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The 18th Sustainable Development Goal: Social Entrepreneurship in a global society

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Abstract

This discussion paper aims to better understand what social entrepreneurship means and how it contributes to overcoming some of the greatest social and environmental challenges of our times. Based on the work of Sen and Nussbaum, the idea basic human needs – and more in particular, the idea of increasing capabilities to fulfil these needs – creates a reference point to determine the meaning of 'social'. Apart from reinforcing these capabilities, an important dimension of 'socialness' is the extent to which the beneficiaries confirm that they are in a better position to fulfil these basic needs. The 18th Sustainable Development Goal (SDG) deals with the improved set of capabilities. In order to contribute to the grand challenges of our times – as expressed in the 17 existing SDGs – certain conditions in terms of innovation, scalability, and (financial) sustainability have to be met. It will require that corporations, cooperatives, large business networks and institutional investors step in and promote socially entrepreneurial initiatives to contribute to the radical change needed to fulfil the basic needs of individuals and communities. Only then will human development and a life with human dignity be able to materialize.

Keywords: Social entrepreneurship, Sustainable Development Goals, Basic human needs, Human development, Radical innovation, Scalability, Sustainability, Outcomes

JEL classification: D63, I31, M21.

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This address is dedicated to my dear friend Theo Brouwers. Without his friendship and the many discussion we have had, I would never have gained the knowledge, the insight and the experience, that I have today. In addition, I am grateful to him and my colleagues Erik Stam and Niels Bosma for their constructive comments on previous versions of this contribution.

The 18th Sustainable Development Goal

Social Entrepreneurship in a global society

by Prof. Dr. Harry Hummels

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Social Entrepreneurship in a global society

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Die Philosophen haben die Welt nur verschieden interpretiert;
es kommt drauf an, sie zu verändern[1].

1 Karl Marx, Thesen über Feuerbach, 1845, Marx-Engels-Gesamtausgabe Ab IV. Bd. 3, Akademie Verlag, Berlin 1998

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Content


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1 | Introduction[2]

"A spectre is haunting Europe". With these famous opening words of the Communist Manifesto, Marx and Engels describe the rising of a movement that stood up against the bourgeoisie. Fear was all over Europe, leading the bourgeois to believe that the proletariat would fundamentally disrupt existing social, political and economic relationships. The fear was real and for a reason. In the eyes of Marx and Engels, the omnipresent bourgeoisie "has left remaining no other nexus between man and man than naked self-interest" [3]. It thereby "forged the weapons that bring death to itself" and "called into existence the men who are to wield those weapons" [4]. Proletarians would become the soldiers of economic warfare. They were labourers, who "only live as long as they find work and who only find work as long as their labour increases capital" [5]. Many men, women and children found work in an ever-expanding industrial age, in which working conditions were often beyond imagination. In *Capital*, Marx provides an account of the devastation that was found in many sectors of the English industry.

"The manufacture of matches, (...), has such a bad reputation that only the most miserable part of the working class, half-starved widows and so forth, deliver up their children to it, their 'ragged, half-starved, untaught children'. Of the witnesses examined by Commissioner White (1863), 270 were under 18, fifty under 10, ten only 8, and five only 6 years old. With a working day ranging from 12 to 14 or 15 hours, night labour, irregular meal-times, and meals mostly taken in the workrooms themselves, pestilent with phosphorus, Dante would have found the worst horrors in his Inferno surpassed in this industry. [6]

2 This working paper provides the groundwork for my inaugural address as Professor of Social Entrepreneurship at the Utrecht University School of Economics, held on 1 March 2018 in the Aula of the Academy building of Utrecht University.
3 Karl Marx and Friedrich Engels, The Communist Manifesto, orig. 1848, London, Penguin, 2002, p.5
4 Ibidem, 2002, p.11
5 Ibidem, 2002, p.11
6 Marx, K., Capital, Penguin, London, 2004

That was 1863. Numerous children became the victims of a system, that fundamentally disrespected the dignity of workers. They were degraded to a mere means for the aggregation of capital in the hands of bourgeois owners. Since then, much has changed. Working conditions have significantly improved in many parts of the developed and, increasingly also, the developing world. Unfortunately, however, our present time still witnesses serious challenges – both inside and outside the workplace – as described by Marx. One example is provided by the cocoa industry. In this sector, child slavery and other worst forms of child labour, such as hazardous work, still cause great concern. On the latest ILO count, some 75 million children are exposed to hazardous work [7] – of which a significant part is employed in the cocoa industry [8]. It is this concern for the lives and welfare of children in the cocoa industry that motivated the launch of the Social Entrepreneurship Initiative at the Utrecht University School of Economics and its chair in social entrepreneurship.

In his *Theses on Feuerbach* [9], Marx argued for fundamental change. The philosophers, he wrote, have only interpreted the world. The point is to change it. But in order to change the world, we need to understand it. In this contribution, I will explain what I believe social entrepreneurship to be from the viewpoint of this chair in social entrepreneurship. The research domain is defined as:

"social entrepreneurship in general, with an initial focus on radical innovations of value chains to improve the social and ecological aspects of production" [10].

On the latest ILO count, some 75 million children are exposed to hazardous work – of which a significant part is employed in the cocoa industry

7 ILO, Global estimates of child labour, Geneva, 2017
8 Tulane University, Survey Research on Child Labor in West African Cocoa Growing Areas, 30 July 2015.
9 Karl Marx, Thesen über Feuerbach, 1845, Marx-Engels-Gesamtausgabe Abteilung IV. Bd. 3, Akademie Verlag, Berlin 1998
10 Utrecht University School of Economics, Description of organisation and position of the chair, Utrecht, October 2015. I take 'radical' to stand for fundamental or transformative, rather than linking it to the theory of 'radical economics'.

At the core of the research lies a desire to understand what social entrepreneurship means and how it contributes to overcoming some of the greatest challenges of our times. This entails that the focus of study is not on the numerous and laudable small-scale social enterprises that try to solve an often local, social or environmental problem. My assignment leads me to focus on the interconnection between businesses – and the collaboration with governments, multilateral organisations, civil society organisations, and financiers – to solve some of the fundamental challenges of our society – both at a national and an international level. I will call for a *reversed logic of social entrepreneurship* that starts at the backend of what socially entrepreneurial initiatives aim to achieve.

This leads me to define several areas of research, which are best expressed in terms of a question:

1. What are the challenges that define the domain of social entrepreneurship?
2. When do we call entrepreneurial activities aimed at overcoming these challenges 'social'?
3. What do organisations require to be geared toward social innovation in value chains?

Let me briefly elaborate on these three questions.

My assignment leads me to focus on the interconnection between businesses – and the collaboration with governments, multilateral organisations, civil society organisations, and financiers – to solve some of the fundamental challenges of our society

1. What are the problems or challenges that define the domain of social entrepreneurship?

If our aim is to understand how social entrepreneurship contributes to overcoming the societal challenges of our time, we first have to get a better understanding of what these challenges are. Are all challenges that affect individual human lives and the relationships between humans and their environment, by definition social challenges – and, mutatis mutandis, are all business efforts aimed at solving these challenges by definition forms of social entrepreneurship? It is my contention that we need a generally acknowledged reference point or cut-off point, allowing us to distinguish between enterprises that significantly contribute to overcome the social or environmental challenges, and those that do not. At present, there is no such common yardstick.

I will argue that the idea of fulfilling *basic human needs*, like the need of children to be free of slavery, for respect and for decent work as part of their need to survive, can create such commonly acknowledged reference point. More in particular, what should provide the cut-off point is *a company's contribution to improving the capability of humans to fulfil these needs* [11]. The core challenges of our world today are all related to our ability, as Marx put it, to successfully become, a "rich human being" – someone able to fully function and participate in society and experience "a totality of human life-activities" [12]. It requires the ability to develop ourselves as fully functioning beings in a sustainable social and natural environment. Based, inter alia, on the writings of Marx, Amartya Sen and Martha Nussbaum developed a capabilities approach [13]. The approach examines human functioning in a constantly evolving society and the development of our capabilities (and the barriers) to live a dignified life. As a contemporary operationalisation of this idea, and a means to achieving sustainable human and environmental development that is conducive to a life in dignity for all, the UN Sustainable Development Goals may provide a useful reference point [14]. I will even propose an 18th SDG that will call for reinforcing human dignity by the strengthening the capabilities of individuals and communities to actively participate in and effectively influence policies, practices and activities that are part of SDG agenda. My interpretation of social entrepreneurship will be in close alignment with this 18th SDG. Ergo, entrepreneurial initiatives will only belong to the domain of social entrepreneurship if they contribute to human dignity and involve the beneficiaries in deciding whether they are truly being served through the entrepreneurial activities, policies and practices.

2. When do we call entrepreneurial activities 'social'?

Second, what does the term 'social' mean and how does

11 Amarty Sen argues that people should have be able to live the life – and fulfil needs – they have reason to value. In general, individuals should be able to decide what is important and what not. Nevertheless, Sen uses the phrase having 'reason to value', since the fulfilment of some needs, like the basic need for education, is central to hum development – regardless of their individual utility functions – that fulfilling this need is important.

12 Karl Marx, *Economic and Philosophic Manuscripts of 1844*, Third manuscript, p. 49, Edition published by Progress Publishers, Moscow 1959

13 Sen tends to speak of 'capability approach'. See A. Sen, 1989. "Development as Capability Expansion," Journal of Development Planning 19, and A. Sen, 1999, Development as Freedom, New York, Knopf. Nussbaum, however, argues in Creating Capabilities (2011, Belknap Press of Harvard University Press, p.18), that it is better to speak of capabilities "to emphasize that the most important elements of people's quality of life are plural and qualitatively distinct: health, bodily integrity, education, and other aspects of individual lives". Although Sen fully agrees with the pluralist approach (Sen, 1989:47 & 54), he favours the term 'capability approach'

14 Here, I was inspired by the approach developed by Seelos and Mair (2004 – see footnote 12).

it assist us in demarcating 'social entrepreneurship' from regular entrepreneurship? Surprisingly enough, with a few exceptions, the literature is rather silent on what constitutes the 'socialness' of social entrepreneurship [15]. An example of the confusion around the meaning of the adjective is provided by the European Commission:

"A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives" [16] *[Emphasis added, HH]*

Such vague and circular definitions merely beg the question of what makes an economy, a company's objectives and the impact it creates 'social'. At the other end of the spectrum, we find scholars who argue that all business is inherently social [17]. There is no such thing as non-social entrepreneurship [18]. Such a conclusion can hardly be satisfactory, as it turns every enterprise into a social enterprise.

3. What do organisations require to become geared toward social innovation in value chains?

Social entrepreneurship is seen by most scholars as *an innovative approach, using business concepts and tools to create social or environmental change for the benefit of society.* Often with its roots in the third sector, social entrepreneurship is set apart from entrepreneurship that mainly or primarily focuses on the creation of profits. Upfront, we have to ask ourselves whether such a distinction is useful. If the objective is to study "radical innovations of value chains to improve the social and ecological aspects of production", the focus automatically shifts to for-profit businesses. As we will see in the remainder of this

15 Exceptions can be found in Mair, J., and I. Marti, (2006), "Social entrepreneurship research", *Journal of World Business,* 41, 36–44; Tan, W.-L., Williams, J., Tan, T.-M., (2005), "Defining the 'social' in 'social entrepreneurship': altruism and entrepreneurship", International Entrepreneurship and Management Journal, 1, 353–365; Seelos, C., & Mair, J., (2004), Social Entrepreneurship: The contribution of individual entrepreneurs to sustainable development, IESE Working Paper 553, March; and Peredo, A.M., McLean, M., (2006), "Social entrepreneurship: a critical review of the concept", Journal of World Business, 41, 56–65; Bacq, S., and Eddleston, K., (2016), "A Resource-Based View of Social Entrepreneurship: How Stewardship Culture Benefits Scale of Social Impact", Journal of Business Ethics, DOI 10.1007/s10551-016-3317-1

16 http://ec.europa.eu/growth/sectors/social-economy/enterprises_en

17 Shane, S., & Venkataraman, S. (2000). "The promise of entrepreneurship as a field of research". Academy of Management Review, 25(1), 217—226

18 See, for instance, Santos, F. M., (2012), "A positive theory of social entrepreneurship", Journal of Business Ethics, 111: 335–351 and Seelos, C., & Mair, J., (2005), "Social entrepreneurship: Creating new business models to serve the poor", Business horizons, 48(3), 241-246

contribution, if social entrepreneurship wants to contribute to changing entire value chains to solve the world's largest problems, it is hard to conceive of not-for-profit organisations being able to meaningfully contribute – let alone to achieve – such innovation. Not-for-profit organisations using business tools, can help solve local, and maybe even national, problems. They will not change an entire global value chain.

Dutch not-for-profit enterprise Go-OV provides an interesting illustration – although the organisation is likely to transform into a for-profit business to be successful over time [19]. The company enables mentally or physically disabled travellers to make use of public transportation independently.

If the objective is to study "radical innovations of value chains to improve the social and ecological aspects of production", the focus automatically shifts to for-profit businesses.

Go-OV designed a device that instructs the user which means of transports to take, where to get on or off a vehicle, and what follow-on steps need to be taken. The device not only increases the capability of the disabled to travel autonomously, it also reduces public travel expenses by approximately 50 percent. The company demonstrably adds value to individuals with a variety of disabilities, but – as a not-for-profit – is unlikely to innovate the entire public transportation value chain.

The shift from organisations using business tools to businesses – and corporations – is justified in light of the global problems of our society and the role business can play in solving them. Take the cocoa industry. Eight corporations control the entire market. What can social entrepreneurship do to help profit-driven corporations like Nestlé, Mars, Hershey's, Ferrero, Mondelēz, Barry Callebaut, Cargill, and Olam face societal challenges in their respective value chains? As eminent social entrepreneurship scholars Seelos and Mair suggested, it is precisely the potential of social entrepreneurship to create large scale social change while making a decent buck, that for-profit corporations should step in [20]. A business organisation

19 See http://www.go-ov.nl The organisation aspires becoming a for-profit business because it needs investment capital. Grants and subsidies cannot fund the company over the long run to change the value chain and reap the benefits of social innovation.

20 See Seelos, C., & Mair, J., (2004), Social Entrepreneurship: The contribution of individual entrepreneurs to sustainable development, IESE Working Paper 553, March.

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like Tony's Chocolonely, aiming to eradicate (the worst forms of) child labour in the entire cocoa value chain, clearly understood this message. It inspires others in the industry to take adequate action, but it is also open to inspiration from others – including multinationals [21].

Researching the ability and efforts of business organisations geared toward the innovation of value chains, entails more than highlighting the fundamental challenges of our society and our planet, and the meaning of the term 'social'. It also should study the domain of 'entrepreneurship'. The terms 'entrepreneurship' and 'enterprise' are derived from the French 'entreprendre' and its past participle 'entrepris(e)'. Both refer to an activity, to undertaking projects. Usually, the activities or projects are associated with an individual or group of individuals – the entrepreneur. The Thatcherite free market era in the mid 1980s, however, turned entrepreneurship into the touchstone of development for our economy and society [22]. It points to the essential dynamics of the economy that is a result from a fundamental disequilibrium between market players with regard to market information. Differences in access to and availability of market data and differences in interpretation of these data, result in the design, production and distribution of products and services. Economic activity, therefore, can be explained by "the tendency of certain people to respond to the situational cues of opportunities" [23]. Individuals, groups or organisations differently assess market information – for instance regarding market gaps, the needs of customers or the potential to serve the better with new and innovative products or services – while having ideas to overcome the lacunae. This not only leads to economic development, but clearly also to social value creation. According to Venkataraman, "entrepreneurship is particularly productive from a social welfare perspective when, in the process of pursuing selfish

21 Tony's Chocolonely's annual report 2016/2017, p.88. The company committed to implementing the Child Labour Monitoring and Remediation System (CLMRS) – a system which was developed by the International Cocoa Initiative.

22 Chell, E., (2007), "Social Enterprise and Entrepreneurship", *International Small Business Journal*, 25, 1, p. 5-26

23 Shane S., and S. Venkataraman, (2000), The Promise of Entrepreneurship as a Field of Research, Academy of Management Review, 25, 1, p.219

ends, entrepreneurs also enhance social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs, and net increases in real productivity" [24].

If our objective is to study social entrepreneurship with a focus on radical innovation of value chains, it makes sense to look at some determinants of successful entrepreneurship in national and international business environments. If, as Chell argues, entrepreneurship is about the pursuit of opportunity in the context of creating economic and social value, our focus requires focusing on at least three dimensions. The first is innovation and more specifically radical or disruptive innovation. It is unlikely that incremental or "sustaining innovation" [25] will lead to fundamental change in order to solve the challenges of our time and of the future. Effective intervention demands scale in light of the magnitude of the challenges and of long-term financial sustainability [26]. This requires a shift in focus from individual entrepreneurial activity – irrespective of organisational context – to entrepreneurship driven by organisations, like businesses, corporations, cooperatives, and organisational networks. These organisational forms are geared towards generating outcomes on the scale that is necessary to stimulate radical transformation in value chains [27]. In this contribution, we will focus on larger businesses and corporations, simply as a metaphor for all organisational forms that express the tendency toward outcomes that lead to radical change in value chains.

For that purpose, a hexagon or social entrepreneurship screen is presented on the next page. The screen provides six dimensions to study social entrepreneurship and the creation of social, economic, financial, and/or environmental value.

The next part of this contribution focuses on determining the "socialness" of social entrepreneurship (A, B, C); the second part addresses the entrepreneurial challenges (D, E, F).

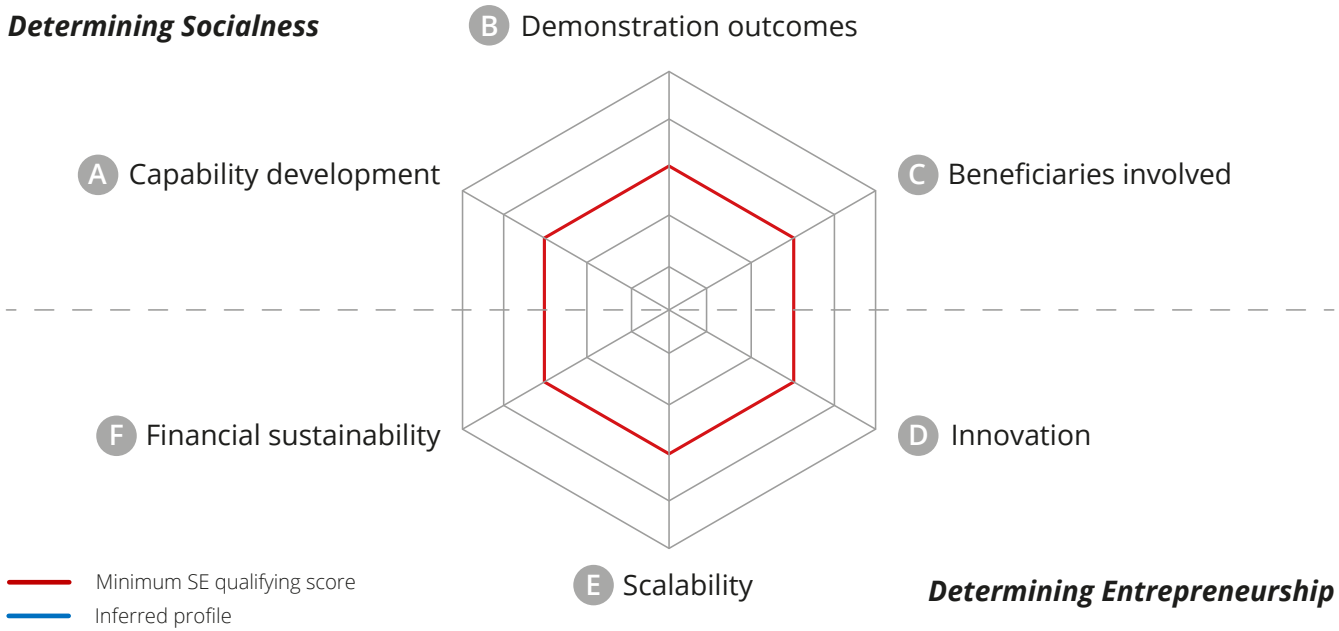
24 Venkataraman, S. (1997). The distinctive domain of entrepreneurship research. In J. Katz & R. Brockhaus (Eds.), Advances in entrepreneurship, firm emergence, and growth (Vol. 3, pp. 119–138). Greenwich, CT: JAI Press, p.133

25 See Christensen, C., et al., (2016) *Disruptive Innovation: Intellectual History and Future Paths*, Harvard Business School, Working Paper 17-057

26 Chell (2007:14) argues, 'if the mission of value creation is to be maintained, the activity and its outcomes must be sustainable'

27 The shift from individual initiatives to organisational forms with higher levels of formalisation and propensity to create the desired social or environmental outcomes, is not a principle one. It is prompted by the assignment I have been given.

Social Entrepreneurship Screen



2 | Challenges in the domain of social entrepreneurship

One can easily sketch the social entrepreneurship field as an exotic zoo: "many different 'animals' combine social and market goals in substantially different ways and each species has distinct environments and needs" [28]. You only have to look at the membership of relevant networks, like Ashoka, B Corp, Impact Hub or Social Enterprise NL, to understand what activities are undertaken in this domain. The activities range from poverty alleviation and social cohesion to health improvement, and from inclusive workplaces to environmental protection and the circular economy. Although activities may differ significantly, they seem to share a sense of responsibility for the deprived – no matter whether the destitution focuses on humans, animals or nature. In other words, what these organisations appear to have in common is a focus on the needs of others. The question is, however, is serving the needs of others a sufficient condition for social entrepreneurship?

Let me give you two examples that clarify that just serving the needs of someone else – even if these come in large numbers – does not automatically turn entrepreneurship into a social entrepreneurship.

My first example is Dutch Railways company Nederlandse Spoorwegen (NS). As a regular client and supporter of public transportation, I know NS quite well. Armed with my MacBook, iPhones, thermos flask, and something to nibble, you can find me on a train several days a week. But can its activities be subsumed under the heading of 'social entrepreneurship'? Let us look at the facts [29]:

- NS transports as many people as possible by train. At present, on an average day approximately one million passengers use the train to reach their destination.

28 Young, D., and Lecy, J., (2014) "Defining the Universe of Social Enterprise", (2014) Voluntas, 25:1307-1332
29 NRC Handelsblad, 31 October 2015

Is serving the needs of others a sufficient condition for social entrepreneurship?

- The company provides additional transportation facilities, like the OV-bikes.
- All trains run on wind energy. NS reduced the CO2 emissions of its train operations to zero.
- In 2020, NS aims to reuse 75 percent of the waste that is produced on a daily basis, and
- Finally, NS creates satellite working spaces in or around stations to facilitate flexible work.

By running a countrywide railway service, NS positively contributes to fulfilling transportation needs in The Netherlands. Nevertheless, these activities do not qualify as 'social entrepreneurship'. NS simply offers travellers an option to go from A to B. Although it deserves praise for its active contribution to maintain and improve an efficient transport system and to reduce CO2 emissions, these are not sufficient conditions to think of NS as a company focusing on social entrepreneurship. My second example is Tesla, the iconic company run by Elon Musk. Tesla addresses two of the greatest challenges of our time: the reduction of CO2-emissions and the storage of energy from renewable sources. In pursuing a business opportunity, Tesla aims to transform the car market and accelerate "sustainable transport by bringing compelling mass market electric cars to market as soon as possible" [30]. Through its energy storage business, Tesla demonstrates that renewable energy can be stored and used when power is needed most. On both counts Tesla seems to show remarkable societal results – even though its business is merely selling as many cars or storage facilities as possible.

What unites both companies, is the opportunity they offer for energy efficient transportation. They satisfy the need of travellers for transport that minimizes environmental impact. Also, NS – in close collaboration with railway infrastructure company ProRail – and Tesla invest in improving the efficiency of the transportation system. NS does this by increasing its capacity, Tesla by investing in autonomous, self-driving cars. There is a clear difference, however, between the two companies. While NS is a responsible service provider offering transport services to an ever-increasing number of travellers, Tesla is an innovative manufacturer of transport and energy storage solutions. It aims to transform the entire market for sustainable private transport and energy storage solutions. This means that, unlike NS, Tesla does use an innovative

30 For Tesla's mission see www.tesla.com

business approach to create social and environmental change for the benefit of society. That is, from the viewpoint of (improving capabilities of communities to) fulfilling a need for (the storage of) renewable energy, it is involved in social entrepreneurship. Tesla is innovative, it creates solutions that weren't available before, and it actively contributes to the transformation of the automobile sector to one that uses renewable energy sources. Particularly through this latter contribution, Tesla's activities are in the interest of society – at least of our present society. Despite Tesla's drive for societal change and its praiseworthy contribution to transform the automobile and the energy storage markets, there are reasons to believe that Tesla, after all, does not belong to the domain of social entrepreneurship. We all need transportation, but providing cleaner transport is not a sufficient condition for 'social entrepreneurship'. We do not really need a Tesla to live a meaningful and mobile human life in a sustainable world. In the remainder of this contribution I will argue that other criteria should be met as well to be able to qualify for social entrepreneurship.

An important element in this discussion is the enhancement of the capabilities of humans (and the societies they live

Tesla is innovative, it creates solutions that weren't available before, and it actively contributes to the transformation of the automobile sector to one that uses renewable energy sources.

in) to fulfil *basic human needs*. In our global society, there is certainly a need for transportation in order to get around and participate as fully functioning human beings. The question we then have to ask ourselves is: does Tesla contribute to the improvement of human capabilities to become 'rich human beings' or take away some of the societal barriers to experience such richness in a sustainable way? At face value, this may seem to be the case. There is, however, some doubt about the ability of the company to answer this question in the affirmative. Tesla is dependent, for instance, for the transformation of the car manufacturing industry on a finite – and therefore unsustainable – resource: lithium. If the world's car park – or for that matter just the European or US car park – would transform into one dominated by electric cars, lithium would immediately be in short supply [31]. Tesla, therefore, only

31 Tim Steinweg, The electric car battery, SOMO, Amsterdam, March 2011

provides a temporary solution, particularly if it would produce for a mass-market [32].

The examples make clear that simply being innovative and creating solutions to solve some of the world's biggest challenges is not enough to label a company as a 'social enterprise'. Acknowledging a business as a proponent and promotor of social entrepreneurship requires a contribution to (the capacities of individuals and communities for) improving the fulfilment of basic needs.

32 It is quite interesting in this respect, that Shell Netherlands CEO, Marjan van Loon, uses a hydrogen-powered car. See Teuws, R., "Marjan van Loon over leiderschap tijdens de energietransitie, Management Scope, nr.10, Nov. 2017


brownies

3 | A basic needs-based approach to social entrepreneurship

"Saying that a human need is basic, implies that its absence would deprive a human from a good, a service or a quality that is *essential* to life and the development of that life" [33]. This focus on basic human needs emerged in the mid 1970s to express what a full human life consists of [34]. Significant inequality across the globe during the 1960s, a myopic translation of human development in terms of GDP growth, and concerns about an unsustainable consumption of the world's scarce resources, triggered the discussion on basic or essential human needs at a policy level [35]. World Bank president Robert McNamara initiated a commission to work explicitly on basic needs [36], while the fulfilment of basic needs is a key reference point for the definition of sustainable development in the report *Our Common Future* of the World Commission on Environment and Development. The report defines 'sustainable development', as: "development that meets the needs of the

33 Feinberg, J., (1973), Social Philosophy, Prentice Hall, Englewood Cliffs, N.J. p.111

34 See Etzioni, A., (1987), "Entrepreneurship, adaptation, and legitimation: a macro-behavioral perspective", Journal of Economic Behavior and Organization, 8, 175–189; Rawls, J., (2006), A Theory of Justice, revised edition, Belknap, Cambridge, MA; McCloskey, H., (1976), "Human needs, rights and political values", American Philosophical Quarterly, Vol. 13, 1, 1-11; Gomes, O., (2011), "The hierarchy of human needs and their social valuation", International Journal of Social Economics, Vol. 38, 3, 237-259; Amartya Sen, 'Equality of What?', Tanner Lecture on human values, Stanford University, May 22, 1979; Braybrooke, D. *Meeting needs*, Princeton UP, Princeton, NJ.

35 See, for instance, Meadows, D., Meadows, D.L., Randers, J., Behrens, W., 1971. The Limits to Growth. Universe Books, New York; International Labour Organisation ILO, (1976), Employment, Growth and Basic Needs. A One-World Problem, New York, London; USAID Development Coordination Committee, (1979), Evolution of the Basic Needs Concept, March, Washington. See also Deneulin, S., Shahani, L., (2009), An Introduction to the Human Development and Capability Approach, London, Earthscan, ch. 3

36 Streeten, P., et al., (1981) First Things First: Meeting Basic Human Needs in Developing Countries, World Bank, Washington

"Saying that a human need is basic, implies that its absence would deprive a human from a good, a service or a quality that is *essential* to life and the development of that life."

present without compromising the ability of future generations to meet their own needs." [37] In other words, a sustainable development of our economy and society and of our life on this planet "requires *meeting the basic needs* of all and extending to all the opportunity to satisfy their aspirations for a better life" [38]. Basic human needs should be distinguished from preferences, desires or interests. Desiring a good or service does not mean that one fundamentally needs that particular good or service. As mentioned previously, I may desire a Tesla, that does not mean that I need one – even though we all need a clean environment to live a healthy and sustainable life. When basic needs are not fulfilled an individual – and the community one lives in – will be deprived of essential goods required to live and sustain a meaningful life. Basic needs, like a need for subsistence, protection, affection, understanding, participation, identity or freedom [39], have more of a mandatory nature. Without the capability of humans to fulfil these needs, life becomes a rather risky, nasty, and undignified affair [40].

In a discussion on equality and justice with American political philosopher John Rawls, Indian economist and philosopher Amartya Sen developed his 'capability approach'. At the core

37 World Commission on Environment and Development, (1987), *Our Common Future*, New York, p.54

38 ibidem, p.24. Sen (2009:251,252) suggested the following reformulating: "without compromising the capability of future generations to have similar – or more – freedoms'. I believe, however, that the commission's quoted clarification comes close to what Sen promotes as the more appropriate reformulation of the definition of sustainable development.

39 See Manfred Max-Neef, "Development and human needs", Paul Ekins & Manfred Max-Neef (eds.), 1992, in Real-Life Economics: Understanding Wealth Creation, Routledge, London, pp. 197-213. He distinguishes between needs and satisfiers and argues that food and shelter are not needs. They merely satisfy a fundamental need for subsistence.

40 According to Streeten, other issues emerged in the development discussion, like the role of women, the environment, political freedom and governance, human rights, corruption, leading to a demise of basic needs. The latter was regarded as too narrowly focused on commodity bundles delivered to people by the government, and it had to carry the ballast of past misinterpretations. See Streeten, P. (2003) 'Shifting fashions in development dialogue', in S. Fukuda-Parr and S. K. Kumar, Readings in Human Development, Delhi: Oxford University Press, pp. 72–75. The topic ultimately re-emerged in the work of Amartya Sen.

of Sen's approach, we find a deep concern for the (in)ability of vulnerable people to fulfil their basic needs and for the lack of capability to do something about it. He opposes Rawls' idea of 'primary goods'. These goods are an expression of "what persons need in their status as free and equal citizens, and as normal and fully cooperating members of society over a complete life" [41]. Primary goods, such as encompassing rights, liberties, income, wealth and the social bases for self-respect, provide people with the freedom to pursue their pluralist ends. Sen argues that the goods themselves should not be at the core of our attention. They are mere means to freely pursue one's own ends. It is what individuals can do with these goods [42] or "what these good things do to human beings" [43], that makes them relevant objects of human doing and being. Human development, therefore, is not primarily about the increase of consumable goods, like food, shelter or clothing – even though in some parts of the world there is a clear need for these goods. A focus that is limited to the provision of goods only leads to "consumer fetishism" [44]. What matters, is the extent to which people can (develop their capability to) freely fulfil their personal needs, including obtaining basic goods, and to realise this capability in day to day life [45]. Capability constitutes "spheres of freedom and choice" [46]. Despite this focus on opportunities for humans to influence their future lives, Sen is not blind to individuals who encounter limitations in achieving their ends, both internally

What matters, is the extent to which people can (develop their capability to) freely fulfil their personal needs

41 Rawls, J., (2006), A Theory of Justice, revised edition, Belknap, Cambridge MA, p. xiii
42 Amartya Sen. 1989. "Development as Capability Expansion," Journal of Development Planning 19: 47
43 Amartya Sen, 'Equality of What?', Tanner Lecture on human values, Stanford University, May 22, 1979, p.218
44 Sen (1989, p.47) argues that the "objects of value can scarcely be the holdings of commodities. Judged even as means, the usefulness of the commodity-perspective is severely compromised by the variability of the conversion of commodities into capabilities. For example, the requirement of food and of nutrients for the capability of being well-nourished may greatly vary from person to person depending on metabolic rates, body size, gender, pregnancy, age, climatic conditions, parasitic ailments and so on." Even though Sen may be right in principle, it is quite harsh to think of the poor and deprived needing nourishment as victims of 'consumer fetishism'. In cases of sincere deprivation, the provision of basic goods and services is a necessary condition for life as such – something that is acknowledged to a greater extent by Nussbaum.
45 Sen distinguishes between capability – the freedom of an individual to make choices about her or his present and future being and doing – and agency – the ability to pursue and realise goals that she or he (has reason to) value(s).
46 Martha Nussbaum, 2011, Creating Capabilities, Belknap Press of Harvard University Press, Cambridge, MA, p.25

and externally. These limitations are real. The major challenge of human development in our society, therefore, is to "broaden the limited lives into which the majority of human being are willy-nilly imprisoned by force of circumstances" [47].

Based on the work of Amartya Sen, American philosopher Martha Nussbaum developed her own account of the 'capabilities approach' [48]. She examines what constitutes a dignified life governed by justice for all and the basic human capabilities required for such life. "A central part of our own good, the good of each and every one of us," Nussbaum argues, "is to produce, and live in, a world that is morally decent, a world in which all human beings have what they need to live a life with human dignity." [49] To provide guidance to governments, but also to corporations, institutions and individuals, about the most pressing capabilities, she presents a list [50] of ten capabilities:

1. **Life**: the ability to live a human life of normal length
2. **Bodily health**: ability to have a good health, adequate nourishment and ditto shelter
3. **Bodily integrity**: to move freely from place to place and be secured against violent assaults
4. **Senses, Imagination and thought**: ability to think, reason and imagine, informed and cultivated by an adequate education
5. **Emotions**: ability to be attached to people and things, to love and grieve, and experience longing, gratitude, and anger
6. **Practical reason**: ability to conceive the good and engage in critical reflection about one's life
7. **Affiliation**: ability to engage in various forms of social interaction and having the social basis of self-respect
8. **Other species**: ability to live with concern for and in relation to animals, plants, and nature
9. **Play**: ability to play, laugh and enjoy

47 Amartya Sen. 1989. "Development as Capability Expansion," Journal of Development Planning 19:55

48 Her latest contribution to the discussion of central human capabilities can be found in: Martha Nussbaum, 2011, Creating Capabilities, Belknap Press of Harvard University Press, Cambridge, MA. See also, Martha Nussbaum, 2006, Frontiers of Justice, Cambridge: Belknap Press of Harvard University Press.

49 Nussbaum, M., 2003, 2nd Tanner Lecture, p.473 See https://tannerlectures.utah.edu/_documents/a-to-z/n/nussbaum_2003.pdf

50 Sen does not oppose Nussbaum's list as long as it is not seen as "the only route". See Sen, A. (1993) 'Capability and well-being', in M. Nussbaum and A. Sen (eds) The Quality of Life, Clarendon Press, Oxford. At the same time, as Domselaar argues, there are some epistemological concerns. The list cannot be warranted without knowing the context of its use. See: Domselaar, I., 2009, 'Nussbaum's Capabilities Approach: In Need of a Moral Epistemology?', Rechtsfilosofie & Rechtstheorie, Vol, 38/3, 186-201

10. **Control over one's environment:**
    - **Political**: ability to participate effectively in political choices that govern one's life, and
    - **Material**: ability to hold property, seek employment, work as human being exercising practical reason and engage in meaningful relations of mutual recognition with other workers.

Together, the ten capabilities form the bare minimum of what constitutes a dignified human life. In the domestic context of developed countries, the institutions are often present to provide individuals with the required minimum set of entitlements. In a global context, however, improving central human capabilities poses a major challenge. The world is in constant flux and institutions that function well at a national level, are often absent or dysfunctional at an international level. Despite the lack of overarching institutional arrangements and the difficult political, social and economic situation in which many countries find themselves, Nussbaum states, "[h]umanity is under a collective obligation to find ways of living and cooperating together so that all human beings have decent lives" [51].

Needs are not universal as they differ throughout time and space.

Enabling people to fulfil basic needs and develop core capabilities is not the same as granting them a right to universal primary goods, irrespective of national or cultural values, customs, standards, or preferences. Needs are not universal as they differ throughout time and space. They cannot, therefore, be claimed or upheld against rival claims, despite Nussbaum's insistence on the moral or political requirement to have individuals surpass the 'threshold level of capability' [52]. It is not until society, through its prevailing decision-making and governance structures, acknowledges the right to a specific fulfilment of a basic need or capability that individual entitlements come into existence [53]. Effectuation of the capabilities is, therefore, contingent on the current state and qualities of our governing institutions at a local, national and supra-national level [54]. Nussbaum's account of the capabilities approach is a political doctrine about a just society in which human beings are morally entitled, just by

51 Nussbaum, 2003, p.474
52 See Martha Nussbaum, 2006, p. 70 and 2011, p. 40
53 ibidem, p. 79 and 180
54 See: Domselaar, I., 2009, 'Nussbaum's Capabilities Approach', *Rechtsfilosofie & Rechtstheorie*, Vol, 38/3 p. 192

being human, to a basic "set of non-negotiable entitlements of all citizens" [55]. Societies should achieve a threshold level of each capability for every individual [56]. A failure by government to secure these entitlements results in a grave violation of basic justice [57]. If basic needs cannot be met, American economist Deirdre McCloskey argues, "society or the world should be reordered so far as possible, so that they are capable of being met" [58] – provided that greater goods are not thereby lost or jeopardised. This puts a substantial burden on society – including governments, corporations, and civil society organisations – to enable people to develop their capabilities and fulfil their autonomously defined basic needs [59]. To what concrete measures this should lead, differs from society to society.

Here, business can contribute to social entrepreneurship, as Seelos and Mair observe. They turned the fulfilment of basic needs into a hallmark of social entrepreneurship as it "creates new models for the provision of products and services directly to basic human needs that remain unsatisfied by current economic or social institutions" [60]. Businesses, aligning themselves with the social entrepreneurship agenda, have a unique opportunity to further the capabilities of their clients, their workforce and society, to fulfil basic needs. The question is: what contributions constitute a 'social entrepreneurial' response to the needs of individuals and their communities and is more than merely business as usual?

55 Nussbaum, 2003, p.448. In Frontiers of Justice (2006:71) she argues the capabilities approach is "only a partial and minimal account of justice". It does not address inequalities above the minimal threshold.

56 Sen does not provide a systemic answer on the valuation of the capabilities that make up a life in human dignity. Nussbaum (2011:28), on the contrary, pleads for a capabilities approach that is "evaluative and ethical from the start". She asks what human capabilities "are the really valuable ones, which are the ones that a minimally just society will endeavour to nurture and support".

57 Nussbaum, (2011) p.32,33, and 62, where she argues that her approach is "a species of a human rights approach".

58 McCloskey, H., (1976), "Human needs, rights and political values", American Philosophical Quarterly, Vol. 13/1, 1-11

59 See also Hill, M. T.: 2003, 'Development as Empowerment', Feminist Economics 9(2&3), 117–135.

60 Seelos, C., & Mair, J., (2005), "Social entrepreneurship: Creating new business models to serve the poor", *Business horizons*, 48(3), 243-244


PHILIPS

4 | When do we call entrepreneurial activities 'social'?

Social entrepreneurship, understood as the innovative use of business concepts and tools to create social, economic, or environmental outcomes for the benefit of society (or specific groups within society), is not a new phenomenon. It traces back to the roots of the corporation. Despite the omnipresent hardship in industry, as described by Karl Marx in *Capital*, history has shown some remarkable examples of social entrepreneurship in the early days of industrial development. Cornelius, et al., trace back the development of social entrepreneurship to the first worker cooperatives in the mid-nineteenth century in the UK [61]. The Rochdale Principles, that were set out in 1844, provided the framework on which many cooperatives have operated and still continue to operate. The design of a cooperative is based on the principles of autonomy of the organisation, voluntary membership, democratic member control, economic participation, education and information sharing, and a concern for the community [62]. The movement led to the emergence of cooperatives throughout Europe [63]. In the Netherlands, Jacques van Marken was a leading spirit. Even though he was an entrepreneur and not a leader of a cooperative movement, the founder of the Netherlands Yeast and Methylated Spirit Factory, was a social innovator using his business as a vehicle for societal change. Others include, inter alia, Jurgens en Van den Bergh, Philips, Stork, Van Heek, Fentener van Vlissingen, and the companies that grew out of them, like Unilever, DSM [64] and Philips Healthcare. As my colleague,

61 See Cornelius, et al., (2008), Corporate social responsibility and the Social Enterprise", *Journal of Business Ethics*, 81:355–370

62 https://www.rochdalepioneersmuseum.coop/about-us/the-rochdale-principles/

63 Obviously, a well-known example is provided by the Raiffeisen in Germany. Also, in Southern Europe cooperatives emerged. See, e.g., Duccie, G., et al., (2002) 'The Social Enterprise in Europe', *International Journal of Mental Health* 13(3), 76–91.

64 One of the current leaders in the field of corporate responsibility and sustainability – and also in the area of social entrepreneurship, I would argue, is DSM – a direct descendant of Van Marken's Yeast and Methylated Spirit Factory.

Keetie Sluyterman argues, these companies were far ahead of the curve. Their leaders, she continues, were seen as "social entrepreneurs" [65]. Now the question emerges: What makes a 'social entrepreneur' or, for that matter, 'social entrepreneurship' 'social'? Without clarity about what distinguishes social entrepreneurship from regular entrepreneurship, it will be difficult to determine the contribution of social entrepreneurship in improving the social and ecological aspects of production in value chains. Surprisingly enough, the literature remains rather indifferent, undetermined and opaque, when discussing the meaning of the term 'social'. Often, it is treated as "so patently obvious as to require no further explanation" [66]. Nicholls and Cho's remark makes sense that social entrepreneurship only has meaning insofar it can be distinguished from entrepreneurship that is not explicitly social [67].

Scholars that did address the meaning of the 'socialness' of entrepreneurship, mainly argue that the term refers to a desire to benefit society [68]. As mentioned previously, this is hardly helpful as many mainstream companies would instantly fall under this category. When focusing on "social entrepreneurship in general, with an initial focus on radical innovations of value chains to improve the social and ecological aspects of production" [69], I propose three dimensions to adequately demarcate my field of research. These dimensions find their inspiration in the work of Sen and Nussbaum [70]:

65 Sluyterman, K.E. (2012), "Corporate Social Responsibility of Dutch entrepreneurs in the 20th century", *Enterprise & Society*, 12, June 2012.

66 Cho, A., (2006), "Politics, Values and Social Entrepreneurship: A Critical Appraisal", in Mair, J., J. Robinson, & K. Hockerts (eds.), Social entrepreneurship. Basingstoke, UK: Palgrave Macmillan, 34-56

67 Nicholls, A., and Cho, A., (2006), "Social entrepreneurship: The structuration of a field", in Nicholls A., (ed.), Social entrepreneurship: New models of sustainable social change, Oxford, p.100

68 See footnote 12

69 Utrecht University School of Economics, Description of organisation and position of the chair, Utrecht, October 2015.

70 When I say that I am inspired by Sen and Nussbaum, I mean that their approach provides an adequate starting point to reflect on the fulfilment of the basic needs of individuals and communities. I diverge from Nussbaum's moral position on individual entitlements. Basic needs and capabilities are an important benchmark for businesses to calibrate their contributions to solving social and environmental challenges. Business has an opportunity to contribute without being obliged to do so. N.B. in the past, Cornelius, et al., also referred to the capability approach of Sen and Nussbaum to determine future directions of CSR research. Even though they touch upon the relationship between social entrepreneurship and the capability approach, they do not develop and operationalise their argument. See Cornelius, et al., (2008), Corporate social responsibility and the Social Enterprise", *Journal of Business Ethics*, 81:355–370

A. Contribution (to reinforcing the capabilities of humans and their communities) to the fulfilment of basic needs through designing, producing or distributing innovative products and/or services,
B. Demonstration of the positive and negative outcomes of business interventions [71] reinforcing the capabilities of individuals and communities to fulfil their needs (while contributing to the financial and operational sustainability of the company), and
C. Involvement of the (intended) beneficiaries of these outcomes [72] and other direct stakeholders in deciding on the adequacy of the organisation's activities and results.

What do these dimensions entail and how can we decide whether an organisation passes the test of the criteria and be called socially entrepreneurial?

A. Contribution to the fulfilment of basic needs and capabilities

Many businesses design, produce and distribute products and services that explicitly intend to improve human capabilities and fulfil their basic human needs – without necessarily using this vocabulary. I already referred to Tony's Chocolonely, that does not make a reference to basic human needs in its annual reports. Nevertheless, the company is clearly on a path to eradicate the worst forms of child labour, including hazardous work, in the entire cocoa value chain. The company offers a high-quality consumer product – constantly adding new flavours to attract new customers and please existing ones. These products are primarily intended to be vehicles for social change. Through its production and sales of chocolate, and its close cooperation with farmer cooperatives in Ghana and Ivory Coast, Tony's Chocolonely creates the conditions for the elimination of child labour. In addition, the company's foundation stimulates, inter alia, education of children. Tony's Chocolonely's ambition is to positively influence the policies, practices and activities of the big eight corporations in the

71 The assessment of the outputs and outcomes cannot be limited to a listing of the positive results that support the fulfilling of the basic need(s), but should include the negative effects as well.

72 Beneficiaries are all those aimed at to experience the (positive and negative) consequences of the entrepreneurial activities, products or services. For pragmatic reasons, I suggest to restrict the active involvement of beneficiaries to those who experience the direct consequences of these activities, products and services. I do recognise, however, that in case of collective goods, like a healthy and clean natural environment, beneficiaries have to be represented by, for instance, civil society organisation, academics and others that focus on our common, public benefit.

cocoa value chain, by running a successful business that abstains from any form of illegal child labour. It, therefore, is a good example of a company that provides decent work (SDG 8), stimulates education (SDG 4) and supports developing a human capability to 'work as a human being exercising practical reason and engage in meaningful relations of mutual recognition with other workers.'

Participation in our global society is often mediated through paid work [73]. Even though the largest part of the labour force is employed, several groups have difficulty in finding a job. One only has to think of refugees, elderly people, or the physically, mentally or socially impaired, to understand that these groups have difficulties in developing their capabilities and live a dignified human life. Increasingly, bakeries, restaurants, bike repair shops, print shops, or delivery services companies have been set up to offer work to, and coach, people who cannot participate. A recognised leader in this area is Greyston Bakery, providing job opportunities through the practice of 'open hiring'. That is, the company offers a job to "individuals who have been excluded from the mainstream workforce", without judging the applicants or asking any questions [74]. Nearly 200 women and men that were previously disadvantaged, for instance because they were incarcerated, have found a job at the company. Summarising the benefits of 'open hiring', Greyston argues that the system "provides people with the opportunity to experience the dignity of work and improve their lives and their community" [75].

Practice shows, however, that it is not always crystal clear whether an organisation's activities, goods or services, contribute to fulfilling basic needs and capabilities. Take the example of Linestanding.com, presented by Harvard professor Michael Sandel. The company delivers a line-standing service for those wanting to attend US Congressional hearings, their respective committees and the US Supreme Court. The company started its operations in 1985 based on a simple business model. When the US Congress, its committees or the Supreme Court hold a hearing most seats in the audience are available to the general public. This is done on a first-come, first serve basis. Lawyers, business reps, lobbyist and others may take an interest in attending, while not being able or prepared to stand in line. As the

73 Gough, I., (2004), "Human Well-Being and Social Structures", *Global Social Policy*, 4, 289-311
74 https://greyston.org/the-center-for-open-hiring/
75 ibidem

demand for seats is overwhelming, the line is usually long. To accommodate these professionals, Linestanding.com hires homeless people. They queue up and once the hearing starts, the professionals take over their place in line. The homeless often love the work they do. They are out on the streets anyway, while now getting paid for it. It brings Sandel to the following provisional conclusion:

"The homeless people who spend hours queuing up receive a payment that makes the waiting worth their while. Those who employ their services gain access to a Congressional hearing or a Supreme Court argument that they are eager to attend and willing to pay for. And the company that arranges the deal makes money too. All of the parties are better off, and no one is worse off." [76]

Upon further investigation, Sandel shows the case to be more complex and demanding. The employment opportunity for a few homeless people comes into conflict with the democratic tradition that allows all citizens equal access to the political process, including access to public hearings. Commercial line-standing also degrades democracy, Sandel argues, as it turns accessibility to the institutions of representative government into a commodity that can be traded on the market. This brings me to the second dimension to determine the meaning of the term 'social'.

B. Demonstration of outcomes that lead to fulfilment of basic needs and capabilities

As the example of Linestanding.com illustrates, social entrepreneurship requires more than a business that contributes to the provision of work and social relations. It is imperative to demonstrate that the job offer really increases the capability of the homeless to lead a meaningful life. Just as giving bread to the hungry does not result in the development of skills and qualities that allow them to feed themselves in the future, hiring homeless people for a few hours to stand in line, cannot be seen as an expression of capability development. What counts is "a minimal conception of social justice in terms of the realization of certain positive outcomes, what people are actually able to do and to be." [77] Nussbaum's focus on "outcome-orientedness" [78] requires an assessment of the improved ability of the homeless to obtain a regular income in the future. Applying this to the practice of social entrepreneurship it requires businesses to demonstrate the

76 Sandel, M., (2013), "Market Reasoning as Moral Reasoning", Journal of Economic Perspectives, 27, 4, Fall, 125
77 ibidem, p. 465
78 Nussbaum, M., 2003, and Second Tanner Lecture, p. 473.

"empirical credibility" of their initiatives [79]. As Ebrahim and Rangan argue, "organisations working on social problems, …, should be able to demonstrate results in solving societal problems" [80]. We cannot be too overoptimistic about the self-reporting of companies on the success of their entrepreneurial initiatives aimed at capability development and a contribution lifting the needs of the poor and the deprived. This means that *an interactive demonstration process* needs to be developed, resulting in a more comprehensive overview of both the positive and negative outcomes of socially entrepreneurial initiatives [81]. In the field of international aid and trade, Easterly argues, the poor do not always end up better off [82]. Direct foreign investments made into a country may, for instance, result in slowing down or even impairing public investments in primary goods like healthcare, education, poverty alleviation, energy access, sanitation, basic infrastructure, et cetera. Take the following example.

Bridge International Academies (BIA) is an acclaimed social enterprise providing private primary education to more than 120,000 children in Kenya and Uganda. Research commissioned by the company shows that its approach leads to a positive effect on acquiring knowledge and skills in English and math [83]. The children educated by BIA, outperform those at public schools. However, as Kenyan teachers trade unions demonstrated, BIA instructors do not have the right qualifications and classrooms are not adequately and safely equipped [84]. It is rather paradoxical that a social entrepreneur is successful in improving the educational results of children, while crowding out public education. BIA's initiative leads to a transition from public to private education, from teachers to mere instructors and from financing broad-based education to investing in instruction aiming at improving basic qualifications of pupils *and* making a profit. Ironically, the World Bank is one of the prime investors in Bridge International Academies

79 Hervieux, C., and A. Voltan, (2016), "Framing Social Problems in Social Entrepreneurship, Journal of Business Ethics, 7 July 2016 DOI 10.1007/s10551-016-3252-1

80 Ebrahim, A., and Rangan, K., (2014), "What Impact? A framework for measuring the scale and scope of social performance", California Management Review, Spring, 56, 3, 118-141

81 I certainly do not plead for the development of a formal SDG or capabilities audit or accounting process. That will only create a new and often expensive industry, of which it is highly uncertain that it will add value to the implementation of the SDGs and the improvement of individual and community capability development.

82 Easterly, W., (2003), "Can foreign aid buy growth?", *Journal of Economic Perspectives,* 17, 3 Summer, 23–48

83 http://www.bridgeinternationalacademies.com/results/academic/

84 https://www.equaltimes.org/teachers-unions-call-controversial?lang=en#.WJEtWLFx-CQ

and, as a consequence, one of the forces driving out public education. Is this result something we consider to be in the best interest of society? It brings me to the third dimension to determine the meaning of 'social' in social entrepreneurship.

C. Involvement of beneficiaries in deciding on the adequacy of activities and results

"If our world is to be a decent world in the future, we must acknowledge right now that we are citizens of one inter-dependent world, held together by mutual fellowship as well as the pursuit of mutual advantage, by compassion as well as self-interest, by a love of human dignity in all people, even when there is nothing we have to gain from cooperating with them." [85]

Despite our sharing one common world, society is fundamentally plural. Perceptions and valuations of basic needs vary, just as (the capabilities to have) access to goods and services to live a life in human dignity. It is fair to assume, though, that people share some aspirations, like longevity, good health, education, meaningful relations with others, income that minimally allows for subsistence, and opportunities for influencing political decision-making affecting their lives and their communities. According to Amartya Sen, providing basic goods and services "can be done on the basis of broad uniformity of personal preferences". But the idea of uniformity must be supplemented "by certain established conventions of relative importance". That means that, while recognising the principle of equal access to basic capabilities, national or local implementation must be "culture-dependent, especially in the weighting of different capabilities" [86]. Development can be seen as "an empowering process" [87] in which individuals are able, based on a wide set of freedoms and capabilities, to make informed choices about the fulfilment of basic needs. This means that the value of the fulfilment of a specific basic need does not rest on the general consensus in a society about the value of a certain good or service as a means to fulfil that need. Ultimately, Sen argues, *it rests on the individual being able to freely choose from the options that are available to her or him*.

It is here that business, operating in the domain of social entrepreneurship, can contribute to enlarging the set of opportunities of individuals – and the societies they live in – to fulfil their basic needs. An excellent example of this

85 Nussbaum, 2003, p.481
86 Amartya Sen, (1979), 'Equality of What?', Tanner Lecture on human values, Stanford University, May 22, p. 219
87 Amartya Sen, (2009), *The idea of justice*, Belknap Press of Harvard University Press, Cambridge, MA, p. 249

empowering development is the Community Life Center (CLC) concept developed by Philips. The healthcare company defines a CLC as a "community driven holistic platform for strengthening primary and community healthcare" [88]. At the core of the concept lies the idea of improving access to better primary healthcare – first and foremost in developing countries in Africa. The company takes a holistic view, by aiming to increase access to high-quality medical care, while also improving "the living conditions of the community and such factors as security, water, waste and lighting" [89] and creating jobs. In Kiambu County in Kenya, the center operates since 2014 and services 180.000 citizens. It has taught the company "that local ownership and responsibility are key prerequisites for enduring success" [90]. The CLC provides a good illustration of Sen and Nussbaum's insistence on improving the capability of individuals to determine their own future course of a life in human dignity. In collaboration with government in several African countries, Philips increases the set of opportunities of individuals for access to better health care. The option is not forced upon individuals and their communities. Philips simply provides an alternative to existing options and, therefore, enhances the capabilities of individuals to freely decide among alternative health care solutions.

The involvement of the local population, the government and other relevant stakeholders is also important for another reason. As the example of Bridge International Academies has shown, private schools can provide an alternative to educate children, if government or civil society are unable or unwilling to adequately address the need for local, high-quality, public education. But the case also led to a significant dilemma. What capability should get priority? Is it the provision of adequate instruction in English and math in primary education by a private company that delivers superior quality to the benefit of the children? Or is it the provision of meaningful work to the teachers in public schools, which enables them to compete with private schools. In November 2017 the Ministry of Education in Uganda decided to shut down the initiative that was backed by prominent investors like the Gates and Zuckerberg foundations and the World Bank. Involving the intended beneficiaries and other direct stakeholders in an early stage, could potentially have prevented the closure. Alfred Cho rightfully calls for

88 https://www.philips.com/a-w/about/sustainability/healthy-people/supporting-communities/fabric-of-africa/programs/philips-community-life-project.html
89 ibidem, brochure "The Community Life Center"
90 ibidem, brochure "The Community Life Center"

"critical evaluation" of the operations of well-intending social entrepreneurs [91] by including the perspective of other direct stakeholders.

To know whether entrepreneurial activities and solutions work in the interest of the individuals and their communities, they deserve to be heard – either directly or via a representative. A procedural theory is required, specifying the rules and practices for "effective debate and decisions on identifying needs and satisfiers in specific contexts" [92]. Legitimate decision-making is determined by the processes that are "communally and relationally constituted", rather than derived from "private sense making" [93] alone. As Nussbaum and Sen argued, involvement of those concerned invokes mutual learning and helps to understand what people really want [94]. Organisational research recently pointed in the direction of strategies to reinforce "downward accountability". Particularly in cases where beneficiaries have no 'exit' option, it becomes important to understand their needs and the ways in which these are met. The ability to voice needs, concerns and ideas can be facilitated through beneficiary feedback mechanisms, social media platforms, or complaints mechanisms [95]. A minimum requirement appears to be the acknowledgement of the principle of consent.

Legitimate decision-making is determined by the processes that are "communally and relationally constituted", rather than derived from "private sense making".

A dynamic concept

Bridge International Academies shows, that being part of the domain of 'social entrepreneurship' does not only depend on a company's policies, practices and activities. It is also influenced

91 Cho, A., (2006), "Politics, Values and Social Entrepreneurship: A Critical Appraisal", in Mair, J., J. Robinson, & K. Hockerts (eds.), Social entrepreneurship. Basingstoke, UK: Palgrave Macmillan, p.51. I would argue, that this evaluation should include the operations of the ministry of education, public school boards, and teachers and their unions as well.

92 Gough, I., 2004, p. 294

93 Parkinson, C, and C. Howorth, (2008), "The language of social entrepreneurs", *Entrepreneurship and Regional Development*, 20, May, p. 288

94 Nussbaum, M., and Sen, A., (1989), "Internal Criticism and Indian Rationalist Traditions", in M. Krausz (ed.), *Relativism, Interpretation and Confrontation*, 299–325. University of Notre Dame

95 Ebrahim, A., et al., (2014), "The governance of social enterprises", *Research in Organizational Behavior*, 34, p. 81–100

by developments in the political, economic and social context of a business, turning 'social entrepreneurship' into a dynamic concept. An organisation can lose its 'social entrepreneurship' status because of market adaptations. When German and US car manufacturers introduced their models at the start of the 20th century, this heralded a new technological age. At the same time, the introduction solved a substantial social and environmental problem. At the end of the 19th century cities like New York and London were flooded with horse manure. In New York more than 100.000 horses produced between 15 and 35 pounds of manure each per day [96]. For that reason, the city celebrated the introduction of automobiles [97] as an environmentally friendly alternative to horse-drawn carriages and busses, thereby making this type of transportation redundant and solving the horse manure crisis. One hundred years later, the use of cars – once considered a social innovation – contributes to a global environmental crisis.

In our present day, we see a gradual change in the appreciation of several high-tech innovations to promote social progress.

Airbnb has turned into a social plague.

Computers, cell phones, Skype, Whatsapp, Airbnb, or other tech-applications increase the capabilities of individuals and communities, facilitating access to a wider universe and reducing potential isolation. They allow everyone of us to connect to others in our networks and to the outside world. At the same time, technology creates several social challenges. Airbnb is an example of that trend. Initially providing a very basic B&B service for the low end of the market, Airbnb has turned into a social plague. As a result, it faces severe business restrictions in cities like Barcelona, Berlin and Amsterdam.
In addition, high–tech applications and devices are seen as intruding our personal space and privacy, allowing 'big brothers' to constantly follow our steps. What once was a 'social' innovation, has become business as usual as a result of wide-scale market adoption and the emergence of some downsides to technological development – or even worse.

96 See Burrows E. and M. Wallace (1999), *Gotham: A History of New York City to 1898,* New York: Oxford University Press

97 With only 8.000 cars being sold in the US in 1900, 12 years later the number had increased to nearly 1.000.000 cars per annum. (See https://www.fhwa.dot.gov/ohim/summary95/mv200.pdf – FHWA is the US Federal Highway Administration – part of the US Department of Transportation.) The latest statistics show that year-end 2016 nearly 268 million vehicles were registered (https://www.fhwa.dot.gov/policyinformation/statistics/2016/mv1.cfm), leading to what now is a CO_2-crisis.

Conclusion

Where has this analysis of the meaning of the term 'social' brought us so far? I argued that the meaning of the 'socialness' of 'social entrepreneurship' has been ill-researched. The adjective 'social' has been poorly defined – for instance, by referring to societal benefits – or not defined at all. I suggest an alternative account of 'socialness', based on three dimensions of the social entrepreneurship screen presented earlier in this contribution. Meeting the criteria is a necessary condition to qualify for 'social' entrepreneurship and determine who is in and who is out. Companies that do not contribute to the (increase of) individual or community capabilities to fulfil basic human needs, through the design, production or distribution of products and services, do not qualify. These companies may be 'responsible', 'ethical', 'sustainable', 'circular', or 'organic', but they do not belong to the 'social entrepreneurship universe' as defined by this approach. I referred to NS as a responsible and sustainable company, but not one that belongs to the domain of social entrepreneurship.

We can now also conclude that Tesla's activities do not qualify as 'social entrepreneurship' – at least not yet. That may come as a surprise, since Tesla's development, production and distribution of small, large and very large energy storage devices are a major achievement and contribution to the global energy transformation. Tesla's batteries allow individuals and communities to increase their access to energy and their freedoms to live a more developed human life. The other dimensions – demonstration of outcomes and involvement of stakeholders – are not met, or only to a limited extent.

As Milton Friedman once pointed out, it would be a great mistake "to judge policies and programs by their intentions rather than their results" [98]. At present, Tesla offers only limited proof. It does not disclose its social and environmental performance, nor the societal benefits of its activities. The company only publishes production and sales figures. These do provide an indication of Tesla's contribution to the energy transformation but cannot replace a full-fledged account of the company's societal costs and benefits [99]. The same counts for the lack of active engagement with stakeholders. Taken together, it means that Tesla may become a social enterprise in the future but at the moment it does not qualify.

98 Milton Friedman in *The Open Mind*, a broadcasted conversation with Richard D. Heffner, 7 December 1975

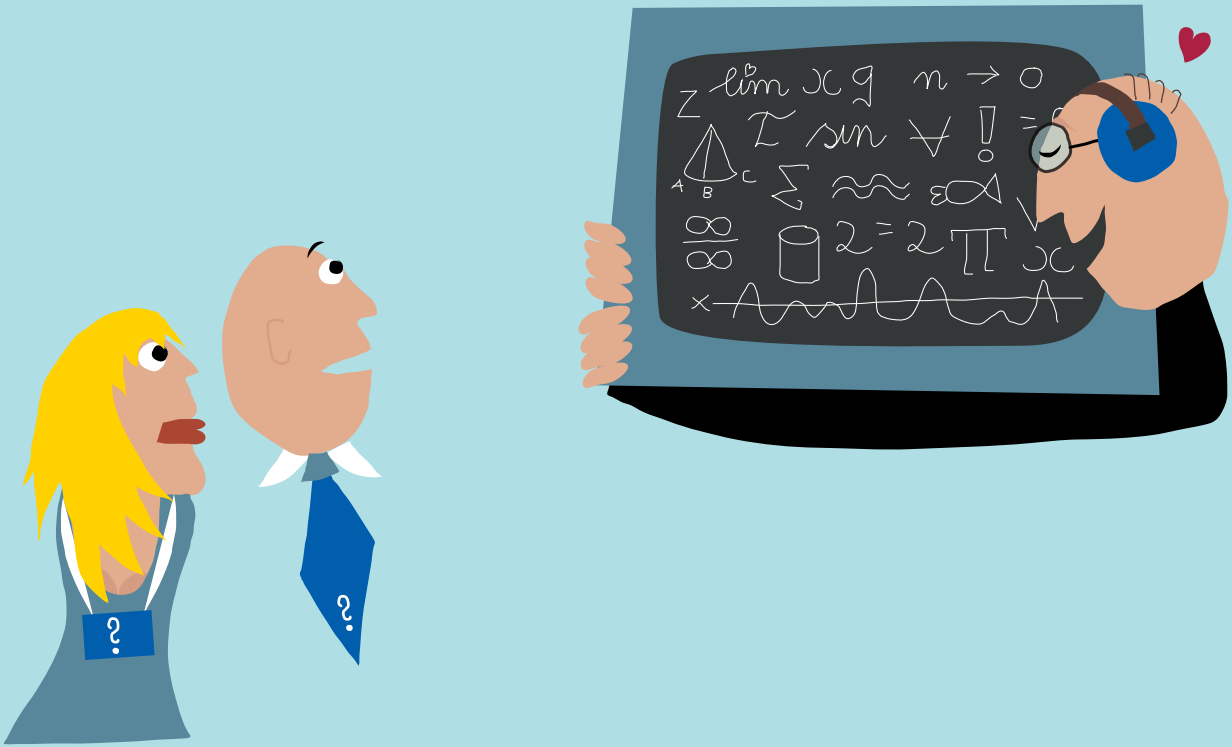
99 As microfinance showed in the last decade, its growth was phenomenal. This rapid market growth had significant repercussions for the quality of products and processes offered, and for the (negative) outcomes for micro-entrepreneurs.

Further research

1. This part asked some fundamental challenges about the concept, and more in particular the 'socialness' of 'social entrepreneurship'. Further research is required into the practice of 'social entrepreneurship'. This calls for, i.e., case-study research to analyse an enterprise's 'social' character. Deep dives on Tesla, Tony's Chocolonely, Greyston Bakeries, Philips, DSM or Unilever, to mention a few, on how they improve the capabilities of their target groups, are relevant. Surveys and research on secondary data provide additional avenues to highlight what companies do to develop these capabilities. By analysing the characteristics and predispositions of organisations – as well as the actual results of their activities – we contribute to further insights in improving human development and the achievement of social and environmental change in value chains.
2. Research is needed to determine what constitutes an adequate and sufficient approach to the demonstration of outcomes – as well as the role of the beneficiaries in deciding on the success of the intervention. It is not likely that current, output-driven demonstrations suffice to be convincing.
3. In addition, research is needed to determine the boundaries of 'socialness'. Is it possible to provide more detail on the location of the 'red line' that demarcates companies who belong to the domain of social entrepreneurship and those that do not.
4. Fourthly, it is worthwhile studying the interaction between the upper and lower part of the hexagon. To what extent does the promotion of the capabilities, its demonstration and involvement of the beneficiaries, influence the opportunities for innovation, scale and financial sustainability? Ex ante research – i.e. before investments are made – into the opportunities and barriers of innovative, scalable and successful business ventures, is important.

All research streams help to improve our understanding of the potential role of social entrepreneurship in tackling some of the largest social and environmental challenges of our times.

In the second part of this contribution, the focus will shift to the entrepreneurial dimensions at the bottom half of the social entrepreneurship screen.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5 | The entrepreneurial dimensions

Having clarified the meaning of the 'socialness' of entrepreneurship the question arises what social entrepreneurship requires to help solve our society's major challenges from an entrepreneurial point of view. The motivation for this research comes from the desire to improve the capabilities and the living and working conditions of individuals and communities in the global South. It is our task to study global social and environmental challenges and, therefore, target international value chains. This means that our focus will be on social entrepreneurship initiatives at a national and international, rather than a local level – even though the research may provide relevant insights for local social entrepreneurship as well. Special attention will be given to the SDGs.

We start with the assumption that societal problems, like the eradication of child labour, can be solved and business can contribute to a successful transition toward an inclusive, just and sustainable society. Only a century ago, child labour as we define it today, was a serious issue in Europe. Coinciding efforts by civil society organisations, forward-looking politicians and progressive business leaders, eventually led to the eradication of child labour for most parts of the OECD countries – while remaining an issue in other parts of the world. Other challenges, like climate change, the plastic soup, desertification, or access to renewable energy, emerged more recently and have not been dealt with adequately so far. If we want to positively influence the lives of millions – and sometimes even billions – and enable them to fulfil their basic needs and create a more sustainable world through the achievement of the SDGs, three dimensions appear to be material: innovation, scaling and financial sustainability.

Radical innovations of value chains and exponential scaling of the positive outcomes, are a sine qua non. "Scaling of social impact is essential for reducing social and societal problems." [100] It is simply inconceivable to reduce the environmental pressure on land, water and air, or to alleviate poverty and provide more

100 Weber, C. et al., (2015), *Scaling Social Impact in Europe*, Bertelsmann Foundation, Berlin, p.60

opportunities to individuals and communities to access primary education, primary healthcare, water and sanitation, adequate shelter, renewable energy, or a job that pays a living wage, without major breakthroughs in innovation and scale. To attract the resources for change at an international level, financial sustainability of social entrepreneurship is a necessary condition as well. As the United Nations pointed out in its resolution on the adoption of the Sustainable Development Goals (SDGs), the implementation of the goals can only be successful with the support of the private sector. Without the drive, resources, and leadership of business and investors, the objectives will not be met. To implement and achieve the goals and the underlying targets, investments are needed of 6 to 7 trillion US dollars per annum [101]. Since mainstream businesses and investors will only step in if they can align their contribution to the SDGs with their fiduciary responsibility towards their stakeholders, including their shareholders, this means that long-term financial sustainability is a mandatory condition for change. Taken together, this means that social entrepreneurship, as conceived of in this contribution, entails a screening on six dimensions, as explained previously. In this second part, I will highlight the hexagon's bottom half, focusing on innovation, scaling and financial sustainability.

As the United Nations pointed out in its resolution on the adoption of the Sustainable Development Goals (SDGs), the implementation of the goals can only be successful with the support of the private sector.

D. The relevance and meaning of innovation

Innovation is a means to an end. It is not an end in itself. That is the core message conveyed in Seelos and Mair's *Innovation and scaling for impact*. Both innovation and scale do not generate impact in themselves. They only generate the potential or 'capability' to make better decisions about providing "disadvantaged people and communities with solutions for their fundamental problems and to create fruitful spaces for development" [102]. If the objective is to resolve these fundamental problems, new frameworks, ideas, products, and services, are indispensable for human development – despite the uncertainty that coincides with their implementation. It is precisely "the process by which an idea that is new to

101 UNCTAD, (2014), World Investment Report. Investing in the SDGs: an action plan, Geneva
102 Seelos, C., and Mair, J., (2017), *Innovation and Scaling for Impact,* Stanford Business Books, Stanford, CA, p.3

an organization gives rise to a new set of activities" [103], that constitutes the dynamics of business, resulting in attempts to tackle societal and planetary challenges. Seelos and Mair portray "innovation as an organisational process" [104], taking different types of innovation together, such as operational, technical, business model, and product innovation. All innovations face different degrees of uncertainty [105]. What, therefore, determines the value of an 'innovation' in a context of social entrepreneurship is the impact [106] on "the people and communities that an organisation serves" [107].

In light of the magnitude of the social and environmental challenges to create human development and to allow individuals and communities to live, think, interact, work, and be informed, innovation needs to be radical, rather than incremental – both at a national and international level. According to economist Kenneth Arrow, the distinction between radical and incremental change is based on greater uncertainty about whether the solution can be produced, how it can be produced and if there is sufficient demand for the solution [108]. The current level of CO2-emissions is just one example of a major challenge in need of radical ideas to restore the coping mechanisms of our planet and reinforce policies, practices and actions to keep rising temperatures well below the threshold of 2 degrees Celsius. On a related topic, the World Economic Forum reports limited access to (renewable) energy in developing countries, most notably in Africa. In 2017, less than forty percent of the population of Africa had access to energy – whereas

103 Seelos, C., and Mair, J., (2012), *What Determines the Capacity for Continuous Innovation in Social Sector Organizations?*, Rockefeller Foundation Report, Stanford Center on Philanthropy and Civil Society, Stanford, CA.: Stanford University

104 Seelos, C., and Mair, J., (2017). The focus on organisations is productive as part of the research focus of this chair on 'value chains' – which by definition requires attention for the interaction between organisations.

105 Seelos and Mair, 2017:24

106 This focus on impact is very much in line with the focus in the approach to social entrepreneurship suggested in this contribution – although I prefer the term 'outcomes' instead of 'impact'. The latter, as Seelos and Mair (2017:17) admit, belongs to the ranks of the buzz words.

107 Seelos and Mair, 2017:21. Just like the concept of social entrepreneurship, the term 'innovation' has characteristics of a buzz word, easily resulting in what the authors call an 'illusion of understanding'. When asking social enterprises about the meaning of innovation they got "a bewildering range of definitions, assumptions, and expectations" (ibidem, p.18)

108 Arrow, K. (1962). "Economic Welfare and the Allocation of Resources for Invention." *In* Nelson, R.R., ed., The Rate and Direction of Inventive Activity. Princeton: Princeton University Press, pp. 609–626

the supply of the energy that was consumed was not reliable, affordable, or sustainable [109]. Human advancement and participation in our society and economy becomes increasingly problematic without proper access to (renewable) energy. It leads the UN, governments, and multilateral organisations to urge business to contribute to transformative change in national and international value chains [110]. This also counts for some other areas for which the collaborating international community has defined ambitious goals and targets.

Pleading for radical innovation is not the same as calling on large corporates to develop solutions that (increase the capabilities of individuals and communities to) eradicate poverty, improve access to high-quality education and primary healthcare, provide adequate shelter, renewable energy and water, or reduce the pressure on climate, oceans and earth. Small and large firms are drivers of (radical) innovation [111], although, most breakthrough innovations come from large organisations. Kodak developed of the digital camera, Nokia brought the first cell phone to the market, and the introduction of the iPhone speaks for itself [112]. Corporations engage in, what Christensen has called, "sustaining innovation", by improving its offering to incumbent clientele, as a way to consolidate their leading market position [113]. They have the financial and operational resources to induce and implement systemic innovation. Also, Aldridge

Small and large firms are drivers of (radical) innovation, although, most breakthrough innovations come from large organisations.

109 WEF, Shaping the Future of Energy System Initiative, https://www.weforum.org/projects/energy-access-africa

110 The problem with radical innovation is, as Aldridge and Audretsch have argued, that its radical character can only be identified ex post. No organisation or manager can start a working day by telling staff, clients or other stakeholders, that it is nice day for radical innovation. See Aldridge, T., and D. Audretsch, (2008), 'Review of Radical Innovation in Small and Large Firms', *International Journal of Entrepreneurship Education*, 6(4), 241-254

111 See Aldridge, T., and D. Audretsch, (2008), p.22, 24. In the US small firms have a higher share in radical innovations in consumer durables and office products, while in Non-US countries large firms have a stronger position.

112 See Aldridge, T., and D. Audretsch, (2008), p.8

113 Christensen, 2016:5 He argues that if corporations focus on innovation, they have a tendency towards "up-market" innovations instead of "down-market innovations in lower value projects" (p.27) Rewards structures often induces executives to promote and invest in innovations that have a tendency to stimulate growth and revenues in the short run rather than on the long term.

and Audretsch argue [114], R&D is found to be positively correlated with firm size. Finally, large corporations have advantages if technology plays a major role in the process of development [115].

In several instances, multinationals were able to withstand the emerging competition from external innovators by creating "a structurally differentiated venture from the outset" [116]. In several high-tech industries, leading incumbents maintained their position by setting up a new business unit with sufficient freedom to pursue a disruptive opportunity.

This might be different, Christensen argues, in case of "new market disruption" [117]. A new market disruption is characterised by accessing customers that have not used existing product or service offerings, as these were not available to them previously. The disruptive entrants target customers who would otherwise go without the product or service. Having captured the forgotten customer part of the market, they gradually move on to penetrate the mainstream market. A great example of a "new market disruption" is microfinance.

The core paradigm of microfinance is to include individuals and communities that have no or only very limited access to financial services in the processes of economic and social development. Ever since BRAC and Grameen Bank started their initiatives in the nineteen seventies, microfinance soared and became an industry. At present, more than 1000 financial institutions serve some 120mn clients with a total gross loan portfolio of approximately USD 100 billion [118]. Particularly interesting in this respect is the example of ACLEDA Bank in Cambodia. It is the country's largest bank, with more than USD 4.5 billion in assets and a loan portfolio approaching USD

114 See Aldridge, T., and D. Audretsch, (2008), p.13

115 What might be a disadvantage is that investments in innovations may seem unattractive to large incumbents, as the innovation may cannibalise the existing portfolio of products and services, or their profit margins. See Christensen, C., et al., (2016) *Disruptive Innovation: Intellectual History and Future Paths*, Harvard Business School, Working Paper 17-057; and Markman, G., Waldron, T. (2014). 'Small Entrants and Large Incumbents: A Framework for Micro Entry. *Academy of Management Perspectives,* 28, 179-197. At the same time, if the innovation is seen as a threat, the changes of innovation adoption is larger than when it is viewed as a mere opportunity (See Christensen, et al., 2016:6). The role of management is crucial in this development. When an innovation is 'competence destroying' and requires the development of new capabilities, established firms are more likely to fail. See Tripsas, M. & Gavetti, G. (2000). "Capabilities, Cognition, and Inertia", *Strategic Management Journal,* 21, 1147-1161

116 Gilbert, C., "Unbundling the structure of inertia", *Academy of Management Journal*, 2005, Vol. 48, No. 5, 741–763

117 Christensen, C., et al., 2016:7,8

118 MIX Market, (2016), *Global outreach and financial performance benchmark report 2015*, Washington, D.C.

3 billion [119], and a tremendous success for an organisation that started as a microfinance institution. Bank Rakyat Indonesia (BRI) is another remarkable example of a bank that successfully serves a previously forgotten segment of the market. With more than 30 million clients and USD 40 billion in assets on its balance sheet its dedication to microfinance and SME finance has turned it into the second largest bank in Indonesia [120].

The movement that was started by BRAC and Grameen has gradually turned into a professional industry. It demonstrates that grassroots initiatives can result in new market disruptions – although the maturing of the microfinance market took several decades. Slightly contradicting Christensen's observations, we increasingly witness disruptions being initiated by large corporations, as we can see in the case of M-Pesa. The mobile money service was introduced in Kenya in 2007 and served in its early days mainly Kenyans without access to a formal bank account. Using a network of agents, subscribers were empowered to send money throughout Kenya for a small fee. Currently, an estimated 30 million Kenyans have subscribed to mobile money services, a market penetration of nearly 90 percent. Eighty percent of that market is dominated by M-Pesa – using some 150.000 agents for transactions with an estimated annual monetary value of USD 12.5 billion. Ergo, in as little as 10 years time, mobile money has revolutionised the market for financial transactions in the country [121]. What is remarkable about M-Pesa is that it was introduced by the leading telecommunication provider in the country: Vodafone's Safaricom. According to Christensen, large corporations have a tendency to overlook the needs of forgotten customers. They focus on the most profitable segments of the market although, at times, corporations are receptive to poor and forgotten clients. The successful introduction of small portions of Wheel,

At times, corporations are receptive to poor and forgotten clients.

119 https://www.acledabank.com.kh/kh/eng/bp_annualreport

120 Both banks aim to include financially deprived entrepreneurs. They gradually shifted from targeting micro-entrepreneurs only to a broad portfolio of micro, small and medium-sized entrepreneurs. This trend is reinforced by asset managers and asset owners, including e.g. Triodos IM, and ACTIAM teaming up with Dutch Development Bank, FMO. The latter partners developed the SME Finance Fund, lending out some USD 155mn to 36 financial institutions in 23 developing countries. Since the start of the fund more than 4000 SMEs have received a financial loan through the fund's operations.

121 Communications Authority of Kenya, *First quarter sector statistics report for the financial year 2017/2018*, p.13

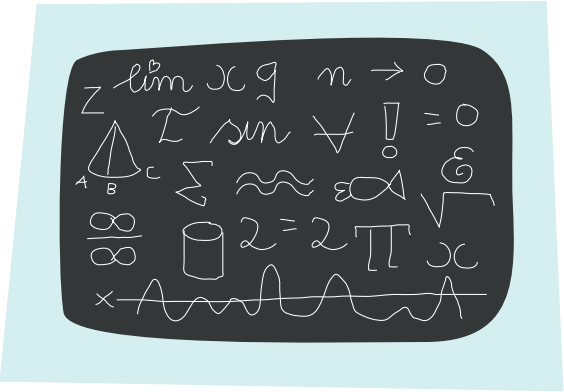
a detergent produced and sold by Unilever daughter, Hindustan Lever, is a case in point [122]. Also, the example of the Community Life Centres of Philips, demonstrate the ability of corporations to adequately detect and respond to the needs of deprived individuals and communities. As the example of M-Pesa as a corporation-induced innovation demonstrates, the time to penetrate the mainstream consumer market in Kenya was just a fraction compared to microfinance. Therefore, there is reason to emphasise the role of corporations in engaging in and promoting innovations aimed at serving individuals and communities to (improve their capabilities to) fulfil their basic needs.

Apart from radical change that occurs as a direct result of a new market disruption, change may also come from incumbents getting inspired by new market introductions elsewhere. Hockerts and Wüstenhagen analyse the greening of corporations as a result of radical innovations by new entrants in the market. They demonstrate the relevance of what we could describe as *social entrepreneurship induced changes* for the greening of certain product markets. Following the introduction of the fair-trade movement, multinationals did not copy-paste the innovation, but created their own initiatives. They embraced the Rainforest Alliance or Utz Certified labels [123] in order to stay away from the strict requirements of the Fairtrade Labelling Organisation (FLO) in terms of minimum price, premiums, pre-financing, or long-term contracts. Both movements in the markets – innovation and (adaptive) adoption – are important and create a process of "co-evolution". This process describes "the simultaneous evolution of species who mutually depend on each other" [124] As the authors argue:

"this clearly contributes positively to the sustainability transformation of an industry, because it improves access to products of higher social and environmental quality to a wider part of the market and is likely to reduce other sustainability impacts through process innovation along the way." [125]

Co-evolution can be seen as a loose form of *blended value creation* [126], bringing actors together that differ in their interests, potential contributions, and desired outcomes.

122 See Prahalad, C K (2004), *Fortune at the bottom of the pyramid*, Upper Saddle River, NJ: Prentice Hall.
123 Recently, both organisations merged to improve their efficacy and efficiency.
124 Hockerts, K., & Wüstenhagen, R. (2010), Greening Goliaths versus emerging Davids— Theorizing about the role of incumbents and new entrants in sustainable entrepreneurship. *Journal of Business Venturing*, 25(5), p. 488
125 Hockerts, K., & Wüstenhagen, R. (2010), p. 489
126 Emerson, J., (2003), "The blended value proposition: Integrating social and financial returns", *California Management Review,* 45(4): 35–51



Tighter forms of blended value creation, like the collaboration between corporations or investors with different objectives and risk-return profiles, to bring about a desired change increasingly emerge. Good examples of blended value approaches are provided by Climate Investor One [127] – a private sector initiative by FMO and Phoenix Infraworks – or the Tropical Landscape Finance Facility [128] – a public-private partnership.

127 http://climateinvestorone.com./nl/
128 https://tlffindonesia.org

Further research

Given the focus on social entrepreneurship's contribution to the large social and environment challenges of our times (and the relatively limited timespan in which change has to take place), future research should be directed towards potential market disruptors. Systematic comparison of bottom-up and top-down social and environmental 'new market disruptions' can help to increase our understanding of the role social entrepreneurship can take in creating the desired change. Furthermore, insight is needed in the sometimes dialectic processes of influencing market behaviour of new entrants and incumbents aimed at creating positive societal outcomes.

Based on the commitments of corporations and investors to contribute to the implementation of the SDGs, research can be directed toward 'need gaps' and the ways in which corporates and financial actors can contribute to closing the gaps. More in particular, and in line with Hockerts and Wüstenhagen, additional research is needed regarding blended value creation (including a focus on blended finance propositions) and co-evolution to overcome financial, operational and other barriers for change.

E. Scaling

Innovation focuses on transforming the entrepreneurial landscape to design, produce and distribute new products and services that enable people better to fulfil their basic needs. Scaling, on the other hand, is about doing more of what was successful in the past. Former US President, Bill Clinton, once remarked when reviewing school reform initiatives that "[n]early every problem has been solved by someone, somewhere." Unfortunately, we never manage to replicate the solutions elsewhere [129]. In areas like school reform, but also with regard to many other domestic social or environmental issues, replication may be an appropriate strategy to scale successful innovations [130]. As eminent social entrepreneurship scholar, Gregory Dees, however, observed: "We have learned to create the small exceptions that can change the lives of hundreds. But we have not learned how to make the exceptions the rule to change the lives of millions." [131]

Scaling generates "a stream of improvements and expansions of current activities, products and services", which, following the right "impact-creation logic", leads to greater positive impact. The focus on scaling provides the 'raison d'être' of innovation. Without the potential to scale, the benefits of a social innovation will remain limited. Or, as Seelos and Mair, put it more forcefully, "if you cannot scale, don't innovate" [132]. This is all the more relevant when dealing with issues of poverty, restricted access to products and services fulfilling people's basic needs, and building adequate capabilities. After *Our Common Future*, the UN report of the World Commission on Environment and

Our Common Future, the UN report of the World Commission on Environment and Development, we now have to implement *the world's common agenda for human development and sustainability* as expressed in the Sustainable Development Goals.

129 Bradach, J, (2003), "Going to Scale: The Challenge of Replicating Social Programs," *Stanford Social Innovation Review* 1, no.1

130 See Bradach, 2003; Winter, S. G., & Szulanski, G. 2001, "Replication as strategy". *Organization Science,* 12: 730- 743; Bloom, P. and E. Skloot, (2010), *Scaling Social Impact*, Palgrave, New York; Seelos, C., and Mair, J., (2017), *Innovation and Scaling for Impact,* Stanford Business Books, Stanford, CA, p.3

131 See Dees, J. G., Anderson, B. B. and Wei-Skillern, J., 2004. Scaling Social Impact: Strategies for spreading social innovations. Stanford Social Innovation Review, Spring, pp. 24-32. The quote is attributed to Lisbeth Schorr.

132 Seelos and Mair, 2017:185

Development [133], we now have to implement *the world's common agenda for human development and sustainability* as expressed in the Sustainable Development Goals. To implement and achieve the objectives, scale is absolutely a necessary condition. The scaling of positive outcomes of social entrepreneurship is widely discussed in the academic literature [134]. Several strategies have been suggested to increase the spreading of positive outcomes beyond the intervening organisation and the communities it operates in. Dees, et al., for instance, distinguish between dissemination, affiliation and branching. While dissemination deals with the transfer of knowledge and support to agents outside of the organisation, incentivising them to adopt and replicate the intervention, affiliation is more about developing formal relationships, based on specific agreements to co-create an identifiable network aimed at spreading the outcomes. Branching, finally, is about the creation of local sites through the logic of replication by a large organisation. This strategy resembles the franchise model applied in the corporate world [135].

Scholars unanimously argue that scaling is not about designing organisational growth. What matters, is the promotion and facilitation of increased or improved positive benefits for deprived individuals and communities. As a result, most academic studies focus on (the conditions for [136]) improving and increasing impact within social enterprises or between social enterprises and others operating in their environment [137]. Their networks mainly consist of grassroots organisations, government organisations and community development or civil society organisations. Limited mentioning

133 World Commission on Environment and Development, (1987), *Our Common Future*, New York, p.54

134 See Bradach, J, (2003), "Going to Scale: The Challenge of Replicating Social Programs," *Stanford Social Innovation Review* 1, no.1; Dees, J., et al., (2004), "Scaling Social Impact: Strategies for spreading social innovations", *Stanford Social Innovation Review*, Spring, pp. 24-32; Bloom, P. and E. Skloot, (2010), *Scaling Social Impact*, Palgrave, New York; Lyon, F. and Fernandez, H., (2012), *Scaling up social enterprise: strategies taken from early years providers*, Third Sector Research Centre, Working Paper 79; Clark, C., et al., (2012), *Scaling social impact: a literature toolkit for funders. Social Impact Exchange*, Growth Philanthropy Network and Duke University; World Economic Forum and the Schwab Foundation (2013), *Breaking the Binary: Policy Guide to Scaling Social Innovation*, Geneva; Davies, A., and Simon, J., (2013), p.3; Weber, C. et al., (2015), *Scaling Social Impact in Europe*, Bertelsmann Foundation, Berlin; Seelos, C., and Mair, J., (2017), *Innovation and Scaling for Impact,* Stanford Business Books, Stanford, CA

135 Dees, J., et al., (2004); see also Lyon, F. and Fernandez, H., (2012) and Winter, S., and Szulanski, G., (2001)

136 See World Economic Forum and the Schwab Foundation (2013), focusing on the role of public policy and government action.

137 Bloom, P., Dees, G., 2008, "Cultivate your Ecosystem", *Stanford Social Innovation Review*, Winter, p.46-53. Bloom and Dees argue that scaling requires an ecosystem approach, based on a stakeholder mapping exercise and an ecosystem practices model.

is made of a collaboration between the social entrepreneurial sector and corporations or mainstream investors to enhance a J-curve like growth of the positive outcomes [138]. So, how does one create positive outcomes for an ever-widening community? Dees et al., provide an interesting set of criteria to organisations in determining the path to fostering growth. In order to evaluate the desirability of pursuing growth and the choice of the most appropriate scaling strategy, five questions can be asked [139]:

- *Is the innovation ready to be spread?* Evidence is required to demonstrate that the intervention has been successfully applied in the past.
- *Is it likely that the intervention will be well-received by the community it targets?* This leads to additional questions about the complexity of innovation, the threat to the status quo and the potential conflict with prevailing values and interests of the targeted community.
- *Is the innovation supported by adequate and sufficient resources to enact the desired change?* Scaling requires an investment in terms of, inter alia, financial, operational, and communicative resources. Different strategies lead to a search for different resources.
- *Is there a risk that the intervention triggers negative effects?* It is important to ex-ante assess the likelihood of innovations creating counterproductive outcomes.
- *Is the potential set of returns adequate and sufficient to justify the scaling of the innovation?* Different strategies have different yields in terms of potentially positive and negative outcomes for individuals and communities. Branching or replication, for instance, may be efficient to rapidly roll out an innovation in a large service area. They may come at a cost: reducing the involvement of beneficiaries, potentially resulting in limited commitment or resistance of the target community.

138 An exception is the excellent report from Acumen about its collaboration with multinationals like Coca-Cola, Unilever, SAP, or Dow Chemical. See Acumen, (2015), *Social Enterprises and global corporations collaborating for growth with impact*, New York. Other exceptions are provided by Seelos, C., & Mair, J. (2007), "Profitable business models and market creation in the context of deep poverty", *Academy of Management Perspectives*, 21(4), 49–63; and Sakarya, S., et al., (2012) "Social alliances: Business and social enterprise collaboration for social transformation", *Journal of Business Research*, 65, 1710–1720

139 Dees, J., et al., (2004), p.30,31. Other models, like the SCALERS model of Bloom and Chatterji also apply to analyse and improve the organisation's capacity to scale innovations.

The questions all relate to the core-organisation looking to expand its reach beyond its own geographic or product and service range. It provides an *inside-out* perspective on scaling. In an attempt to further collaboration between social enterprises and corporations, impact investor Acumen defined a bottom-up, or *outside-in* approach. Acumen brought together four multinationals and four of its own portfolio companies to create an environment in which the capabilities of all firms were enhanced in several ways. Corporations benefitted from the deeply rooted knowledge of small firms about the aspirations, (dis)incentives and daily lives of the poor. Also, the portfolio companies were able to quickly test innovative approaches with uncertain returns among their constituents. The small portfolio firms took advantage of the multinationals' economies of scale. Also, from a resource-dependence perspective, the portfolio firms benefitted from considerable corporate resources allocated for strategic support. The so-called "channel partnership" appeared to be particularly promising to scale outcomes [140]. It allowed the partners to use each other's sales or supply channels to distribute their own products and services. The advantages are clear, according to Acumen:

"The multinational may serve as a channel for the social enterprise, with the social enterprise selling products and services to the multinational's suppliers, distributors, or retailers. Alternatively, the social enterprise may serve as a channel for the multinational, providing on-the-ground presence and services that help the multinational reach that "last mile" to procure from smallholder farmers or sell to low-income consumers effectively. The benefits of such channel partnerships – for both the social enterprise and the multinational – can include increased sales and enhanced quality, quantity, and reliability of supply." [141]

As the study demonstrates, the collaboration between corporations and small enterprises, finds its origin in a combination of shared values and the financial bottom-line [142]. It can only scale if there is a clear business model [143] – on both sides. In addition, the objectives and needs of both partners must be defined and transparent from the outset. Personal engagement may help to create trust and pave the way for success. Finally, both organisations have to deliver on the agreements and expectations created. Do they have adequate and sufficient resources, the right skillset, including mutual

140 See Acumen, (2015), p.16

141 See Acumen, (2015), p.16. The case of the Unilever – d.light collaboration is really compelling, both financially and socially.

142 In this respect, Acumen remarks, the collaboration between small, social outcome driven companies and multinationals is fundamentally different than the much research area of corporation – NGO collaboration.

143 See also Weber, C. et al., (2015), *Scaling Social Impact in Europe*, Bertelsmann Foundation, Berlin

Personal engagement may help to create trust and pave the way for success.

respect, and the commitment to make it a success – despite mutual differences? [144] Research shows that partnerships are on the rise, specifically those targeting societal progress [145].

Sometimes, the mutual benefits of collaboration are so interesting for the corporation to enhance its strategic position and reinforce internal capacity development, and for the social enterprise to service far larger markets, that a takeover of the smaller enterprise become opportune [146]. This was the case for Vital Health Software, a professional healthcare start-up that was acquired by Philips [147]. One of VHS's product lines allows patients across the world to have access to medical expertise, advice and counselling regarding non-communicable diseases like diabetes, COPD, cancer and Alzheimer's online and through protected social media applications. In remote areas in China, its ICT applications create access to medical expertise and medical professionals for potentially millions of people. VHS is accountable and engages actively with relevant stakeholders, and, as a result, belongs to the domain of 'social entrepreneurship' as defined by this approach. It facilitates positive social changes in the medical value chain, allowing patients to take control over their disease and the communication with remotely operating medical professionals [148]. The company welcomed the acquisition by

144 These observations are supported and reinforced by Seelos and Mair, 2007, discussing the relationship between Grameen and Telenor regarding their joint venture Grameenphone. Further research is required to understand potential areas of conflict that may emerge over time – and in the case of Grameen and Telenor actually did emerge. See Seelos, C., and Mair, J.,

145 Sakarya, S., et al., (2012) "Social alliances: Business and social enterprise collaboration for social transformation", *Journal of Business Research*, 65, 1710–1720

146 See Austin, J., and Leonard, H., (2008) "Can the Virtuous Mouse and the Wealthy Elephant Live Happily Ever After?" *California Management Review*, 51/1, Fall, p. 77-102. As the authors point out, the social innovators are not only attractive but also fragile. This means that they are easy to disrupt and to destroy.

147 Before being acquired by Philips N.V. in December 2017, VHS was independently owned by Noaber Foundation, Mayo Clinic, De Hoge Dennen, and senior management.

148 Röntgen, M., & Hummels, H., (2016), *Healthcare gone digital*, Maastricht http://www.corporate-engagement.com/research/139

Philips as it would enable the company better to contribute to e-health for millions of people around the world [149].

Future research

Future research should be directed towards the preparedness of organisations to get to scale. Two types of research can be distinguished.
The first starts with companies that have the ambition to scale their company (either through replication or centralised growth). The set of questions suggested by Dees, et al., provide an excellent heuristic for researching and analysing these businesses. Alternatively, research is needed to better understand the scaling of businesses through alliances or other forms of collaboration.

For this research, the first step may be to create a heuristic based on the Acumen study. Second, practical research analysing business2business (B2B) and business2society (B2S) collaboration should provide insight in the potential to get to scale. The existing literature already gained significant insight into take-overs from social enterprises like Ben & Jerry's, Tom's of Maine, and Stonyfield Farm Yoghurt [150]. The Acumen study points in a direction that allows for more variation.

149 https://www.vitalhealthsoftware.com/news/2017/12/08/philips-expands-its-population-health-management-business-with-the-acquisition-of-vitalhealth. As Seelos and Mair (2007:61) point out, referring to the Telenor-Grameen case about the ownership structure of Grameenphone and the distribution of profits, what once was a successful collaboration can turn into a nasty affair.

150 See Austin, J., and Leonard, H., (2008)

F. Financial sustainability

In commenting on the success of Grameenphone, the joint venture between Telenor [151] and Grameen Bank, former CEO Tormod Hermansen of Telenor remarked:

"On the one hand, we are doing sound business. And you always need to do sound business. On the other hand, we are also contributing to development in a much broader sense – a fantastic opportunity for my company. Good business is good development, and good development is good business." [152]

Grameenphone started its operations in 1997, being the first to introduce GSM technology to serve mainly women in rural areas. With more than 63 million subscribers [153] on a population of 163 million citizens, the company is currently the largest telecom provider in Bangladesh. This success story is music to the ears of businesses that try to align financial benefits and social outcomes. Many of these businesses have joined forces under the umbrella of the B Corps movement. This movement originated in the USA in 2010, following formal regulation in the state of Maryland of the 'benefit corporation'. A benefit corporation is a for-profit corporate entity. It aims to create public benefits and positive outcomes for, inter alia, society, workers, the community and our planet, in addition to the creation of profits for its shareholders. Its status as a benefit corporation empowers the board and the management of the corporation to materially pursue positive social and environmental outcomes in addition to the financial objectives of the firm. In other words, the interests of shareholders do not *a priori* take priority over those of other stakeholders. Inspired by the growth of the movement in the US, the idea that corporations have a broader responsibility than serving the interest of the shareholders, has soared. The international B Corps network brings together more than 2100 certified B Corps in over 50 countries, redefining what success in business means. All of them are for-profit companies, that meet rigorous standards of social and environmental

B Corps adopt a 'blended value' proposition, aligning market-rate financial returns and a vigorous social and environmental agenda.

151 Telenor is the Norwegian, mostly government-owned, multinational telecommunications company.
152 See Seelos and Mair, 2007, p.63
153 https://www.grameenphone.com/about/our-story

performance, accountability, and transparency [154]. Just like Grameenphone, B Corps adopt a 'blended value' proposition [155], aligning market-rate financial returns and a vigorous social and environmental agenda. They believe that B2C and B2B markets offer opportunities to sell products and services that contain an explicit response to a social or environmental challenge. Failure to combine both objectives by returning below-market financial results or disappointing social or environmental outcomes, will ultimately impede the opportunities of companies to implement and promote environmentally or socially driven strategies.

Research shows that an increasing number of business organisations target a double bottom line of financial and non-financial returns, and still do financially well [156]. They operate on a business model in which financial results matter as much as social outcomes. Organisations as Greyston Bakeries and Danish placement agent for autistic ICT specialists, Specialisterne, have turned their "perceived antagonistic assets" into "complementary assets" with additional value for the employees, clients, and the company itself [157]. The company's ambition is to create 1.000.000 jobs for people with autism. Unlike Specialisterne, most companies do not have assets with hidden economic value for which clients are willing to pay – and sometimes even order more of the goods and services or pay more for them. For many organisations in the social entrepreneurship space, putting the social mission first comes at a price, as Austin, et al., observe:

"social entrepreneurs are often faced with more constraints: limited access to the best talent; fewer financial institutions, instruments, and resources; and scarce unrestricted funding and inherent strategic rigidities, which hinder their ability to mobilize and deploy resources to achieve the organization's ambitious goals. To overcome some of these barriers, social entrepreneurs

154 See https://www.bcorporation.net/what-are-b-corps. Checked website on 25 January 2018

155 Emerson, J., (2003), "The blended value proposition: Integrating social and financial returns", *California Management Review,* 45(4): 35–51

156 Doherty, B., Haugh, H., & Lyon, F. (2014), "Social enterprises as hybrid organizations", *International Journal of Management Reviews*, 16(4), 417–436; Seelos and Mair, 2007; Hockerts, K., (2015), "How Hybrid Organizations Turn Antagonistic Assets into Complementarities," *California Management Review*, 57/3, Spring; Lee. M., and J. Jay, (2015) "Strategic Responses to Hybrid Social Ventures," *California Management Review*, 57/3, Spring, p. 126-147; Emerson, J., (2003); Austin, J., & Reficco, E. (2009), "Corporate social entrepreneurship", *Int. Journal for Not-for-Profit Law, Vol. 11/4;* Austin, J., & Leonard, H., (2008), "Can the virtuous mouse and the wealthy elephant live happily ever after?", *California Management Review, 51*(1), 77-102

157 Hockerts, K., (2015), p. 84 and 100. It is important to note that was is an antagonistic asset in one corporate environment can be an asset that create *excessive value* in an environment that transforms the antagonism into a productive working capability.

sometimes opt for a for-profit organizational form to increase their ability to access commercial capital markets and to pay more competitive wages to attract talent. However, even the corporate form does not remove all the constraints, as social entrepreneurs are then faced with the challenge of maintaining a focus on the social mission, while generating a competitive return for investors."[158]

From a fiduciary investor or lender perspective, the balancing of financial and non-financial aspects is crucial [159]. Organisations failing to return 'reasonable' financial outcomes to their investors, are likely to impede their growth and, as a result, their success in terms of social and environmental outcomes. They will have decreased access to financial markets and to financial products, leading to higher cost of capital [160]. It is partly for this reason that organisations like the Global Impact Investing Network (GIIN) aim to demonstrate that investments that create positive social and environmental returns also offer market-rate returns to their investors [161]. Because of the short history of impact investments [162] and the limited size of the market, the evidence is not conclusive to convince mainstream

158 Austin, J., et al., (2006), p. 12

159 Increasingly, institutional investors markets are convinced of the (financial) relevance of social and environmental value creation. See, for instance, Kotsantionis, S., et al, (2016), "ESG Integration in Investment Management", *Journal of Applied Corporate Finance* vol 28/2 Spring, p. 10-16 Koedijk, K. and Slager, A. (2011), *Investment Beliefs: A Positive Approach to Institutional Investing*, Palgrave Macmillan.; Martin, W. (2009), "Socially responsible investing: is your fiduciary duty at risk?", *Journal of Business Ethics*, Vol. 90 No. 4, pp. 549-560;

160 Austin, J., et al., (2006), "Social and commercial entrepreneurship", *Entrepreneurship theory and practice*, 30(1) 1-22; Lumpkin, G., et al., "Entrepreneurial processes in social contexts"? *Small Business Economics*, 40, pp. 761–783; VanSandt, C., et al., (2009). "Enabling the original intent: catalysts for social entrepreneurship", *Journal of Business Ethics*, 90, p.419–428;

161 See, for instance, Mudaliar, A. and Bass, R., (2017), *Evidence on the financial performance of impact investments*, GIIN, New York; Matthews, J., et al., (2017), *The Financial Performance of Real Assets Impact Investments*, Cambridge Associates and the GIIN, New York, May; Gray, J., et al., (2016) *Great Expectations: Mission Preservation and Financial Performance in Impact Investing*, Wharton School of Business, University of Pennsylvania; Philadelphia; Bouri, A. et al., (2015), *Introducing the Impact Investing Benchmark*, GIIN and Cambridge Associates, New York, June.

162 According to the Global Impact Investing Network (GIIN), impact investments are "made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return" (see https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing). They have a similar approach to development and the creation of positive social and environmental outcomes as social entrepreneurship has on the side of business.

investors to allocate large sums of capital to the impact economy [163]. The good news is that large institutional investors are increasingly convinced that they can, and have to, contribute to sustainable development. More in particular, they openly endorse the Sustainable Development Goals as a common, global agenda and look at ways to invest in Sustainable Development Investments [164].

The good news is that large institutional investors are increasingly convinced that they can, and have to, contribute to sustainable development.

Future research

Future research should be directed towards the potential for financial sustainability of (collaborating) business organisations activities. Particular attention will be given to the mind-set of large corporations and investors, to enhance the adoption of social entrepreneurship as an alternative that supports simultaneous human development and fiduciary responsibility. Too often, the worlds of social entrepreneurship and impact investing – let alone those of mainstream business and finance – are not in tune. The Acumen project showed that it is possible to align the interests of both if the potential partners are able to define common goals, have shared interests and bring additional resources to the table.

163 The current market-size is estimated at USD 114 billion. See *Annual Impact Investment Survey 2017*, GIIN, New York

164 SDI are defined by a group of Dutch and Swedish institutional investors as "solutions that contribute to the UN Sustainable Development Goals. These investments meet our financial risk and return requirements and support the generation of positive social and/or environmental impact through their products and services, or at times through acknowledged transformational leadership." See https://www.pggm.nl/english/what-we-think/Pages/Investing-in-UN-targets-with-return-on-investment.aspx

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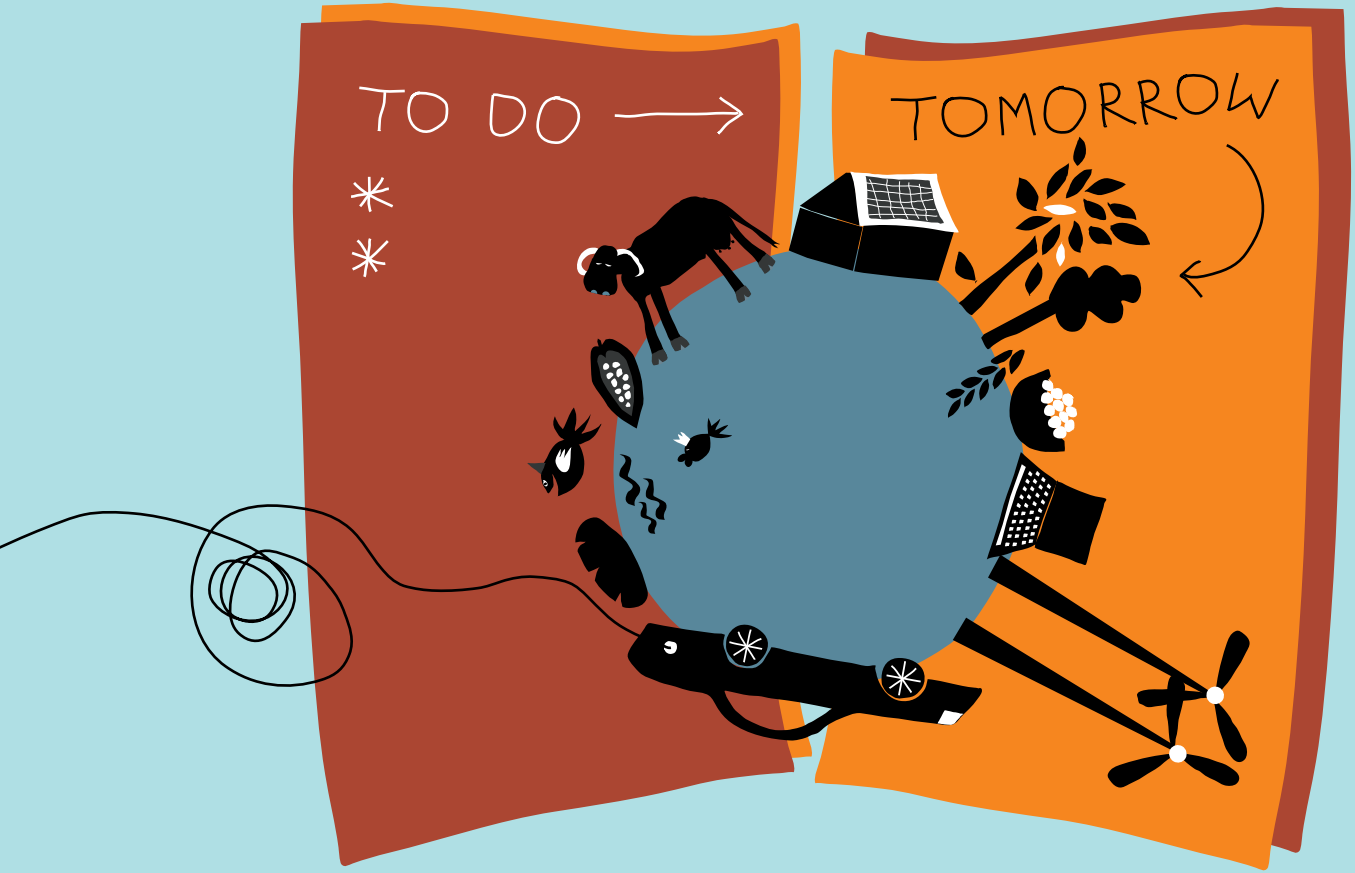

TO DO
TOMORROW

6 | A common global agenda

In the first part of this contribution a reference was made to Amarty Sen and Martha Nussbaum, who provide a foundation for the analysis of social entrepreneurship and its contribution to overcoming the grand challenges our society and our planet are facing. In the second part, the focus shifted towards three conditions for effective and innovative interventions with the potential for (financial) sustainability needed to create the right scale to solve the biggest social and environmental problems of our time (and the future). To create the desired change in our current value chains, Sen and Nussbaum suggest a capability approach which argues that social arrangements should aim to expand people's capabilities. They should allow them to freely chose the lives they want to live. Without, at least, the consent of the beneficiaries, human development remains the dream of the deprived and the fantasy of the fortunate ones. In order for individuals to make choices, this freedom should be effective in providing people with real opportunities to decide for themselves what is valuable and what not, rather than paper freedoms. It is here that the UN has put forward an agenda for the transformation of our world, which aims to contribute to a minimum set of capabilities to support a life of human dignity: the 2030 Agenda for Sustainable Development. No one will be left behind [165].

"On behalf of the peoples we serve, we have adopted a historic decision on a comprehensive, far-reaching and people-centred set of universal and transformative Goals and targets. (...) Recognizing that the dignity of the human person is fundamental, we wish to see the Goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first" [166].

The Sustainable Development Goals

The Sustainable Development Goals were adopted unanimously by the Heads of State and Government and High Representatives at the General Assembly of the UN

165 UN General Assembly, preamble, p.1.
166 UN General Assembly, Declaration, p.3, items 2 and 4.

in September 2015. The declaration recognises that "the dignity of the human person is fundamental" and needs to be furthered by a concrete plan of action for people, planet, and prosperity [167]. A particular responsibility is felt for the most vulnerable of all people, including children, youth, persons with disabilities, refugees and the elderly. They need to be empowered. Also, special attention should be given to the most vulnerable countries, like least developed countries or small island developing states [168]. The document expresses a "transformational vision" that comes fairly close to Nussbaum's capabilities approach:

"We envisage a world free of poverty, hunger, disease and want, where all life can thrive. We envisage a world free of fear and violence. A world with universal literacy. A world with equitable and universal access to quality education at all levels, to health care and social protection, where physical, mental and social well-being are assured." [169]

The vision has been translated into 17 goals that need to be implemented in the year 2030 [170].

Without, at least, the consent of the beneficiaries, human development remains the dream of the deprived and the fantasy of the fortunate ones.

167 UN General Assembly, (2015), Resolution adopted by the General Assembly on 25 September 2015, 70/1. Transforming our world: the 2030 Agenda for Sustainable Development, New York. See the Declaration item 4.

168 In this respect, I refer, for instance, to the work of the United Nations Office for Project Services (UNOPS), to support small island developing states in protecting themselves against rising sea levels, increasing their access to renewable energy, and furthering (the capability of individuals and their communities to) access to the fulfilment of other basic needs, like access to affordable housing, or water and sanitation.

169 UN General Assembly, Declaration, p.3, item 7.

170 Ibidem, p.14.

1. End poverty in all its forms everywhere.
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3. Ensure healthy lives and promote well-being for all at all ages.
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
5. Achieve gender equality and empower all women and girls.
6. Ensure availability and sustainable management of water and sanitation for all.
7. Ensure access to affordable, reliable, sustainable and modern energy for all.
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
10. Reduce inequality within and among countries.
11. Make cities and human settlements inclusive, safe, resilient and sustainable.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action to combat climate change and its impacts.
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.


1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

The vision, which is operationalised in the SDGs, points to an 'overlapping consensus' within and among the nations of the world that "the idea of what human beings need for fully human living is among the most vivid intuitive ideas we share" [171]. This 'overlapping consensus' provides a justification for governments, multilaterals, non-governmental organisation, businesses, investors, and individuals to (improve the capabilities of humans and their institutions to) further a just and decent society. Referring to the role of the private sector the UN asserts:

Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro-enterprises to cooperatives to multinationals. We call upon all businesses to apply their creativity and innovation to solving sustainable development challenges [172].

The justification for individual and collective action [173] by non-state actors to fulfil basic human needs, does not come from individual entitlements or claims on these non-state actors or from a moral obligation of these actors. The UN merely calls upon non-state actors, and more in particular on the private sector, because they have the *opportunity to contribute to human development*. It is *not an imperative* for businesses – both small and large – and investors to implement the goals, but it certainly is commendable when they use their resources to further human capabilities and a future in human dignity for all. It is here that we find a compelling argument for companies and investors to develop new strategies incorporating the notion of 'social entrepreneurship'. Not because they must, but simply because they can. Businesses and investors belong

Businesses and investors belong to the realm of *opportunity*. They can create innovative solutions in developing, producing and distributing goods and services that help to fulfil the basic needs of individuals and communities.

171 See Martha Nussbaum, 2006, Frontiers of Justice, Cambridge: Belknap Press of Harvard University Press, p. 279
172 UN General Assembly, (2015), Declaration, item 67, p.29
173 UN General Assembly, (2015), p.1, preamble.

to the realm of *opportunity* [174]. They can create innovative solutions in developing, producing and distributing goods and services that help to fulfil the basic needs of individuals and communities. The enormous corporate and investor support for the SDG agenda gives an indication that the private sector is open to creating opportunities for development – including initiatives in social entrepreneurship and impact investing.

The 18th SDG

The SDGs provide a pretty comprehensive overview of the basic needs that have to be addressed in our current and future society. Compared to Martha Nussbaum's list of capabilities that was presented earlier, the SDGs and the sub-goals provide a relevant operationalisation of the capabilities. They address the ability to live a human life of normal length in good health, with adequate nourishment and ditto shelter. Also, the goals stress the importance of peace and security and to live in harmony with nature, in which wildlife and other living species are protected. Property ownership and the achievement of full employment are seen as important elements for living a life in dignity, just as increasing access to education.

The Sustainable Development Goals promote free, equitable, quality primary and secondary education by 2030 for all girls and boys across the globe [175] – while providing adequate care and support at a pre-school level, so that children are ready for primary education [176]. Also, the goals aim at ensuring that all youth and a substantial proportion of adults are literate and numerate, while substantially increasing the number of youth and adults with the right (vocational) skills. If these goals are implemented successfully, they contribute, one may infer, to improving Nussbaum's capabilities of practical reason. Interestingly enough, though, the SDGs do not aim at (improving individual and community capabilities for) increased access to information and communication, allowing them to effectively participate in and influence relevant

174 The justification of a basic needs or capabilities approach for social entrepreneurship does not rest in (moral) obligation, but in (moral) opportunity. That is, actions aimed at fulfilling basic needs do not merit blame when they are not enacted, though they do merit praise when they are completed (see Miller, D., and Monin, B, "Moral Opportunities versus Moral Tests", in Forgas, J., Jussum, L. and Van Lange, P., The social psychology of morality, Routledge, New York, 2016, p. 40-55). The idea of (moral) opportunity seems fitting for and aligned with the notion of 'entrepreneurship', defined by Shane and Venkataraman (2000, p. 218) as 'opportunities to create future goods and services are discovered, evaluated, and exploited'.

175 SDG sub-goal 4.1

176 SDG sub-goal 4.2

decision-making [177]. With the exception of sub-goals 5.5 and 6.b, focusing on ensuring women's full and effective participation and equal opportunities in political, economic and public life, and strengthening the participation of local communities in water management, the goals are silent about this key characteristic of Nussbaum's approach. The SDGs limit themselves mainly to improving access to IC-technology. Even though this technology is a sine qua non in our increasingly digitalised society, it does not guarantee the active participation of beneficiaries in decision-making processes that influence human flourishing. The goals, therefore, are also more or less silent on one of Nussbaum's core capabilities, namely political control over one's life. The promotion and enhancement of political participation is referred to only in generic terms, like in sub-goals 5.5 (on women's participation), and 10.2 (on reducing inequalities) [178]. This leads me to formulate the 18th Sustainable Development Goal:

Promote and strengthen the capabilities of individuals and the communities in which they live to actively participate in and effectively influence policies, practices and activities that are part of the global sustainability agenda – as expressed in the Sustainable Development Goals.

177 The SDG document (p. 12, item 48) highlights the importance of data that should support the assessment of progress and the assurance that no one is left behind. That is, however, not the same as ensuring that everyone has the capability and equal access to the adequate information, allowing her or him to effectively influence political, economic, social, and environmental decision-making. Only 12.8 and 16.10 mention public access to relevant information, but that is merely of a procedural nature.

178 In the introduction to the goals, the UN stresses the importance of the human right to political participation, but this right is not translated in recommendations for governments, multilaterals, NGOs and the private sector to enhance the capabilities of individuals and communities to actively and effectively participate in political decision-making. See Declaration items 19 and 20.

The 18th SDG goes beyond the global partnerships that are mentioned in the 17th SDG. It acknowledges the fundamental importance of including the intended beneficiaries in policy-making and implementation of policies aimed at furthering their interests and fulfilling their essential needs. This objective can be promoted by:

- Acknowledgment of the role of intended beneficiaries in assessing policies, practices and actions of governments, corporations and civil society organisations aimed at promoting their interests,
- Direct access to an advice mechanism allowing the intended beneficiaries to be consulted, and
- Direct access to a complaints mechanism for intended beneficiaries or their representatives to file a complaint regarding the policies, practices and activities aiming at implementing the goals.

This 18th goal aims to provide the intended beneficiaries a chance to influence the upcoming changes that will influence their current and future lives. In line with the philosophy of Sen and Nussbaum, the 18th SDG takes the realisation of these goals beyond the currently available multi-stakeholder fora and global partnership networks that allow stakeholders to voice their ideas and concerns. Following the capability approach the litmus test of sustainable development ultimately lies in the real opportunities of the beneficiaries to freely make choices about the future they value or have reason to value. Do beneficiaries positively receive and review the policies, practices and activities aimed at creating a more just and sustainable world [179]?

The litmus test of sustainable development ultimately lies in the real opportunities of the beneficiaries to freely make choices about the future they value or have reason to value.

The relevance of the 18th SDG for social entrepreneurship lies in the perception, recognition and acknowledgement by the beneficiaries – or their representatives – of the extent to which socially entrepreneurial initiatives aimed at their

179 Obviously, this is not the only test for human development. As Sen clarifies in his Tanner Lecture, people with serious capability deficits can get accustomed to their situation and be perfectly happy with it. Assessing people's well-being, therefore, requires additional information about their lives, health, education, nutritional status, autonomy, and so forth.

well-being and the development of their capabilities, succeed in achieving their premeditated purpose. How can an initiative be 'socially' or 'environmentally' meaningful for individuals or communities, if not for its perceived contribution to the fulfilment of the basic needs of the beneficiaries and their capabilities to acquire basic goods and services they value or have reason to value? Involving the beneficiaries to assess the value of initiatives aimed at SDGs 3, 4 and 5 – ensuring healthy lives, inclusive and equitable quality education and gender equality – is relatively easy to organise. Organising direct beneficiary feedback regarding SDGs 12, 13 and 14 – ensuring sustainable consumption and production, taking action to combat climate change or conserving the oceans – is much more difficult. Here representatives of the interests of communities – or of our global society – like academics, civil society organisations, multilateral organisations, or the free press, have to step in. As indicated earlier, Tesla is as a case in point. The company is dependent for the production of its cars on a finite and therefore unsustainable resource: lithium. This led critical NGOs, academics, and the press to question whether the company – and the technology it promotes – can provide anything more than a temporary solution for serving a mass-market. In other words, it is not Tesla that decides whether its invention adds societal value and not even the consumers buying its cars. Ultimately, it is decided by the gradual communis opinio that emerges, based on the pros and cons of Tesla's offerings to the world. Does the company provide a sustainable solution to cope with some of the grand challenges of our society in an effective and efficient way? At present this is all but clear.

Evaluating human development

In our day to day lives, the capability approach that is expressed in the 18th SDG can play two major roles: a prospective role and an evaluative role. The prospective role refers to "policies, activities, courses of action and recommendations that seem, at any given time, most likely to generate considerable capability expansion and human development" [180]. The evaluative role assesses the extent of freedom people have to promote and actively pursue the life they value or have reason to value. Both roles are briefly explained below.

Prospective capability development

As Marx indicated in his *Theses on Feuerbach*, the point is to change the world and to change it fundamentally. Governments, multilaterals, NGOs, and the private sector can contribute to radical innovations in value chains aimed

180 See Denuelin, S., Shahani, L., eds., (2009), *An Introduction to the Human Development and Capability Approach*, London, p.35

at solving the grand social and environmental challenges of our society. Social entrepreneurship can play a role in that transformation, as the examples in this contribution have shown. The social entrepreneurship screen that was presented in this contribution, can be helpful to determine the progress they are making in furthering human development. Starting from an idea how to create societal value or help to solve a societal problem, businesses develop an intervention logic. Usually this is described in terms of an "impact-creation logic" [181]. This term refers to the ensemble of the organisation's mission and strategy, the needs and problems it wants to address in a particular environment, and the available resources and capabilities to implement the strategy and resolve the needs or problems. This prospective approach is fundamentally forward-looking and helps to guide businesses – either independently or in collaboration with other businesses, governments, and civil society organisations – to navigate towards an unknown future.

Take the case of M-Kopa. The Kenyan solar energy company aims at connecting millions of East Africans to solar energy solutions. According to World Bank data, less than 13 percent of Kenyans living in rural areas was able to access electricity in 2014 [182]. In Uganda and Tanzania, the situation is even worse, with respectively 10 and 4 percent of the rural population having access to energy [183]. Based on a rather generic mission statement "to upgrade lives by making high-quality solutions affordable to everyone", the company successfully started providing off-grid solar energy solutions in Kenya, and later in Uganda and Tanzania since it started its operations in June 2012. Backed by strong partners like Safaricom, an experienced management team – one of the founders is a former M-Pesa director and eager investors [184], the company already in 2013 expressed its ambition to go from 50.000 to 1 million customers by the end of 2018. At present, M-Kopa offers two home systems. The first is the baseline model with a small 8W solar panel, 4 LED light bulbs, a rechargeable torch and a rechargeable radio. The more advanced model comprises a 20W solar panel, 3 upgraded LED light bulbs, a TV, a rechargeable radio, and a phone charging USB. M-Kopa has

181 Seelos and Mair, 2017:23

182 Most recent data go back to 2014. The situation has improved since, although the improvement is not likely to be spectacular.

183 https://data.worldbank.org/indicator/EG.ELC.ACCS.RU.ZS?end=2014&locations=KE-TZ-UG&start=1990

184 Following financial support from the Dutch DOEN Foundation, Shell Foundation and d.o.b. foundation to run a pilot in Kenya, the company successfully secured equity investments by the end of 2011. All were impact investors: Gray Ghost Ventures (USA), d.o.b Foundation (NL), Acumen Fund (USA), LGT Venture Philanthropy (Switz), Lundin Foundation (Canada).

been successful in connecting hundreds of thousands of East-Africans to off-grid solar energy solutions.

Evaluative capability assessment

Based on its implicit impact-creation logic [185], the company presents its results on the company's website in what it calls an 'impact report' [186].

M-Kopa's output report

- M-Kopa connects over 600,000 homes to affordable solar energy [187]
- Customers save US $300M in fossil fuel expenses
- Customers enjoy 50,000,000 hours of fume-free lighting per month
- As a result of M-Kopa's solar energy delivery, the emission of CO_2 was reduced by 380,000 tonnes
- M-Kopa created 2500 jobs in East-Africa

The report demonstrates that M-Kopa contributes to the reduction of CO2 emissions, thereby reducing the pressure on our climate. The company is innovative, financially sustainable [188] and scales rapidly with an expected annual growth rate of 20 percent. Also, M-Kopa provides evidence that the innovation has meaning for the intended beneficiaries. In a range of videos customers give feedback on the value of access to clean energy [189] in terms of increased autonomy, access to new services – such as TV – or improving their internal climate at home. It leads to the following inferred social entrepreneurship screen. The screen shows that M-Kopa contributes significantly to human development, even though it can improve its systematic account of beneficiary feedback and demonstration of outcomes.

Different stakeholders will evaluate the success M-Kopa's differently. Governments are likely to value the company's contribution to the SDGs. Reduction of CO2 emissions, job growth, and increased access to ICT as a result of the

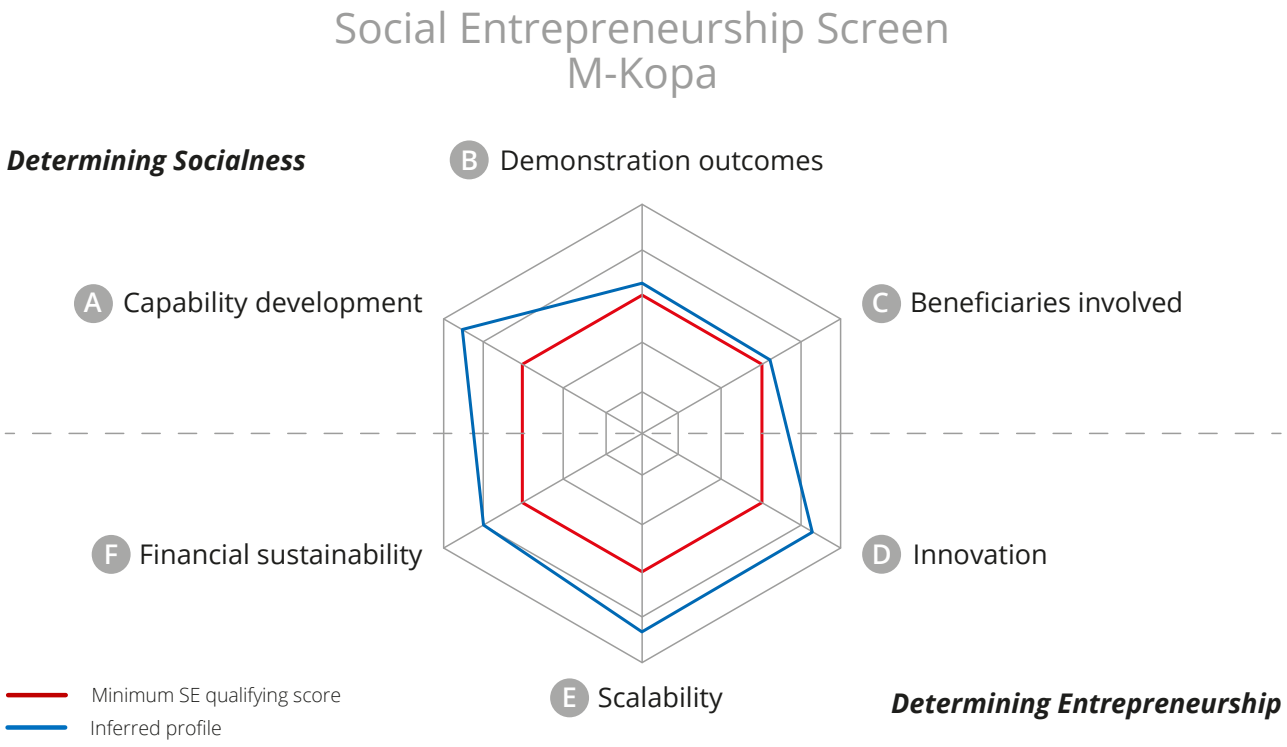
185 There is no public record of M-Kopa's impact-creation logic, although some of the elements of such logic can be inferred from what is available. The company aims at serving customers in Africa – at the moment limiting itself to Kenya, Tanzania and Uganda – to provide them with access to off-grid solar energy and to radio and/or television.

186 See http://solar.m-kopa.com/about/company-overview – Website visit on 28 January 2018.

187 The company reports to add 500 new connections per day.

188 M-Kopa has been able to attract a many commercial and non-commercial investors, that enable to grow the company fast.

189 See e.g. http://videos.m-kopa.com/video/mkopa-100k-customers/ & https://www.youtube.com/watch?v=LTRaqeo_9i8


Social Entrepreneurship Screen
M-Kopa
Determining Socialness
B Demonstration outcomes
A Capability development
C Beneficiaries involved
F Financial sustainability
D Innovation
E Scalability
Determining Entrepreneurship
Minimum SE qualifying score
Inferred profile

provision of electricity, can all be attributed to the company. The employees are likely to value their job opportunity, while clients will appreciate access to light and other services. Commercial investors, such as responsAbility and Generation IM, presumably like M-Kopa's balanced returns [190], while impact investors like Gray Ghost DOEN Social Ventures, LGT Impact Ventures, Shell Foundation, Gates Foundation and DFID, are likely to value positive human development more. Increasingly, and following a demand from progressive investors, including institutional investors, "to measure and report on social and environmental impact of their products, services and leadership" [191], business organisations report on their outputs [192].

From a social entrepreneurship perspective, the value of M-Kopa's products, services and activities lies in the improvement of the capabilities of their clients and employees to further a 'rich human life'. The positive effects of M-Kopa's policies, practices and activities on the environment, on its customers, on its employees, and on the wider community, is what constitutes the legitimacy of the company's efforts in terms of human development and the realisation of the SDGs. Some outputs give a clear indication of the company's contribution to the implementation of the SDGs. Reduced carbon emissions are a case in point. Despite M-Kopa's modest reduction against the background of the global climate change challenge, the company does contribute to sub-goal 13.1: "Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries". Positive effects on the capabilities of clients and employees can only be inferred – although it is rather likely that employees improve their capabilities through their work for M-Kopa. An indication for this conclusion is provided by a short video on working at M-Kopa that starts with the Swahili word 'Maendeleo'. This is best translated as 'progress', 'development', and 'improvement' [193].

Regarding the added value M-Kopa offers to its clientele, the number of 600,000 East-Africans having gained access to solar energy, is impressive. This number does not prove, however, that consumers have increased their set of capabilities. At best, the output indicators are a mere proxy for the positive contribution to human development. What should be

190 A balanced return is the outcome of the search of blended value: a combination of financial and social value.
191 https://www.pggm.nl/english/what-we-think/Pages/Investing-in-UN-targets-with-return-on-investment.aspx
192 Even though investors encourage the measurement and reporting of 'impact', at present most businesses and investors limit their focus to measuring and reporting of outputs.
193 http://videos.m-kopa.com/video/working-at-m-kopa/

The litmus test of sustainable development ultimately lies in the real opportunities of the beneficiaries to freely make choices about the future they value or have reason to value.

measured is the extent to which the beneficiaries welcome the goods, services and activities and if the offerings improve human flourishing and control over their lives. M-Kopa attempts to provide such evidence through the use of videos in which consumers provide feedback on the effects of having access to M-Kopa's products and services.

This reversed logic of capability evaluation, which starts at the backend of what is ultimately the objective of socially entrepreneurial interventions in terms of human development and a life in human dignity, therefore, calls for a different approach to the demonstration of outcomes. We need to ask companies and investors – but also governments, multilaterals and civil society organisations – to provide evidence on their contribution to improve the capabilities of individuals and communities. An example of this reversed logic is provided by Collins, et al., in their book *Portfolios of the Poor*.[194] In their study of over 250 poor households in India, Bangladesh and South-Africa, the authors researched the ways in which the families managed small, irregular, and unpredictable flows of income. They found that poor people in the respective countries used at least eight different financial instruments to manage their income, provisions and liabilities with great creativity. It supports Sen's argument that it is not only the amount of money that determines whether someone is poor or not, but also the conditions under which people have to live. The book provides an excellent example of an evidence-based approach that shows that the litmus test of radical innovations of value chains to solve social and environmental challenges of our society does not (only) lie in access to goods and services. It is found in the capabilities of humans to live a life worth living in harmony with nature and with the other forces in our global society[195].

194 Collins, D., et al., (2009), *Portfolios of the Poor*, Princeton University Press, Princeton

195 Having said that, the telling examples provided by Collins, et al., clearly demonstrate the need for the implementation of the SDGs. The fact that humans are very creative in times of great need and deprivation, should not lead us astray and leave the poor behind, struggling with their portfolios of small, irregular and unpredictable income flows. Particularly in case of an accident or an unexpected expenditure, the capability of the poor to cope with misfortune is easily exhausted.

Future research

This contribution calls for further research into the reversed logic of capability evaluation. This is important since investors and corporations increasingly want to contribute to the implementation and achievement of the sustainable development goals. As was argued in this contribution, the SDGs are indeed about achieving concrete outputs. At the core of the SDGs lies, however, a fundamental assumption that achievement of the goals will further human dignity for all – starting with those who are furthest behind. This means that all actors claiming to support the achievement of the SDGs are obliged to demonstrate that their outputs contribute to reinforcing human dignity. A core assertion in this contribution is that such demonstration can never be convincing without the beneficiaries consenting to the intervention and the resulting outputs and their positive contribution to developing the capabilities of the beneficiaries [196].

196 As argued previously, some SDGs do not – or only to a limited extend – lend themselves for direct involvement of the beneficiaries. In those cases, it is justified if representatives, such as civil society organisations, take their place. The representative must, however, be able to demonstrate its credibility in representing the beneficiaries.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7 | The reversed logic of social entrepreneurship — a conclusion

"A spectre is haunting Europe". These famous opening words of the Communist Manifesto, with which this address started, can easily be applied to our present-day situation. Today, however, they clearly have with a different interpretation. The spectre is no longer a ghost that haunts us – although there are clear warning signs of the degradation of life on this planet and the increasing injustice and highly unequal division of goods, services and opportunities between parts of our global society. Nevertheless, there is a growing positive spirit that invites us to support human development and the implementation (and achievement) of the Sustainable Development Goals. Not because we must, but because we have an opportunity to contribute.

In this contribution, I have provided an account of social entrepreneurship based on *a reversed logic of implementation and achievement*. It starts with what it aims to achieve and then ploughs back to understand the necessary steps required to realise the objective(s). At the start of this contribution, the aim of this chair was explained. It is to study the contribution of socially entrepreneurial initiatives to transforming value chains, in ways that they promote human development and flourishing. The initiatives are to contribute to the fulfilment of the basic needs in a society – like the need for decent work, including the eradication of child labour. Individuals and communities should be able to live a life of human dignity. Following Sen and Nussbaum, this requires improving their capabilities to live a 'rich and fulfilling human life'. A present day operationalisation of the basic human needs approach can be found in the UN Sustainable Development Goals. They provide an excellent and recognisable framework for all actors involved – social enterprises, corporations, investors, governments, multilateral organisations, civil society organisations, et cetera – to align their respective contributions and create change. The SDGs are *Our World's Common Agenda* to reinforce human development and human dignity in a way that benefits all, but most certainly those furthest removed from it. As such the goals provide relevant and practical anchors for (socially) entrepreneurial

activity aimed to resolve some the grand challenges and resulting in transformed value chains. Broadly speaking, and just as many other public and private attempts, the goals are missing a key aspect of Sen and Nussbaum's capability approach. It is here that this contribution offers a new approach.

Based on Nussbaum's "outcome-oriented" approach, it was suggested that an evaluation of socially entrepreneurial interventions requires a demonstration of outcomes. In order for this demonstration to be credible, the beneficiaries should be allowed to speak out openly on the (perceived) value of the intervention. This is expressed in the 18th Sustainable Development Goal that aims at providing the intended beneficiaries of positive social and environmental change to voice their ideas, appreciation, and concerns about interventions aimed at raising their human dignity:

Promote and strengthen the capabilities of individuals and the communities in which they live to actively participate in and effectively influence policies, practices and activities that are part of the global sustainability agenda – as expressed in the Sustainable Development Goals.

The SDGs are *Our World's Common Agenda* to reinforce human development and human dignity in a way that benefits all, but most certainly those furthest removed from it.

This means, that entrepreneurship cannot be understood as 'social', if it does not allow individuals and communities to influence their future lives. Therefore, if social entrepreneurship is to contribute to the grand challenges of our society and our planet, a new framework is needed. The existing framework, that starts with "the tendency of certain people to respond to the situational cues of opportunities" [197], leading to innovative activities to overcome identified lacunae, is not sufficient. We cannot understand radical change by analysing individual entrepreneurial initiatives – irrespective of the organisational form in which are shaped and formed – based on a rational plan to solve a significant social or environmental problem. We can only comprehend it by analysing the linkages in the value chains and the interactions between the (public and private) actors involved. Studying socially entrepreneurial interventions should take into account, how socially entrepreneurial interventions

197 Shane S., and S. Venkataraman, (2000), The Promise of Entrepreneurship as a Field of Research, Academy of Management Review, 25, 1, p.219

can be adopted by corporations, cooperatives, networks and (institutional) investors from a viewpoint of creating scale and financial sustainability. It requires social entrepreneurs to understand the mind of the investor, the corporation, or the network. The Acumen study provides an excellent example of this new thinking, in which corporations and social enterprises teamed up, based on a mutual understanding of shared objectives, interests and goals, and sufficient resources and commitments to effectuate change – in an institutional environment that provides them with the opportunities to interact. Further research is warranted, where the hexagon that was presented earlier in this contribution can turn out to be a useful tool in analysing entrepreneurial initiatives and the extent to which they are truly social.

Coming to a conclusion, I have argue that the idea of fulfilling *basic human needs*, like the need of children to be free of slavery, the need for respect, for decent work, or for control over ones own life, can create a commonly acknowledged reference point for social entrepreneurship. More in particular, what provides the cut-off point is *a company's contribution to improving the capability of humans to fulfil these needs*.

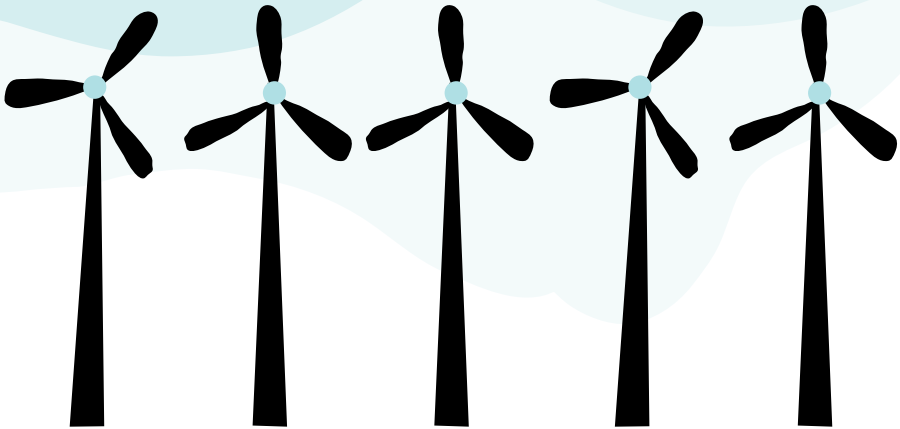
The proof of a truly human, socially entrepreneurial, pudding lies in increasing and improving the capabilities of the intended beneficiaries to influence the future they value or have reason to value.

A capability approach provides an excellent starting point for tackling social and environmental challenges at the level of value chains through socially entrepreneurial interventions. It is clearly not a panacea, however, to overcome all major challenges. As Hill argues, capability approaches do not analyse, for instance, "the role of institutional power in causing or perpetuating inequalities in individual opportunities". She argues for "an approach to human empowerment that ties social outcomes to actual institutional arrangements" [198]. Hill is right, but that does not have to stand in the way of businesses looking for solutions to some of the most challenging issues that we face in a global society – or looking at national and local challenges. Private sector players like businesses – both small

198 See also Hill, M. T.: 2003, 'Development as Empowerment', Feminist Economics 9(2&3), 117–135. Hill asserts from a Marxist perspective that the capability approach does not account for the role of institutional power that causes or perpetuates inequalities that prevent individuals or communities to develop their capabilities.

and large – and investors – both for impact or institutional – have an important role to play in bringing about the desired change. By belonging to the realm of opportunity, they can contribute substantially to radically improving the social and environmental dimensions of the design, production and distribution of goods and services that serve individuals and communities in living a life in dignity. However, the proof of a truly human, socially entrepreneurial, pudding lies in increasing and improving the capabilities of the intended beneficiaries to influence the future they value or have reason to value.

Utrecht, 1 March 2018
Harry Hummels



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Harry Hummels holds a chair in Social Entrepreneurship at Utrecht University School of Economics and one in Ethics, Organisations, and Society at Maastricht University. In addition, Harry is a Special Advisor of the United Nations Office of Project Services (UNOPS) on Impact Investing. He serves on the UNDP/UNSIF Research Council on Sustainable Development Investments, and on the board of Society Impact in the Netherlands. Also, he is one of the initiators of Le Souk d'Orient, and member of the advisory board of B Lab Europe. Between 1999 and 2015 Harry held a variety of functions in the financial world including, but not restricted to, Director at ING Bank and SNS Asset Management/ACTIAM in Responsible Investing and Impact Investing and European Liaison of the Global Impact Investing Network (GIIN).

Harry published on Impact Investing, Social Entrepreneurship, Responsible Investing, Corporate Responsibility, Business and Organizational Ethics and Philosophy of Work, while also publishing two cookbooks. Not surprisingly, he loves cooking, traveling with his wife and daughters, reading, and workouts – but doesn't overdo the latter. His favourite café is Frowijn in his hometown Nijmegen.

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17 PARTNERSHIPS FOR THE GOALS
18 VOICE OF THE BENEFICIARY