

TECHNOLOGY & INNOVATION

Q & A

The rise of the social entrepreneur

How small loans online help solve big problems the world over

BY MELISSA STEFFAN

You've heard of the angel investor, right? It's the guy who sees the promise of an idea or a person and pulls from his heap of money to get that dream off the ground.

The Internet, it turns out, can put many more angels in action — even at \$25 a pop. In fact, it's no longer considered preposterous to lend to someone in the developing world and expect that the money be returned.

Behold, the era of "social entrepreneurship." "Philanthropy" and "charitable giving" seem so quaint.

Premal Shah was an early social entrepreneur. As a product manager at PayPal, the online payment company, Shah developed the idea of online giving through microfinance. He left PayPal in October 2005 to start Kiva.org.

Kiva allows users to offer microloans of as little as \$25 to small-business owners in 60 countries. Kiva has created more than \$250 million in loans, and it continues to grow. One of its great accomplishments, according to Shah, is that the organization has set the bar for other Internet microfinance operations.

"Social entrepreneurs want their idea to spread," Shah said. "There's over 20 Web sites that look a lot like Kiva, and we're trying to help them out — to help them get traction as well."

Today, the term "social entrepreneurship" lies at the heart of a growing movement of socially motivated thinkers and businesspeople. These individuals are more than market professionals, said Bill Drayton, who founded Ashoka Innovators for the Public, a firm that invests in "solutions for our world's toughest problems." They invest in social change just as one invests in capital.



Sophea Chum and her husband are silk weavers in Cambodia. They repaid a microloan of \$600 for materials for their business. Microfinancing is one form of "social entrepreneurship."

"Their goal is to get the system to evolve in the fundamental pattern-change ways that will help the children, the parents, the society — the whole thing," Drayton said. "They see a problem, and they can't imagine stopping and being happy in life until they've changed the pattern in the field."

Examples of social entrepreneurship are not confined to the business or nonprofit sectors. Instead, social ventures, including well-known organizations such as Grameen Bank in India or Teach for America, often blur traditional organizational lines. And the idea that for-profit companies can generate social good is not new, according to Phil Buchanan, president of the nonprofit Center for Effective Philanthropy.

"For decades, foundations and major individual philanthropists have brought more than just financial resources to bear," Buchanan said. "So much that gets packaged as innovation is just a surfacing of what's been going on

for a long time. It's not new, but it's important. It plays out in very different ways."

A social entrepreneur?

An entrepreneur brings energy, business rigor, intelligence and resourcefulness to a problem, upsetting the status quo, said Shah of Kiva. Social entrepreneurs see a societal issue and apply the same principles.

"They won't stop until everyone sees what they see," he said. "There's a greater movement of people being their best selves and doing what they can do to effectuate the change they want to see."

The term resulted from the marriage of two words that, 30 years ago, were migrating away from one another. In the intervening period, a number of terms have been used in an attempt to describe this activity.

In the late 1970s, Drayton developed his own phrase, "innovators for the public," while an English entrepreneur named Michael

Young introduced what he called "social innovation."

Drayton's phrase was meant to describe individuals who merge entrepreneurial instincts with a deeply rooted commitment to social change. The term did not stick, but the idea did.

"Society needed to unite 'social' and 'entrepreneur,'" Drayton said. So, around 1980, when he founded his nonprofit, Ashoka, Drayton coined the term "social entrepreneur." In the 20th century, a movement of socially motivated individuals might also have been described as volunteerism or charity. Today, however, the movement reflects a changing view of humanity's role in the world, Shah said.

"I think the world is moving from wanting to own and earn things to wanting to feel and belong to something bigger than ourselves," Shah said.

A need for innovation

The rise of nonprofit collaboration stems from a society-wide sense that social problems need innovative solutions that are not likely to emerge from the government, said Greg Dees, co-founder of the Center for the Advancement of Social Entrepreneurship at Duke University.

"We see our government struggling, and that's true around the world," he said. "We need private resources and private resourcefulness."

By "private resources," Dees means more than just money. Social entrepreneurship, as a field, focuses more on people and new ideas than traditional philanthropy alone, according to Kriss Deiglmeier, head of Stanford's Center for Social Innovation.

"Philanthropy is just the money side," Deiglmeier said. "To drive a social innovation to scale, it takes a person with the right skill-set — people who are systems thinkers, collaborators, empathetic innovators."

But innovators and entrepreneurs do not work in isolation.

They require teams and structures to be effective, Dees said. In social entrepreneurship, however, organizational structure can vary.

For example, some social ventures, such as Kiva, emphasize innovation. Others, such as Ashoka, emphasize enterprise.

This distinction forced entrepreneurs to support one of two schools of thought in the field for many years, Dees said. Now, though, most people see that the business model and the innovative solution are inextricably — and delicately — intertwined.

"It is inherently challenging trying to run a for-profit model embedded in social innovation," Deiglmeier said. "It's hard on a day-to-day basis. The capital markets have not evolved to a point that's real supportive of social innovations."

Part of the difficulty lies in trying to apply universal metrics to all social ventures, according to the Center for Effective Philanthropy's Buchanan. In the for-profit business sector, there are universal measures, such as financial profitability or growth, that allow different companies to gauge performance using the same measures. In the nonprofit sector, that uniformity does not exist.

"Assessment becomes very much connected to specific goals," Buchanan said. "You have to be very thoughtful about developing a set of indicators that, taken together, allow you to get a sense of whether you're moving in the right direction or not."

Kiva uses three criteria to measure its effectiveness: scale of impact, depth of impact and the operational sustainability of Kiva as a nonprofit organization.

While scale measures the number of loans Kiva provided, depth of impact attempts to evaluate the narrative of the lives changed by Kiva loans.

"Numbers don't really tell you the depth of the impact," Shah said. "We want to move beyond the numbers to a little bit of the 'how.' Did we change this person, or reach the person we wanted to reach?"

Ultimately, the creation of a functioning social entrepreneurship model requires thinking globally. For example, Drayton refers to this collection of teams at Ashoka as "collaborative entrepreneurship."

"We bring the best social entrepreneurs from all around the world and think together: What are the patterns, what's possible, where do we have to go and how to do we get there?" he said. "They're not afraid of scale. They love it."

The same cannot be said for everyone, according to Shah.

"If we talk about the world's biggest problems, it becomes disempowering, and you don't even know what step one is."

"Step one is doing the smallest possible thing in this moment," he said. "And then step two will present itself."

Read more about what's next in charitable giving at washingtonpost.com/ongiving.



DANIEL LEMN

At every desk, a micro-lender

Premal Shah is president of Kiva.org and was named a young global leader by the World Economic Forum in 2009.

What is a social entrepreneur?

Any great entrepreneur, really, if you watch them, they're patient individuals who bring energy, business rigor, smarts, resourcefulness to a problem. And they change the landscape of the way things work.

A social entrepreneur looks at societal issues and tries to apply those same things. They're not necessarily in government, not necessarily in business; they're a third sector of everyday people who can come in and be change-makers.

What is Kiva?

Kiva was built on the premise of social entrepreneurship — to address the issue of global financial exclusion. These people, mainly women, have no access to banking, so they get small loans. Eighty percent of the loans go to women. . . . We slowly, slowly want to encourage more gender equity. Just by creating funding opportunities for women we're sending a subtle market signal. Our mission is to connect people through lending to alleviate global poverty. Most people who have the resources to help are really busy doing other things. . . . You can become a micro-lender yourself.

Is the work of individuals who contribute to Kiva's work part of a larger social movement?

I do think that Kiva is part of a larger movement. I really believe that everyone is a social entrepreneur, even those being helped on the Web site. They become role models in their own communities. Web sites like Kiva help build consciousness. It's not just hot-shot MBAs. It's people like my mom, and my mom's friends.

Looking for a long-term fix

Greg Dees is co-founder of the Center for the Advancement of Social Entrepreneurship at Duke University.

Social entrepreneurship is kind of a buzzword right now, but it's not a new idea. When and how did social entrepreneurship develop?

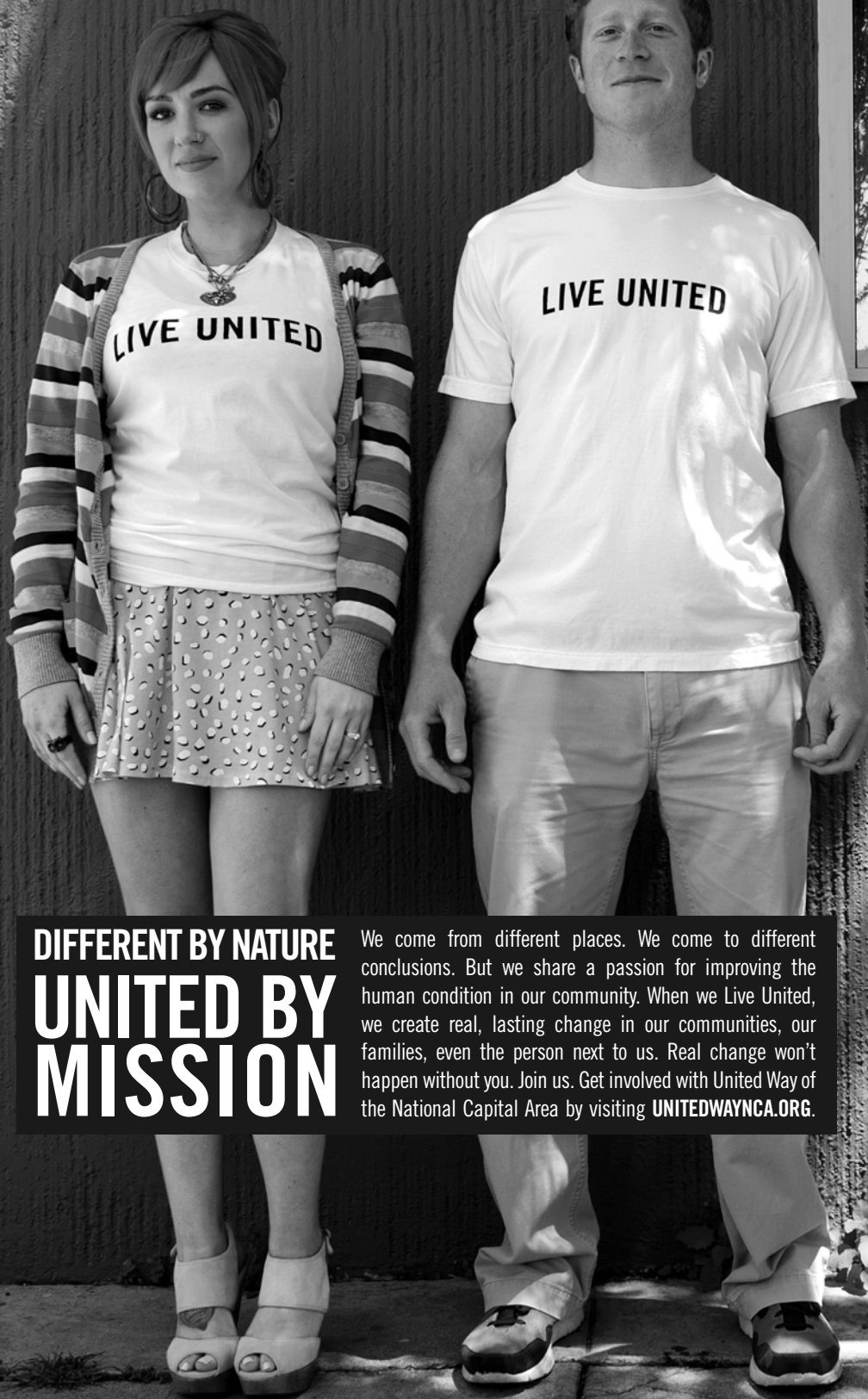
It's hard to pinpoint where it emerged. We tend to credit Bill Drayton and Ashoka with the rise of the concept around 1980. He was using the term "innovators for the public," but they didn't fully latch onto the term "social entrepreneurship" until later. At the same time, Michael Young in England had started a number of ventures. He was talking about social innovation. There's some dispute about which of the two gets the most credit.

It was percolating during that time, during the '80s, when we had Reagan as president here and Thatcher in Britain, and there was a spirit of cutting back of government. There was an idea that we need innovative approaches to social problems, many of which arise outside of government channels.

Does social entrepreneurship reflect a fundamental shift in the way society thinks about giving?

It needs to, if it's going to last. We need to get beyond traditional notions of simply giving for charitable purposes. We need to think about giving for problem-solving purposes. Not just giving to those providing temporary relief — which is important — but we also need to find more permanent solutions that minimize the problems of the future. We need to minimize chances of people being hungry in the future, rather than just feeding them. We need to find sustainable solutions to the problems, which shifts the way we think about giving time, energy and money in this arena.

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— Hayley Tsukayama

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— Hayley Tsukayama

