The Global Social Benefit Incubator:  
Toward a New Pedagogy for  
“Scaling” in Social Benefit Entrepreneurship 

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Introduction

From July 26 to August 6, 2004, fifteen social benefit entrepreneurs from around the world—all Tech Awards Laureates or World Bank Development Marketplace winners—worked intensely in a unique program at Santa Clara University to address the challenges of sustaining and scaling up their innovations for serving urgent human needs. This article summarizes highlights of this program, the Global Social Benefit Incubator (GSBI). The GSBI is an action learning program that applies the discipline of the business planning process to the challenges of technology-based ventures that seek to achieve a measurable impact on social benefit outcomes and growth through self-sustaining sources of revenue.

What is Scaling?

There is considerable debate about whether social benefit innovations can be "scaled" and, if so, under what circumstances and by what means. Scale, in fact has a number of definitions in the emerging field of social entrepreneurship that are quite distinct from common economic references to scale in for-profit sectors. In for-profit sectors, scale almost inevitably refers to size in relation to revenues, customers, or organization. Firm surplus, or the difference between the market price and cost, is allocated to profit and investment for subsequent growth. In the not-for-profit sector there is not a direct analogy to firm surplus and the term "scale" takes on various meanings. For example, in social benefit sectors scale may refer to fundraising capacity, ability to mobilize and sustain grass roots movements, or influence on public policy—factors that may turn as much on credibility and social capital as on financial capital. Scale may also refer to factors that are more analogous to the for-profit sector, such as increased independence or self-sufficiency through internally generated resources, and the capacity to sustain innovation, develop new programs, and/or intensify services in the form of new activities within existing programs. A variation on the social benefit enterprise is the blended value organization, which overcomes constraints to scaling by generating profits and social benefits.

For the GSBI, scaling social benefit ventures meant equipping social benefit entrepreneurs with tools and techniques to effectively accomplish their goals related to serving more of their target beneficiaries.

Who Are Social Benefit Entrepreneurs?

Social benefit entrepreneurs are motivated primarily by the desire to make the world a better place. The term social entrepreneurship is often used loosely or expansively to include those who exhibit entrepreneurial attributes such as vision, passion, leadership ability in overcoming seemingly insurmountable obstacles, and the deployment of innovative approaches to addressing long standing, social, cultural, governmental, and environmental issues. A further refinement of the term "social entrepreneur" as posited by the Roberta Enterprise Development Fund (http://www.roelf.org/ie_info.html) is "those who are involved in the operation of social purpose enterprises—market-based businesses that pursue a social mission."

Moving from a philanthropic to a market approach to sustainability entails generating internal resources for achieving growth objectives. This involves adopting a new mental model, one that includes building organizational capacity around well-defined target beneficiary needs, value creation, value delivery, and the development of business models aimed at monetizing this value as a means of sustaining growth at least in part through internally generated resources. In practice, social benefit entrepreneurs are more likely to report that they spend the majority of their time fundraising. A common lament of a social benefit entrepreneur might be: it's like driving from San Francisco to New York and being forced to stop every 50 miles to get gas. The purpose of the 2004 Global Social Benefit Incubator at Santa Clara University was to address this challenge. The GSBI two-week, intensive, residential program provided a highly select group of fifteen social benefit entrepreneurs—like many of those being honored in the 2004 Tech Museum Awards—with business planning knowledge and seasoned mentor support for scaling up their ventures.

Toward A New Pedagogy for Scaling Social Ventures

A fundamental premise of the GSBI is that the disciplined logic of business planning is equally applicable to for-profit and not-for-profit organizations. Social benefit entrepreneurs can only do "good" if they do well. Even if they are donor-dependent, they will not continue to attract resources if they lack sound strategies for execution and achieving a return on social benefit investment. Business planning encourages social benefit entrepreneurs to develop a business model for achieving a positive cash flow and economic sustainability, and to be explicit about the unique value they provide to beneficiaries, channel strategies, and key drivers for their venture's success or failure.
The core of the GSBI is an intensive, two-week, residential program. A typical day involved eight hours of classroom work and three hours of evening work, with the two-week program culminating in the presentation of a business plan to an elite group of review panels comprised of seasoned entrepreneurs, venture capitalists, and senior executives. During the course of the business plan presentations, panelists honed in on people, market, and technology risks, as well as unique contextual factors. For example, in ventures addressing needs of the four billion people who live on less than $1.50 per year, business plans were constructed to make these markets structurally attractive by creating an economic buyer (e.g., through aggregation, micro-finance, and blended public and private funding for social goods).

The Basics: Income Statements and Balance Sheets

The scope of learning about how to "scale up" social ventures was broad. It began with Santa Clara University Professor Al Brown's analysis of income statements and balance sheets—where better to start a "boot camp" experience than with the basics of how financial decisions will shape margins and the ability to get to break even? Social ventures typically experience steepness as opposed to smooth patterns of growth. Preparing cash and managing cash flow is critical to survival and to marshalling scarce resources for greater market penetration. Similarly, allocating capital for product and service enhancements to areas with higher margins can generate internal revenue for funding growth or sustaining services in less attractive service areas. Beginning with income statements and balance sheets achieved the intended outcome of affirming that "profit" is not a dirty word.

For some cultures profit generation carries a negative connotation. In fact, capitalism may be viewed with skepticism or mistrust for its insensitivity to instances of market failure in serving human needs. Many assume, for example, that the poor can only be served by private charity or government welfare. But in the U.S., a market-based model may appear to be antithetical to maintaining non-for-profit status, and the conventional wisdom of some suggests that public or social goods are the province of governments and private philanthropy. Overcoming the mental model that pits against market-based approaches is especially vexing in instances where the economic standing of nations and collective experience in enterprise creation and capital formation simply deprive regions of the necessary know-how and financial capital. Understanding margins, market size, and growth opportunities provides social benefit entrepreneurs an ability to assess opportunities for investing capital and allocating expenses from a market viability perspective. All of the participants in the GSBI class of 2004 seemed to draw the conclusion that, in the presence of uncertain charity flows, long-term social returns cannot be realized without an economically viable business model that includes alternative revenue streams. They also came away with an appreciation of the fact that potential investors in their social ventures would focus a keen eye on the degree to which they were allocating resources optimally to build capacity in the form of critical processes, skills, and resources for becoming self-sustaining.

Beyond the Basics

Managing Innovation

The GSBI focuses exclusively on technology-based social benefit ventures. By definition, this means that they must compete not only on the basis of the value they deliver today, but on the basis of their ability to continuously innovate. Santa Clara University Professor Dave Caldwell's examination of innovation as a function of the norms that reinforce both trajectory and implementation provided concrete examples of how team selection, leadership, and organizational architecture must align to ensure innovation. In addition, Stanford Professor William Behrman illustrated best practice examples of how this works at IDEO, perhaps the most pre-eminent organization for design innovation.

The Value Proposition

In various stages of the GSBI curriculum participants were provided with insights for sharpening the definition of their "target customers" or beneficiaries and the factors that determine how they define value. "Value-Benefit-Cost (in relation to alternatives)" is a basic concept that may, inappropriately, be taken for granted by social benefit entrepreneurs, especially where they are serving previously unmet needs or addressing areas of market failure. Market failure can occur where there is no economic buyer because of price in relation to the income of potential early adopters. Without early adopters it is not possible to develop economies of scale and penetrate mass markets. But, a lesson that the GSBI seeks to drive home is that the price, or cost to the beneficiary may not be as important as perceived benefit. If benefits are increased, the Economics—both direct and indirect—will be willing to pay more.

Crossing the Chasm

Social benefit entrepreneurs, like entrepreneurs in other sectors, need to understand product life cycles and the different considerations that influence market acceptance for early as opposed to subsequent and mass market adopters. Product leadership, for example, may be most important for early adopters, while a strategy that focuses on customer intimacy or operational excellence takes on added importance in achieving wider adoption. Jeff Miller, former CEO of Documentum, Inc., led a discussion of the Harvard Business School case that examined the challenge of crossing the chasm during his tenure at Documentum. The decisions he made to focus organizational resources on a vertical market strategy as a way of catalyzing wider scale adoption—in one vertical at a time—was an invaluable insight for participants who took great pleasure in trying to outmaneuver the "free" decision making protagonists in the race.

Business Model Innovation

Ted Moser, Managing Director of Mercer Management Consulting, took each discussion of the classic elements of business strategy and clarified their application to relevance, influence, and sustainability of non-profit organizations. This session illustrated that, over time, business model innovation may become significantly more important than product innovation. The evolution of Opportunity International's micro-lending business model was used to illustrate how value migrates over time and can be captured through changes in business models. Micro-lending provides a natural avenue for "scaling up" through franchising in developing countries.
“One unifying thread in the GSBI is the causal relationship between technology, productivity, and material standards of living.”

**Conclusion**

To help ensure that the GSBI met its own objective of continuing effectiveness as an action learning program, Karen Coppock gathered data from not only participants but also mentors and staff. She found that the three greatest reported strengths of the GSBI were: the networking opportunities offered the participants (with the mentors, each other, and the broader Silicon Valley community); the learning and business skills from which they “obtained great benefit”; and, the quality of teaching and “knowledge of the presenters” (rated 6.7 on a seven-point scale). Within this global learning community the relationships of trust, respect, and reciprocity that were fostered enabled participants to adapt the insights of faculty and the innovations of their fellow classmates into their own operations.

While we are pleased with the success of the program, this is a “work in progress” that involves learning on “both sides of the lectern.” From a program design perspective, admissions, content, and the development of program effectiveness measures are all areas for further development. In addition, augmenting support for the GSBI work products and post-program continuing education, as well as the development of collaborations to support access to funding for well-conceived business plans, would further strengthen this promising program launch.

On the eve of the business plan presentations, attendees were running high among GSBI 2003 participants. Venture capitalist Bill Unger provided an extraordinarily insightful session on best practices in business plan presentations that seemed to empower the right combination of thinking and heart for the presentations that followed the next day. Here are the words of one class participant that many others seemed to echo in their own way:

> “Hopefully by now you and your teams are rested from our whirlwind visit to Santa Clara. We provided you all with such amazing access to resources that I am still telling everyone how GSBI changed my life. I know it sounds strange, but attending GSBI and being in the atmosphere you and the teams created inspired me in so many ways. I left the program feeling like I could conquer the world and wanting to start doing so immediately.”

> “The final presentation day for me was the most exhilarating. I am comfortable presenting to large groups and “selling” my organization, but the structure of this presentation was so different for me and I wasn’t sure if I was going to be able pull it off. Well, GSBI gave me the tools to do it and with the practice that we had learned could really do it. Everyone that we had learned into play. I was very thankful for Bill Unger’s final presentation on Thursday about keeping your enthusiasm in your presentation. This helped me to shape my story like a new anchor, but keep my presentation engaging. When it was completed I felt a huge sense of accomplishment. I had completed a journey that was long and hard but worth every moment of it.”
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James L. Koch is the founding director of the Center for Science, Technology, and Society at Santa Clara University. He received his BBA and PhD from UCLA. Prior to founding the Center, he served as Dean of the Leavey School of Business from 1990 to 1996—a period in which the School's MBA program rose to national recognition. The Organizational Planning and Development Group that he founded and at which he worked from 1980-1990 received the National Excellence Award for Organization Development from the American Society for Training and Development. His research and consulting focus on organizational systems and high performance organizations. He is currently a professor at Santa Clara University. Koch has consulted in the fields of management, leadership, and organizational development.

About the authors

James L. Koch is the founding director of the Center for Science, Technology, and Society at Santa Clara University. He received his BBA and PhD from UCLA. Prior to founding the Center, he served as Dean of the Leavey School of Business from 1990 to 1996—a period in which the School's MBA program rose to national recognition. The Organizational Planning and Development Group that he founded and at which he worked from 1980-1990 received the National Excellence Award for Organization Development from the American Society for Training and Development. His research and consulting focus on organizational systems and high performance organizations. He is currently a professor at Santa Clara University. Koch has consulted in the fields of management, leadership, and organizational development.

KAREN COPOCK, a Visiting Fellow at Santa Clara's Center for Science, Technology, and Society, where she is finishing her doctoral dissertation research on market expansion strategies. (Removing multi-ethic home hardship, 2002). Her experiences include a post-doctoral position at the University of California, Los Angeles in 2003. Karen has a diverse international background, including extensive experience in the high-tech industry (3M, Telenet and Tefen). She has also worked as a consultant for several organizations, including the National Science Foundation and the National Aeronautics and Space Administration. Karen is an active member of the American Psychological Association and the International Socioeconomic Development Association. She is currently focusing on her doctoral degree from the University of California, Los Angeles, in Spring 2004.

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