



The business of positive change

“Profit-seeking is consistent with social entrepreneurship,” says Pamela Hartigan, the co-founder of the Schwab Foundation for Social Entrepreneurship and author of ‘The Power of Unreasonable People: How Entrepreneurs Create Markets that Change the World.’ Hartigan says social entrepreneurs see the profit motive as a means to the goal of improving society and not as an end in itself.

“Social entrepreneurs identify opportunities for social profit where others see only problems,” she explains. “They are able to develop innovative business models that engage stakeholders and bring about social change.”

Hartigan made her remarks during the 19th Alumni Sustainability Roundtable devoted

this year to the theme of Social Entrepreneurship.

Sharing journeys

Sharing his experiences at the event, Jean-Daniel Muller, co-founder of SIEL Bleu, a Strasbourg-based organisation encouraging tens of thousands of elderly people to stay healthy through physical activity, says it could have been sold to a for-profit organisation for a large sum of money. However, the offer was turned down. “We want to retain our not-for-profit status and reinvest all surplus funds in growing SIEL Bleu to create greater social impact,” he says.

Another alumnus of the INSEAD Social Entrepreneurship Programme (ISEP), Majid El Jarroudi, co-founder of Jeunes Entrepreneurs de

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France (Young Entrepreneurs of France), says that through a growing set of partnerships, his organisation can provide training and support to hundreds of young entrepreneurs living in the suburbs or banlieues of Paris to help them set up their own businesses. “Young Entrepreneurs is not about charity; it is about giving a chance to young people to prove themselves.”

Developing new business models

Filipe Santos, INSEAD’s Academic Director for Social Entrepreneurship, says the key challenge for social entrepreneurs is to develop new business models to address social problems and then grow the ventures beyond their local context to achieve a broader impact in society.

One new business model linked to microfinancing is peer-to-peer lending, where individuals in developed countries lend funds to finance projects in emerging countries.

According to Mads Kjaer, founder of MyC4, this innovative business model allows individuals to invest in entrepreneurial projects of their choice and get good interest rates while facilitating economic

development in the target regions. Kjaer, who shares the millennium goal of eradicating extreme poverty and hunger in Africa by 2015, says MyC4 today lends close to two million euros to more than 1,250 entrepreneurs in Africa. The organisation was only set up last year. Although there have been no defaults on loans so far, MyC4 expects a default rate of two to three per cent over time.

“Diversity is the secret of our success – the recipe is to minimise risk,” Kjaer says.

Kiva.org takes a different approach. Its lenders do not receive interest and the organisation relies on networks of volunteers, as well as local microfinance institutions to disburse funds. Its default rate is less than one per cent. Jennifer Hamilton, INSEAD MBA alumna ('04D) and Kiva's CFO, says the organisation has lent out more than 30 million dollars since it was founded in 2005.

Lorenzo Saa, the head of microfinance at the UniCredit Group and co-founder of MicroRate, a venture which develops ratings for microfinance institutions, says the key issue holding back microfinance is the fragmentation and the small size of current providers. “By engaging individuals and providing a new source of funding, peer-to-peer models can alleviate the constraints of microfinance institutions and democratise the market.”

“This will lead to better financing conditions for entrepreneurs,” he adds.

Doing business equals doing good

Social entrepreneurs talk about their organisations as businesses – not charities. They're not profit-maximising but profit-optimising businesses seeking social transformation, with profits being used as a means to an end, says Hartigan. Social entrepreneurs don't work with the unemployed, the elderly, or the poor to fulfil their 'corporate social responsibility'. “Working with these groups and providing the kind of goods and services they do, is their core business – not a public relations afterthought.”

We can no longer divorce where we do business from where we do good, she argues.

Mainstream business, financial and political leaders are having to come to grips with emerging trends in value creation because consumers and voters are increasingly demanding that they do so.

“You are part of a historical transition that will culminate with every business, large or small, having to be a social business,” Hartigan says. “There has never been a more urgent time for connecting markets and meaning.”

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The 19th Alumni Sustainability Roundtable was held at INSEAD's Europe campus in Fontainebleau on 22 May 2008. The podcast series featuring guest speakers and practitioners can be accessed [here](#).

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