be delayed.

At the start, when you are undecided about the category in which to put a specific stakeholder, the fail-safe approach is as follows:

- When uncertain about whether to expect initial opposition, indifference, or support from a specific stakeholder, strategize as if you will experience some initial opposition. In that way, you are not disappointed by lack of support or blindsided by unanticipated opposition.
- When uncertain about whether to expect a rapid or delayed response from primary opponents, strategize as if you expect a rapid response, so you are not caught napping.
- When uncertain about whether to expect early or delayed support from potential allies or indifferents, strategize as if you expect delays, so you are not surprised by a delay or lack of support.

By using these fail-safe approaches, you minimize the damage you suffer if you are wrong.

Returning to the AidsAid example, the following Stakeholder Mapping table shows the allies, opponents, and needed indifferents categorized by whether they are active or inactive. Jaytee needed to think about how much power and influence each particular stakeholder had to advance or retard his program; clearly, he needed to be more concerned with groups that had clout than those that did not.

As with the Stakeholder Impact table, the Stakeholder Mapping table should be updated frequently as your project takes hold.

Table 7.2: Stakeholder Mapping Table for AidsAid

Status	Allies	Opponents	Indifferents
	<i>Active allies to be deployed</i>	<i>Primary opponents to disrupt or accommodate</i>	<i>Needed indifferents to convert</i>
Currently active (or soon to be active)		Health department officials who imposed failed electronic system	Medical analysis laboratory
	<i>Potential allies to mobilize</i>	<i>Potential opponents to disrupt or accommodate</i>	<i>Indifferents to convert</i>
Currently inactive	1. Private clinic CEO 2. Private clinic doctors, nurses	1. Some health department officials 2. Public clinics and their administrators disrupted by weak performance of earlier system	1. Public clinics and their administrators not disrupted by earlier system failure 2. Doctor community 3. Nurse community 4. HIV/AIDS patients

Stakeholders will shift positions, and new stakeholders may enter and exit over time. In the beginning, many groups will fall in the inactive category, but once a business venture begins, some or all stakeholders will become active fairly quickly. (Remember, hornets don't swarm until something disrupts their nest.)

Using Table 7.2, Jaytee is in a position to begin developing a sociopolitical strategy. Let's consider how to go about building such a strategy using a set of specific tactics.

Develop a Sociopolitical Strategy

The next step is to develop a strategy for mobilizing allies, managing opponents, and converting those who are indifferent. You will need to determine if you have the capabilities to influence these groups, whether by mobilizing allies, energizing indifferents, and especially end-running or blocking opponents. If the answer is that you have no way of coping with the reactions of these stakeholders, particularly

opponents, it's a pretty good sign that your enterprise will not be viable—at least not in your desired location at this time. Indeed, we learned to our regret in two Wharton Social Entrepreneurship Program projects that failing to plan for these stakeholders leads to significant waste of time, resources, and effort.

To develop an effective sociopolitical strategy, begin by methodically thinking through possible tactics for each major stakeholder, following one or more of the six tactical approaches listed here:

- Specify the response you need from a given stakeholder.
- Identify major current issues occupying that stakeholder's attention.
- Deploy yours or an ally's strategic knowledge, skills, or capabilities germane to the stakeholder.
- Deploy yours or an ally's physical and financial resources germane to the stakeholder.
- Deploy your network connections or expanded network connections.
- In the case of opponents, find a “safe haven” where you can establish a protected position without provoking immediate hostile opposition.

Specify the response you need.

The response you need is what you hope to accomplish with a given stakeholder. It can range from an opponent agreeing to leave you be, through an indifferent agreeing to support you, through an ally committing support or giving you access to their networks in order to cope with other stakeholders.

Identify major current issues occupying stakeholder's attention.

One key to a sociopolitical strategy is to obtain deep insight into what issues are of greatest concern to the target stakeholder. Such issues are not always obvious, and may be unrelated to what you are trying to achieve, but it is *vital* that you understand the broader context

of the environment in which you hope to operate. Remember, it is easier for a busy stakeholder simply to say no than to find time and/or a reason to say yes. Set aside thinking about what matters to *you* and identify the major issues salient to each of your stakeholders, what matters most to them and what is the full context shaping their actions and attitudes. It helps to determine which of your actions they will be most sensitive and reactive to. This will help you better understand the basis of stakeholder opposition, stakeholder support, or stakeholder indifference.

By the way, do not fall into the trap of thinking that because you understand them, and they you, that you necessarily agree with one another. Many people foolishly think, “If only they understood me, they would agree with me.” Not true—someone can fully understand you and *still* disagree with you.

You may well find that stakeholders are more concerned with other issues more pressing to them than those addressed by your project. This could have a possible double benefit for you. First, potential opponents may be distracted from attending to your actions while they wrestle with the issues more salient to them. Second, by helping potential allies or needed indifferents with their key issues, you may be able to influence their attitude and behavior with respect to your project.

Deploy strategic knowledge, skills, or capabilities germane to the stakeholder.

See if you have, or can gather, strategic information, or deploy your knowledge or capabilities, to influence the stakeholder. Once you have identified what you consider to be the stakeholder’s major issues, use your access to knowledge to do the following:

- **For allies:** Provide them with knowledge or skills or capabilities that will help them resolve their issues, thus earning influence to extract the ally’s support where needed, including access to *the ally’s allies*.

- **For opponents:** Use your access to knowledge or problem-solving skills to help the opponent on an issue, thus generating influence with them.
- **For indifferents:** Use your access to knowledge, capabilities, or problem-solving skills to improve the indifferent's position on issues pressing to them, in exchange for support you need from them on your enterprise.

You might be able to “horse-trade” with opponents; in other words, provide help or access to solutions to their pressing issues in exchange for concessions on their opposition to your business. Or, more manipulatively (and rarely), you may be able to use your capabilities to aggravate an opponent's position or obstruct the resolution of their issue if they do not provide you with support.

Deploy physical and financial resources germane to the stakeholder.

Think about any physical and financial resources you control (such as property, equipment, funds, and materials) to see if any can be deployed to reward allies and needed indifferents for their support, or opponents for cessation of opposition.

Deploy network connections.

Can you perhaps widen your perspective, looking at your network of contacts and explore opportunities?

- **For allies who cannot help you:** Get access to their allies, who may be able to help you with opponents and indifferents.
- **For opponents:** Use your allies or your allies' allies to neutralize opponents by exposing them, discrediting their argument, marginalizing them, or further compromising their position. Failing this, find a place where the ally can heat-shield you from the opponent.
- **For indifferents:** Get allies to motivate the indifferents' support.

Create a “safe haven.”

In the face of very powerful opponents, unless there is some way of using more powerful allies to control them, you may have to accommodate them, and not be allowed to build your program as quickly and/or as widely as you wish. This is the pragmatism of politics. Instead of trying to accomplish your final purpose broadly and quickly, you may have to console yourself with identifying and establishing yourself in a safe haven, a protected niche position where you can get your venture going without being subjected to immediate hostile opposition. This might be a geographic location, such as a part of the country where the opponent has less sway; or among a subpopulation of beneficiaries whom the opponent cannot access; or with particular organizations over which the opposition has no influence—in fact, any subset of the total domain. The idea is to use the safe haven as the starting point from which you will be able to grow over time. This requires that you recognize that you may have to postpone your full impact on the population of target beneficiaries. From your safe haven, isolated from interference, you can build “within-haven” beneficiary support that you can use later on expansion into other regions.

Bring It All Together to Create Tactics

The next step is to create a Tactics table for each stakeholder. Drawing on your Stakeholder Mapping table, start with your most powerful opponents, those who have the clout to block you or slow you down considerably via overt or passive resistance. If you cannot handle these opponents, your project is probably doomed anyway. Your Tactics table for each stakeholder should address one or more of the six tactical approaches we have just discussed:

- Specify the response you want from the stakeholder.
- Identify major current issues occupying the stakeholder’s attention.

- Deploy your knowledge and skills to solve the stakeholder's problem or use your knowledge and skills to secure the desired response.
- Deploy your physical and financial resources to reward or aggravate the stakeholder's position.
- Deploy your network or expanded network connections to neutralize opponents, get access to an ally's allies, or mobilize indifferents.
- With opponents, if all else fails, can you find a safe haven away from direct opponent retaliation?

To illustrate this, Table 7.3 shows the process Jaytee went through with the key opponent to his AidsAid project, the government health department.

As a result of this analysis, Jaytee recognized that he was unable to constrain the most powerful, largest opponents and for a period of time would be unable to fully co-opt the health department. However, he recognized that due to access, interest, the absence of an electronic medical record (EMR) system, and the huge benefits for helping them handle patient overload, the largest private clinic in the country could be his first target to sign up. It would serve as a safe haven from health department opponents. As a result of his analysis, he recognized an opportunity to create an ally that would provide him with a safe place from which to build a position. Success with this highly influential ally would then perhaps put him in a position to go back to the government health department with demonstrated efficacy and efficiency for his EMR system. Due to this finding, he then created a Tactics table (Table 7.4) for attending to this potential safe-haven ally.

Through this Tactics table for his major potential ally, Jaytee discovered that the private clinic's deep concern was with uncontrollable patient overload and exploding costs, which would enable him to approach the clinic with a deep understanding of its problem

Table 7.3: AidsAid Tactics Table for Health Department Opponents

Type of support needed: Approval and installation of AidsAid in clinics nationwide

Major current issues occupying stakeholder attention: Current expensive and as yet unsuccessful electronic system

Tactical option	Health department officials
Can you deploy your capabilities to solve opponent's problem in order to build influence for horse-trading? <i>Or</i> Can you threaten to deploy your capabilities to aggravate opponent's position?	No
Can you reward opponent for cessation of opposition? <i>Or</i> Can you deploy your resources to threaten to aggravate opponent's position?	No
Can you use allies or your ally's allies to neutralize opponent or heat-shield your project from the opponent?	No
Can you create a safe haven away from opponent retaliation?	The private clinic cannot be prohibited from installing an EMR system. Perhaps Jaytee can start there and demonstrate viability and efficacy.

and confidence that he could arrange an advisory program that would improve patient management and reduce operating costs.

After addressing his biggest opponent and biggest ally, he was ready to move on to look at tactics for the other stakeholders.

A necessary condition for the system he envisioned would be that all medical records be processed electronically, in order to ensure that the record system he was installing had highly reliable and rapid data utilization. He was aware that the major medical analysis laboratory was still on manual recordkeeping and transmission, and he ran into a resistance problem with the lab's owner. To "convert" this needed indifferent into a cooperative supplier providing electronic rather

Table 7.4: AidsAid Tactics Table for Private Clinic Ally

Type of support needed: Approval, development, and installation of AidsAid in clinic

Major current issues occupying stakeholder attention: Clinic system overload and budget stress

Tactical option	Private clinic CEO
Can you deploy your knowledge and skills?	Jaytee has access to deep experience and skills in operations and financial management, which can be deployed to assist the private clinic in its practice-management challenges.
Can you deploy your physical and financial resources?	No
Can you deploy your network or	Jaytee could arrange via connections with the sister business school of the Ivy medical school to send a team of experienced interns to study, revamp, and update clinic operations.

than paper analytical reports, he worked his way through a Tactics table for this needed indifferent (Table 7.5).

Discussions with the owner of the medical analysis lab revealed that he was concerned with the considerable time and effort it would require to convert his lab from a paper-based system to an electronic one. However, he was also aware that eventually this would have to be done. Jaytee realized that he might be able to send IT trainers from an Ivy medical school program in the country. He was able to persuade the head of this medical school to “lend” a group of people working in the program to train a staff member of the lab in all the skills necessary to operate an electronically based recordkeeping system.

Now over to you. For your primary opponents, potential allies, and needed indifferents, scan your own Tactics table and look for ways to block, avoid, or reduce the opposition of the primary opponent, secure the support of potential allies, and persuade needed indifferents. Try to keep it simple. Complicated strategies are hard to implement, and it is easy to build an overly elaborate sociopolitical

Table 7.5: AidsAid Tactics Table for Indifferent Laboratory

Type of support needed: Electronic uploading, input, transmission, and recording of data

Major current issues occupying stakeholder attention: Lab has inadequate and insufficient IT capabilities and can see future need for this upgrade

Tactical option	Laboratory
Can you deploy your capabilities to solve indifferent's problems in order to secure indifferent's support?	Offer to train lab owner's technicians in electronic data entry, analysis, and recordkeeping. Arrange for IT students at the major university to convert paper records to electronic ones.
Can you deploy your physical and financial resources to entice the indifferent's support?	AidsAid has no such resources.
Can you use your allies or ally's allies in your network to mobilize indifferents?	Jaytee could "borrow" skilled trainers from an Ivy medical school to train lab technicians.

house of cards that collapses under the slightest pressure. The profitable execution of your project will be difficult enough without your resorting to Machiavellian convolutions.

The trick is to identify the top three primary opponents, and use your Tactics table to identify moves to manage, either on your own or with allies, that opposition. Identify your most important potential allies and use the Tactics table to see how to secure their support, either with direct help for your program, or with handling opponents, or with persuading needed indifferents. Then identify needed indifferents, if any, and carry out the tactics development analysis.

In our fieldwork, we discovered a particular type of ally who may be crucial to your success: the godparent. An example might include an influential member of government who is willing to be a heat-shield for the social venture and guide it through the political and bureaucratic landscape. The larger a project, the more valuable it is to have this ally, who can serve as a heat shield with local and

national governments. You need individuals and organizations willing to protect your growing enterprise from unnecessary delays and to help you get through the bureaucratic morass when it holds you back, seemingly indefinitely. Failing to identify and secure the support of a godparent is tantamount to condemning your project to death.

Chapter Checklist

Following the processes outlined in this chapter, you will have:

- Determined who benefits from your business and who is at risk of negative impact.
- Identified all stakeholders, even those not directly affected by your business but capable of impacting it, and determined how active each one is or soon will be, and how much clout each has to affect others.
- Identified your key allies and determined whether you have the ability to deploy them.
- Identified your primary opponents and determined whether you have the capabilities to neutralize them.
- Identified needed indifferents and determined whether you will be able to mobilize them.

Tough Love Test

If you answer no to any of the following questions, you might want to rethink your idea. If you answer no more than three times, you should proceed, if at all, with extreme trepidation. It simply won't be worth your time and resources if you cannot surmount the challenges at this early stage. If you answer yes to all the following questions, by all means, continue on to phase two of your idea.

1. Have you and your advisory group identified your key stakeholders (allies, opponents, and indifferents) and do you all agree on what major issues they face?

2. Are you confident you can deploy your allies?
3. Are you confident you can neutralize your opponents?
4. Are you confident you can mobilize the support of needed indifferents?
5. If your project will be large in scale, do you have a “godparent” who can shield you from local and national political intervention?

Develop a Concept Statement

Congratulations! You've taken the bold step of working your idea through the first phase of the social enterprise development process. If you go no further in this book, you have already come a long way. Spending primarily your imagination, you've imposed a rigorous set of Tough Love Tests on your idea and now have a good sense of whether it is at risk of failure (if that's the case, you've lost very little) or looks plausible (if that's the case, then congratulations!).

Before moving on to phase two to plan your social enterprise, we suggest you complete a concept statement, a simple document that outlines your discoveries from chapters 1 through 7. The concept statement is a short, powerful articulation of the outcome of all the due diligence you have done so far. It is best done in the "canvas" format recently popularized by Alexander Osterwalder,²¹ with our version of it shown in this chapter.

The concept statement table summarizes the essence of the problem you wish to attack and the solution you intend to apply to ameliorate the problem. It specifies the market segments you are going after and the criteria by which you will measure your performance, along both social and financial dimensions. It identifies the competition you will be facing and how beneficiaries are going to have to change their behavior in order to benefit from your actions. It specifies the beneficiary experience, the capabilities they require to benefit, and the capabilities you must have for your idea to work. Finally, it pragmatically identifies the sociopolitics the venture will experience and lays out the political strategy you intend to use to address it. Your concept statement can be used to solicit feedback

from your advisors and stakeholders. It can also be used to approach investors and other sources of financial support. Table 8.1 provides a framework for creating a concept statement.

Table 8.1: Concept Statement Template

The problem and the proposed solution
<div>1. Problem</div> <div>2. Proposed solution</div> <div>3. Required behavioral changes and associated challenges</div>
Business proposition
<div>1. Unit of social impact</div> <div>2. Unit of revenue</div>
Market and competition
<div>1. Identify market segment.</div> <div>2. Identify most competitive alternative.</div> <div>3. State how your solution is better than most competitive alternative.</div>
Sociopolitical landscape
<div>1. Who benefits from my business?</div> <div>2. Who is hurt by my business?</div> <div>3. Who are the key stakeholders?</div> <div>4. Who are my allies?</div> <div>5. Who are my opponents?</div>

To demonstrate what a concept statement for Zambia Feeds might look like, see Table 8.2.

Table 8.2: Concept Statement for Zambia Feeds

Articulate the problem and proposed solution	
1. Problem:	1. Malnutrition and unemployment in Zambia
2. Proposed solution:	2. Develop an animal feeds business (selling poultry feed) that would open up new markets for subsistence and small-scale farmers, who would then feed their families (addressing malnutrition) and sell fowls in the local markets (earning money).
3. Required behavioral changes and associated challenges:	3. Educate the unemployed in the community about the benefits of raising animals and teach them the entire process of raising and selling chickens.
Business proposition	
1. Unit of social impact:	1. Daily protein serving
2. Unit of revenue:	2. 25 kg bag of animal feed
Market and competition	
1. Identify market segment:	1. Subsistence and small-scale farmers and unemployed people
2. Identify most competitive alternative:	2. High-priced feed producers
3. State how your solution is better than most competitive alternative:	3. Lower-cost, higher-quality feed
Sociopolitical landscape	
1. Who benefits from my business?	1. Local individuals and families
2. Who is hurt by my business?	2. When the business gets big enough, larger competitors in adjacent areas to Copperbelt
3. Who are the key stakeholders?	3. Veterinary board, customers, government (a quality standards board, Zambia's equivalent of the U.S. FDA)
4. Who are my allies?	4. Those our business bought raw materials from, vendors, the customers, and employees of the host company
5. Who are my opponents?	5. When the business gets big enough, bigger existing competitors

Chapter Checklist

Following the processes in this very short chapter, you will have:

- Completed a concept statement.

Tough Love Test

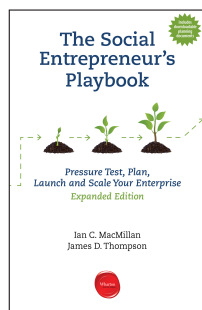
If you answer yes to the following two questions, you are ready to move on to phase two. If you answer no, you have more work to do.

1. Have you and your advisory group put together a concept statement similar to the one in Table 8.2?
2. Do you have consensus that this concept statement appropriately captures the due diligence you have put in to define and design your social enterprise?

Thank You for Reading the Free Online Learning Edition

Interested in learning more?

Check out *The Social
Entrepreneur's Playbook,
Expanded Edition*.



The expanded edition includes the material included in the free ebook, plus guidance for the next two steps in planning and launching a social enterprise:

Phase Two. From Plausible to Probable:

Plan Your Social Enterprise

Chapter 9. Frame and Scope the Venture

Chapter 10. Specify Deliverables

Chapter 11. Establish Assumptions and Checkpoints

Phase Three. From Probable to Plannable:

Launch and Scale Your Social Enterprise

Chapter 12. Launch Your Enterprise

Chapter 13. Manage the Upside and Downside

Chapter 14. Scale Up Your Social Enterprise

Buy the Book Now

Acknowledgments

This book would not have been possible but for the editorial and publication expertise and skills of Steve Kobrin, Shannon Berning, and Teresa Kocudak. Their insights, assistance, and patience turned this manuscript from a tedious tome into something social entrepreneurs out there are embracing and already aggressively using. The measure of their contribution lies not in the number of ebooks downloaded, but rather, in the number of humanitarians who have used the concepts in this book and thereby helped people in poverty and need. Without Steve, Shannon, and Teresa's ministrations, this change would not have happened.

Thanks to Whitney Peeling, whose publicity and PR skills were invaluable in helping us get the word out to the constituencies that mattered so much to us—all those folks working on reducing the distress of the so many people round the world.

Thanks to Roz Cohen and the team of students she managed, including Ravi Bellur, Samantha Fox, Sooreen Lee, Yuchen Luo, Danielle Matsumoto, Beth Mlynarczk, Roberto Sanabria, David Segal, Farah Shah, Serena Shi, May Sripatanaskul, Nancy Trinh, Ava Zhang, and Darya Zmachynskaya, all of whom helped us with the research, the analytics, the discovery-driven plans, and the fieldwork needed to help create and execute our field projects.

In particular, thanks to Christopher Wilfong for his outstanding contribution to the Zambia Feeds project in the development and implementation of the linear program and logistics planning tools. Also to Sarah Ryerson for her significant contribution to the performance of the clinic in the AidsAid project.

We would like to thank the following people who reviewed the work and our documents as they evolved and provided significant commentary and insight that helped shape the direction and voice of our manuscript: Allison Berliner, Benjamin Bruckman, Daniel

Cauley, Jeanne Chen, Melissa Kushner, Mary McKay, Jennifer Ralston, Hayley Rosengarten, and CJ Wise.

Thanks also to Diana Dickinson for her commitment and support “on the ground.”

Lynn Selhat’s assistance in editing early drafts of the manuscript was invaluable.

Our deepest thanks to the Wharton alumni who have sponsored this program. In particular, the Ambani, Collins, Durrett, Gruber, Holekamp, Hurst, Meyer, Poole, Rosenstein, Snider, and Trone families for their interest, commitment, and willingness to support work in a space fraught with uncertainty.

The Social Entrepreneur's Playbook Advisory Group

We would also like to thank the following advisors who helped shape this book by taking a survey about the free book, *The Social Entrepreneur's Playbook: Pressure Test Your Start-Up Idea—Step 1*.

Mustapha Abokede
Isaac Aggrey
Nafis (Peter) Ahmed
Leena Al Olaimy
Faten Alqaseer
Holger W. Altvater
Jill Anick
Pankaj Aswal
Lisa Atiq, social entrepreneur
Anisha Atluri
Ivan Atuyambe
Elvis Austins, founder,
 SpellAfrica Initiative
Dr. Paolo Aversa, Cass
 Business School,
 City University, London
Elena Avramov
Daniel Kwadwo Bampoh
Matias R. Barletta
Oscar Castañón Barragán
Emily Behr
Aman Bhullar
Daniella Bien-Aime,
 adult educator, Facilitator, and
 Trainer
Juan Carlos Díaz Bilbao
Harlan S. Blynn

Giada Bono
Cory Bowman, Netter
 Center for Community
 Partnerships, University
 of Pennsylvania
Vicki R. Brackens, founder,
 World of Cheddar, LLC
Theresa Bradley
Karla Breceda
Miguel Bremer-Wirtig
Katherine Brown-Hoekstra
C. J. Brown
Greg Byrne, principal,
 The Three Little Pigs Co.
Andrés Gutiérrez Campos
Marc Carr
Meaghan M. Casey
Richard J. Catherall
Charles D. Chand
Lloyd Chang
Paulo Chikoti-Bandua
Myrto Chliova
Roy Coheb
David Conegliano
Harris Contos, DMD, MBA
Renee Crichlow MD, FAAFP
Nurfarini Daing

Manvir Dandona
 Chirag Dave
 Nestor Lopez de Arroyabe
 Detrick DeBurr
 Guadalupe de la Mata
 Rahul Dewanjee, founder,
 Xeronow.com
 Derek DiGiacomo
 Thomas Dokubo
 Lindsey Dunn, Skills to Shine
 Aron Dutta, global head,
 Capital Markets Strategy,
 Cisco Systems; board
 member, Verificient.com
 Philipp Alexander Ebel
 Eugene Eccli
 Desmond D. Emanuel
 Robert T. Esposito, Esq.
 Mr. Varuna Eswer
 David A. Eustice
 Orion Falvey, cofounder,
 InVision Foundation
 Abayomi Fawehinmi
 Horace L. Flournoy
 John Fox
 Samantha Fox
 Dennis Foy
 Michael Francis
 Elena Gaffurini
 Julio César Reynaga Galeas
 Andrés García de Tuñón
 Jorge Valdés Garcíatorres, PMP
 Forough Ghahremani
 Elena Gilson
 Myra Goldstein Brown
 Chad Gomes
 Jerome S. Gotangco
 Ken Granderson

Nico Groenenberg
 Gro Martin Gunnarsen
 Anthony N. Haddad
 Y. Julie Han
 Ayaz Haniffa
 Thomas Hardy
 Ira Harkavy
 Lawrence Heimowitz, CPA
 R. Paul Herman, Wharton '89,
 CEO of HIP Investor, Inc.
 Jonathan Ho
 Edmundo Hoffens
 Mark Horoszowski, cofounder,
 MovingWorlds
 Darnley W. Howard
 Lucia Huang
 Ariel Huskins, Founder,
 25:40life.com
 Cynthia Jaggi
 Dhruvi Kanabar
 Deepa Kapoor
 Mutembei Kariuki
 Emanuel R. Kastl
 Rasin A. Immad Katta
 John Yohan Kim
 Sasibai Kimis
 Julie King, principal,
 Galileo Agency
 Vera Klauer
 Keith Kohler
 Dr. Jussi V. Koivisto
 Pragna Kolli
 Monika Konieczny
 Korbinian
 Jon Korin, Wharton '76
 Vikrant Kothari
 Marcin Krasnowolski
 Dr. Stavros D. Ktenas

Aruna Kulatunga
 Gloria Lam
 Rachel Laurie
 James Law, Singapore
 Natt Leelawat
 Isaac Lemor
 Eddie Ler
 Trisonia Lewis
 Henry C. Lin
 Ernestine Liu
 Kana Lea One Love
 Johannes Luger
 Robyn Lui
 Benjamin Lütgebüter
 Megan McDonald, member
 of the Board of Directors,
 Attention Deficit Disorder
 Resources
 Cecelia McFadden
 Rauf N. Mammadov
 Martina Mangelsdorf
 Sudhir B. Mankodi
 David T. Matta
 D. Bruce Merrifield
 Gopal Metro
 Marta Milkowska
 Mary C. Miller, JD,
 SPHR, ACC
 Michael Miller
 Professor Richard T. Minoff
 Deepam Mishra
 Vija Mitha
 Michele Modina
 Eshita Mohanty
 Suzanne Lashmet Montazer
 Mehmet Fahri Muftuoglu
 Brian Mullen
 Abd-ul Muqtadir

Dennis Nakamura,
 Up!Grader Institute,
 Sao Paulo, Brazil
 Matthew Nelson, COO,
 GreatSchools
 Phil Neo KJ
 Eduardo Barclay Nihill
 José A. Nistal
 Bosun Olawore
 Nicholas Ondrejka
 Randie Espera Ongoco
 Olu Oyesanmi, MD, MPH
 Michael Paolini
 Jerry Parkes, CEO, Injaro
 Agricultural Capital
 Holdings Limited,
 Accra, Ghana
 Erica Peressini
 Larry D. Perkins, PhD, MBA
 John F. Possumato
 Silvia Prastani
 Tahir Qazi
 Michael Radke
 Vinay Varma Raja, director,
 OrgPEOPLE
 Professor Manisha
 Rajadhyaksha
 Brandale D. Randolph,
 executive director, Project
 Poverty, Wharton '98
 Grant Regan
 José J. Riera
 Abid Rizvi
 Sergei Rodionov
 Juan Carlos Roldan
 Richard S. Roque
 Alberto Ruíz
 Megan Metz Rye

Miguel Paredes Sadler
 Samuel Safran
 Crescelito Martin S. D. Salvador
 Randy Samsel
 James Schmeling, managing
 director and cofounder,
 Institute for Veterans and
 Military Families, Syracuse
 University
 David R. Schwartz
 Miguel Scordamaglia
 Noman Ahmed Shaheer
 Kate Sherwood,
 Execution Strategy
 Marika Shioiri-Clark
 Anant Shukla
 Arvind Singh, founder,
 Aavishkaar Micro Venture
 Capital Fund, and social
 entrepreneur, Wharton AMP
 Snehanand (Ravi) Sinha,
 chairperson, Centre for Social
 Innovation, @BIMTECH
 Samaira A. Sirajee
 Moses Soh
 Jonas Solbach
 David Souder
 Christina S. O. Sprock
 Param Sreekanth
 Dr. Ravi Srinivasan
 Karim Srouji
 Susan D. Steiner
 Sean Steinmarc
 Cathy Stephenson
 Emily V. Stone
 Sabarinathan Swaminathan
 Ferdinand Swart, MSc

Unmesh Tambwekar
 Timothy M. Taylor
 Trang Quynh Than
 Brett C. Thibodeau
 Paritosh Tiwari
 Leanne Tobias, Managing
 Principal, Malachite LLC
 Mingles Tsoi
 Emmanouel Tzouvelekas
 Omar Valdez
 Gwen Vaughan
 Tatiana Vdovina
 Shwetank Verma, Esq.
 S. C. Vijayakumaar
 Mason Vollmer, agricultural
 director, Camphill Soltane,
 Glenmoore, PA
 Vishal M. Vyas
 Karen Wagner
 Faith Wallace
 Kathryln Wang
 Arnold I. Weiss, DDS, MScD
 Landon Wiedenman, founder,
 Profile Health Systems
 Anne Wilmerding
 C. J. Wise, chief operating
 officer, goodsFORgood, Inc.
 David Richard Wistocki
 Steven Woda, uKnow.com
 Carlos Alberto Wolff
 Don Woolridge
 John G. Yedinak
 Geoff Yenson
 Banruo (Rock) Zhou
 James Zhou
 Konstantina Zoehrer
 Mihai Zota

Notes

- 1 Frank H. Knight, *Risk, Uncertainty and Profit*, Boston: Hart, Schaffner and Marx, 1921. Later references to “near-Knightian” circumstances refer to those where almost anything can happen. In such high-uncertainty contexts, the range of values of the environmental variables impinging on possible outcomes is wide and, importantly, there is no way of assigning a probability to their value other than assuming all values in the range are equiprobable. In such situations, the model builder just does not know: so the initial management mindset must be characterized by the desire to reduce uncertainty to risk.
- 2 For confidentiality, identifying details have been changed.
- 3 William Foster and Jeffrey Bradach, “Should Nonprofits Seek Profits?” *Harvard Business Review* (Feb. 2005).
- 4 *Ibid.*, p. 2.
- 5 Coimbatore Krishnarao Prahalad, *The Fortune at the Bottom of the Pyramid*, Philadelphia: Wharton School Publishing, 2004.
- 6 “Net revenues” simply means you get more revenues than the costs you incur.
- 7 M. H. Boisot and I. C. MacMillan, “Crossing Epistemological Boundaries: Managerial and Entrepreneurial Approaches to Knowledge Management,” *Long Range Planning* 37, no. 6 (2004): 505–24.
- 8 J. D. Thompson and I. C. MacMillan, “Business Models: Creating New Markets and Societal Wealth,” *Long Range Planning* 43, no. 2–3 (2010): 291–307; and J. D. Thompson and I. C. MacMillan, “Making Social Ventures Work,” *Harvard Business Review* 9 (2010): 66–73.
- 9 We thank Sue Yun Chi and Acumen for sharing their Acumen case study on Ecotact.
- 10 WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation, “Progress on Sanitation and Drinking Water: 2013 Update,” http://www.wssinfo.org/fileadmin/user_upload/resources/JMPReport2013.pdf.
- 11 B. Steven Kerr, “On the Folly of Rewarding A, while Hoping for B,” *Academy of Management Executive* (Feb. 1995): 9, 1; ABI/INFORM Global, p. 7.
- 12 *Free* is a loaded word in this case, because defecating in public places is actually not “free.” It costs a society a great deal in terms of mortality and morbidity due to illness, lost productivity, and so on. Unfortunately, many people who defecate in public do so, first, because they have no other choice—their governments do not provide the basic waste infrastructures we take for granted in the West—and second, because they do not readily see the connection between their actions and the spread of disease.

- 13 This is one of the main reasons the Wharton Social Entrepreneurship Program prefers to work with intrapreneurial ventures.
- 14 See <http://www.singerco.com/company/history%20?iframe=true&width=100%&height=100%>.
- 15 “CEMEX: Innovation in Housing for the Poor,” Michigan Business School Case Study, Dec. 12, 2003.
- 16 Ibid.
- 17 John Paul, “Patrimonio Hoy: A Groundbreaking Corporate Program to Alleviate Mexico’s Housing Crisis,” NextBillion.net—Development Through Enterprise,” NextBillion.net | Development through Enterprise, May 26, 2009.
- 18 Rita Gunther McGrath and Ian C MacMillan, *MarketBusters*, Cambridge, MA: Harvard Business School Press, 2005.
- 19 Our thanks to Jeanne Chen for this quote.
- 20 For confidentiality, the social entrepreneur’s name and other identifying details have been changed.
- 21 Alexander Osterwalder, Yves Pigneur, Alan Smith (and 470 practitioners from 45 countries), *Business Model Generation*, Hoboken, NJ: John Wiley and Sons, 2010.

About the Authors

Ian (Mac) C. MacMillan is the academic director of the Sol C. Snider Entrepreneurial Research Center and Dhirubhai Ambani Professor of Entrepreneurship and Innovation at the Wharton School, University of Pennsylvania.

Mac has taught at Columbia University, New York University, Northwestern University, and the University of South Africa. Prior to joining the academic world, he was a chemical engineer, and gained experience in gold and uranium mines, chemical and explosives factories, oil refineries, soap and food manufacturers, and the South African Atomic Energy Board. He has also been a director of companies in the travel, import-export, and pharmaceutical fields in the United States, South Africa, Canada, Hong Kong, and Japan. Mac is the author or a coauthor of books and articles on new ventures, innovation, organizational politics, and strategy formulation. His articles have appeared in *Harvard Business Review* and *Sloan Management Review*. He is coauthor of the bestselling books *Corporate Venturing*, *The Entrepreneurial Mindset*, *Market Busters*, *Unlocking Opportunities for Growth*, and *Discovery-Driven Growth*.

James D. Thompson is cofounder and director of the Wharton Social Entrepreneurship Program. His areas of research focus are social entrepreneurship, building future markets, and investment under conditions of high, or near-Knightian, uncertainty.

Jim teaches in Wharton Executive Education programs and works with management teams around the world to design and execute organic growth strategies that increase the value of their firms.

Prior to joining the academic world, he was a divisional director of a public company, responsible for business unit turnarounds and new market development. He currently serves on the executive board of a venture capital-funded company in Philadelphia and served on the investment advisory committee of a Swiss social entrepreneurship investment fund.

Jim holds a PhD from EPFL (École Polytechnique Fédérale de Lausanne) and has been published in the *Harvard Business Review*, *Journal of Management*, *Long Range Planning*, *Management Science*, *Organization Science*, and the *Research-Technology Management Journal*. He is a recipient of Best Paper Awards in innovation by the European Business School and the Thought Leader category of the Entrepreneurship Division at the U.S. Academy of Management.



About Wharton School Press

Wharton School Press, the book publishing arm of the Wharton School of the University of Pennsylvania, was established to inspire bold, insightful thinking within the global business community.

Wharton School Press publishes a select list of award-winning, bestselling, and thought-leading books that offer trusted business knowledge to help leaders at all levels meet the challenges of today and the opportunities of tomorrow. Led by a spirit of innovation and experimentation, Wharton School Press leverages groundbreaking digital technologies and has pioneered a fast-reading business book format that fits readers' busy lives, allowing them to swiftly emerge with the tools and information needed to make an impact. Wharton School Press books offer guidance and inspiration on a variety of topics, including leadership, management, strategy, innovation, entrepreneurship, finance, marketing, social impact, public policy, and more.

Wharton School Press also operates an online bookstore featuring a curated selection of influential books by Wharton School faculty and Press authors, published by a wide range of leading publishers.

To find books that will inspire and empower you to increase your impact and expand your personal and professional horizons, visit

wsp.wharton.upenn.edu.



About The Wharton School

Founded in 1881 as the first collegiate business school, The Wharton School of the University of Pennsylvania is recognized globally for intellectual leadership and ongoing innovation across every major discipline of business education. With a broad global community and one of the most published business school faculties, Wharton creates ongoing economic and social value around the world. The School has 5,000 undergraduate, MBA, executive MBA, and doctoral students; more than 9,000 annual participants in executive education programs; and a powerful alumni network of 96,000 graduates.

www.wharton.upenn.edu