



Address pain points in society to do good and do better

Entrepreneurs looking for growth opportunities should begin by identifying 'pain points' in society, say INSEAD Professor Subi Rangan and Shantanu Prakash, the founder of Indian educational company, Educomp Solutions.

"I think the big idea for Educomp was that there is a lot of pain in the existing education system," Prakash told INSEAD Knowledge on the sidelines of the Leadership Summit in the Middle East. "The students are frustrated because they are not learning well enough in this highly competitive world. Parents are frustrated because they want a return on the investment that they're making for their (children). Teachers are frustrated because classroom sizes are increasing and teachers are not getting well paid."

In the quest to address that pain point, Prakash set up Educomp in the mid-90s, becoming one of the India's 'youngest billionaires'. Educomp's motto is 'What learning can be.' Among other services, the company provides technology-based educational solutions to thousands of schools across India, and is also involved in teacher and vocational training.

"Essentially I think the system is dysfunctional," Prakash says. "And so when we looked at the system we saw opportunity and we said there is a better way of doing things. And we decided to use technology as an enabler, as a method by which we could improve the existing system. That's how some of our innovation in the area of multimedia education and even distance learning came about."

INSEAD Professor of Strategy and Management Subi

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Rangan regards Educomp as a good example of a firm that's used imagination to innovate and reconcile performance with progress. Business enterprises such as Toyota, GE and Pepsi also offer illustrations of firms that complement information and incentives with a third, potentially more important, factor of production: imagination, which is oriented to addressing a societal pain point.

"Society has a variety of pain points. It could be climate change, gender disparity, health and obesity," he told the INSEAD Leadership Summit. "We can use the 'ought to be' standard in guiding our imagination."

"How the world is today versus how it ought to be. This is the standard of imagination. This is the meaning of progress - when we can close the gap between how the world is and how to take it one more step towards how the world ought to be. That's the standard, the imagination standard that these business organisations are using."

Imagination, Rangan says, is even more important than innovation. An important purpose of education is to encourage and inspire imagination about how the world can and ought to be.

"Innovation is important. Innovation tends to be

about product and process innovation. Imagination is about goal innovation. What is the goal? Does that have a societal component in it? Can we recouple this mechanism called capitalism to society? Can we incorporate market and society within a more evolved paradigm of capitalism?"

Rangan says the economic paradigm is changing from a self-regarding, instrumental capitalism to a substantive capitalism, which couples society with the market. In essence, it's deepening the corporate citizenship role of business enterprises.

"Whereas the Schumpeterian entrepreneur starts with gain, my entrepreneur starts with pain," he says. "They look at the pain in society and ask 'how can I now make a business of addressing that?'"

Educomp's Prakash did just that, building a company which today has a market cap of around 1.5 billion dollars.

"I run a company that is publicly listed. The company enjoys a fairly good price earnings multiple. We are a highly profitable company. Our return on capital employed is in excess of 35 per cent. We have a 50 per cent EBITDA (earnings before interest, taxes, depreciation and amortisation) margin."

"We are not driven by profits," he told INSEAD Knowledge. "We are sustained by profits."

"We certainly need to make money as a company but we want to reinvest that money back in creating better products, in bridging some of the social divide that exists today. And if we were not making enough profits we would not be able to do a lot of what we have managed to accomplish today."

Even though many families would have been willing to pay more, students pay two to four dollars a month for teaching materials. Prakash maintains it was a "good business decision...to crash the price of access."

"Because when you bring the pricing down, you go to this inflection point which is bordering on mass consumption. I think the real decision that we take in our minds is, can we make this product in such a manner that every student in India should be able to consume it? And then when you multiply the large numbers, even with the smaller price point, you still end up making more money. So I think we are serving both our stakeholders. We are serving our investors and shareholders as well as serving the consumer."

But even though he hasn't sought to maximise profits, Prakash doesn't view himself as a social entrepreneur.

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"I fundamentally believe that businesses of the future that operate in some of these areas like education or health or clean technology, will have to take an important decision about how they price their products, how they deliver (them), so that they can meet the aspirations of their consumers. And in meeting the aspirations of their consumers on price points and on quality and other parameters, they simultaneously meet the expectations of their shareholders and investors."

And his advice to other entrepreneurs? Look for society's pain points.

"If you look around the world, there is no dearth of potential billion dollar ideas and opportunities, largely in the area of large societal pain points. I am an entrepreneur in the education area and I can tell you that in education, I could easily find maybe eight or ten big ideas that somebody has to deliver on. And these are in classroom transformation, e-learning, vocational education, higher education, one-on-one learning."

"The potential is essentially limitless. Since the world entered into being a knowledge economy and intellectual capital became more important than financial capital, it gave entrepreneurs a new tool to be able to transform society. And my thesis is that you can transform society for the better and still make money. This is not an either/or situation."

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