
Social entrepreneurs find silver lining in economic downturn



By Grace Segrán

Social enterprises are not immune to the effects of the economic downturn. Jop Blom, a social entrepreneur based in Amsterdam, says as companies turn their attention to survival, they are focusing on reducing costs and corporate social responsibility (CSR) projects are cut as these are not regarded as a priority during these times.

“As companies are cutting costs and firing people, they feel that that they are not sending the right signals if they invest in CSR at this time,” the founder and director of EsteamWork told INSEAD Knowledge.

Over in Istanbul, Serra Titiz, the owner of Mikado Consulting and Konsensus is experiencing a similar situation. “Finding funding for projects is becoming tougher and ‘social impact creation’ has become a secondary priority for companies.”

Foundation endowments are shrinking because of the economic slowdown and, as such, many foundations are putting grants on hold, says Kevin Teo, founder and head of Volans Asia, a social innovation company based in Singapore.

“The impact from foundation grants has not been fully accounted for as yet because of the grant-making cycles, but foundations have already delivered warnings on impacted endowments,” Teo says. “Corporate foundations, which usually get their funds as a percentage of profits from the parent corporation, are also impacted because of the performance of these corporations”.

Over in India, situation is somewhat more optimistic. Meenakshi Bhalla, CEO of Spatial Access, a social communication agency says “there is a lot of funding available even now. Our clients are non-governmental organisations (NGOs), not-for-profit organisations and corporates who do CSR, and they have not cancelled or stopped their development work. Funding houses have not cancelled the funding to NGOs, although some may have slackened their pace a little bit, but developmental work continues to press ahead.”

The modus operandi helps

According to Bhalla, social enterprises have not felt the full impact of the economic downturn because of the way they operate.

“Corporations didn’t see the downturn coming as rapidly as it did, and hence did not anticipate the after-effects. Social enterprises, on the other hand, are pretty much used to working on judicious spending and budgets, and have always worked more efficiently and effectively within constraints, such as dependency on external funding, lack of good professional resources and natural stressful conditions,” she argues.

Social work, by definition, is about going against the grain and developing a new less travelled path, she adds.

Make or break for the social sector? According to Teo, this is definitely a make or break juncture, and the fittest will survive through their ability to manage costs. Because of the scarcity of financial resources, this could also be an opportune time for consolidation and partnerships across organisations that address similar missions. “If issues of ego and management can be properly addressed, this would be a good thing, as scale economies can be achieved.” Blom believes the crisis could break many social enterprises. In order to survive, they would need to be creative in stepping into new markets and developing even stronger concepts. The market also places strategies in new perspectives and brings them to the core of the company’s

existence.

As a new micro venture, Mikado Consultancy has not been badly affected by the downturn. “I haven’t experienced any drop in revenue; on the contrary, I am at the stage of scaling up my social enterprise. There is hope of survival if the crisis is a short run. If not, I could face a lot of difficulties.”

Again, India differs in outlook. Bhalla believes there is enough pull for funding to be made available for relevant causes, along with sufficient momentum for relevant change in Indian society.

“India today is more aware than ever of reducing the gaping chasm between the haves and have-nots,” Bhalla says. “The middle belly of our society is more conscious of such issues and has the willpower to make change happen especially after the 26/11 Mumbai terror attacks.”

Some good emerges from the downturn

The good news is that there is a rising tide of volunteerism says Teo. “With a growing wave of retrenchments, professionals take stock of their careers and assess their life priorities. This is a good thing for social enterprises in terms of availability of skilled and cheap-to-free talent, at least in the short term.”

For Blom, the crisis shows that it really is time for change in society and confirms his company’s mission for global tolerance and cooperation. The crisis has also helped put things in perspective. “I now enjoy more of what I am doing - which is enriching people’s lives with inspiring journeys to Africa, instead of worrying about managing and expanding my company, and I can be modest about my achievements.”

In an era when clients are reworking their marketing budgets to cut costs, the slowdown couldn’t have come at a more opportune time for new enterprises such as Spatial Access.

“We become justified in our existence,” says Bhalla. “As more stakeholders focus on partners who provide maximisation of efficiencies and effective return on investments, we are well placed as a new and small social enterprise to deliver the efficiencies they are looking for, such as cost effectiveness, quicker responses, direct access to creative people and hence greater attention.”

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