StanfordSOCIAL INNOVATIONReview
Informing and inspiring leaders of social change

Philanthropy & Funding

A Neoliberal Takeover of Social Entrepreneurship?

A model of social entrepreneurship focused on market-based solutions and profit is threatening to crowd out more collaborative approaches.

By Jyoti Sharma ⎸ Sep. 19, 2016

I recently found an interesting article by Martin Jacques, who, in the early 1980s, heralded and warned against the rise of neoliberalism—as defined by trickle-down and laissez-faire economics with minimal state intervention—in the West. The article returns to the topic of neoliberalism, but this time predicts its impending demise. Jacques writes that neoliberal policies have led to slowing economic growth, falling real incomes for most people (as high as 90 percent of the population in the United States), and an increase in inequality. He argues that recent political events—such as Brexit and the rise of Donald Trump and Bernie Sanders—indicate a working class revolt against these trends, and that there will be a fall of neoliberalism as state policy, regardless of the final outcomes of current political slugfests.

The article made me think back to a social entrepreneurship conference I attended, and the disquiet I sensed among many participants about the increasing tendency to view social entrepreneurship as the ultimate solution to social problems. As neoliberalism loses favor in government, has it found its new hunting ground in the social sector?

The popular image of social entrepreneurship suggests it has. High visibility examples such as TOMS Shoes and Frogtek—launched by young people who had access to considerable seed funding—are touted for operating profit-generating business models. TOMS, with $300,000 in seed funding, started with a buy-one-give-one model. Frogtek—with $2.5 million in venture funding, an undisclosed amount in seed funding, and $400,000 in debt financing—started by creating business tools for micro-entrepreneurs in emerging markets to increase business efficiency and reduce prices for low-income clientele.

The scale, model, and funding of institutions like these are closer to venture-capital-supported businesses than to charity-based organizations that serve the disenfranchised with no consideration of financial returns. This brand of social entrepreneurship positions itself as the antithesis of the traditional nonprofit, taking pride in its model of self-financing, competitive marketing, and profit. In fact, organizations like these position their ability to generate profit as their biggest strength—as a proof of their ability to sustain their activities and scale impact on their own without any external support.

As a social change-maker working in India, I don't find that this neoliberal idea of social entrepreneurship correlates with my own perception of the term. To me, the focus of social entrepreneurship should be not the "enterprise" but the beneficiary. Its design should flow from, and be anchored to, the needs and capacities of the beneficiaries. Profit-making should be secondary to making impact. Hence, charitable donations and nonprofit capability that can add value to the beneficiary should be a welcome part of the solutions set.

The scaling of enterprise-oriented social entrepreneurship also worries me. A commercial enterprise at scale needs layers for efficient management, controls, standardization, and constant growth—factors that may not allow for the most humane, responsive, and efficient solutions for those in need. By contrast, a social entrepreneur trying to solve a problem for a community with which he identifies will more likely create a solution that is innately self-reliant, rather than profit-focused.

In a slum community that has choked drains and garbage everywhere, a social entrepreneur could be a community member who starts a house-to-house garbage collection system. The community might decide to impose a monthly tariff based on members' ability to pay and the minimum amount required to allow the social entrepreneur to work. Even so, the effort usually would have to follow a hybrid model that used charity to supplement its revenues and to make sure that the price the community had to pay was minimal. Nonprofits working in the area could lend support by donating infrastructure, covering capital costs, building capacity for efficient work, and making the community aware of the solution being offered.

The work of my nonprofit, FORCE, demonstrates the need for this sort of hybrid model that supplements profits with charitable donations and nonprofit assistance. We have supported several community members' and social entrepreneurship organizations' efforts to provide essential water and sanitation services, including low-cost water treatment systems with kiosks that sell safe drinking water, community-managed garbage collection, and clean community toilets. In each case, the price for users, decided in consultation with the community, has been

unbelievably cheap—1.5 cents for 3 liters of drinking water; 4 cents per family per month to have their garbage picked up, and recycled or safely disposed of; or $1 per month per family for use of a community toilet. At the same time, each project aimed to make sure that it recovered at least its operational costs and that the entrepreneurs managing it were compensated adequately for their work. Despite such efforts, none of these projects were financially self-sufficient. In all cases, grants paid for the capital costs, capacity building, and marketing, and FORCE frequently had to provide supplementary support to help the social entrepreneurs overcome revenue shortfalls. Without this support, the cost of service would have been too high for most of the community it engaged. Moreover, the bottom 20 percent of poor communities remained unreachable, despite all efforts to extend the solutions to them.

Even large-scale programs touted as examples of successful social entrepreneurship, such as Grameen Bank, use both profits and grants to fund themselves. Indeed, a closer look at TOMS Shoes reveals that it relies on nonprofits to deliver its shoes (and now eye care and safe water) and to create awareness campaigns. Even Frogtek is looking to access charity funds for its next phase of activities. Clearly, market-driven social entrepreneurship does not solve social problems in

Members of FAPRO, a farmers co-operative in Hoshiarpur, India, and an associate of FORCE, promote natural agriculture with minimal water and no artificial fertilizers or pesticides. (Image Courtesy of FORCE)

their entirety. These and other organizations would serve the cause better by donating part of their proceeds as grants to those that work directly for the target communities—such as nonprofits or community entrepreneurs.

Social entrepreneurship does seem to work, however, in an "outsourcing" capacity, where it partners with a government or donor to implement programs and perform outreach. Examples include nonprofits working through Medicare as a part of the United States' Program of All-Inclusive Care (PACE) for the elderly and NGOs providing skilled staff for government schemes, such as Anganwadi, a health and nutrition program for pre-school children, pregnant women, and lactating mothers in India. In these cases, the social entrepreneur works as an efficient vendor for the welfare provider and does not depend on collections from the community for survival.

But moving toward a model of social entrepreneurship that is less purely market-driven and more collaborative won't be easy. Despite the evidence against it, the neoliberal model of social entrepreneurship continues to attract donors, universities, and young people interested in social

change with its powerful blend of idealism and materialism.

Many young people want to create a better world but live in a highly competitive environment where it's not just enough to get a fat paycheck—you also have to be a spectacular achiever, an eyeballs-grabber. Market-driven social entrepreneurship appeals to the idealist in the young person while also offering the glamor of being a self-made, confident, innovative businessperson.

Set up by FORCE in partnership with Delhi's water utility, the Rain Center in Delhi provides citizens with free consultations on rainwater harvesting. (Image Courtesy of FORCE)

The neoliberal model also speaks a language that donors, many of whom are supported by business funds, understand: quantifiable results that can be independently validated, sustainable revenue models, clearly quantifiable impact (such as the number of products sold), market-driven change, and a lack of need for conscious stewardship. Moreover, neoliberal social entrepreneurship is not an activist social movement and so does not threaten the powers that be, to which most donors are tied. Businessperson donors also connect with social entrepreneurship at an emotional level because it celebrates the power of an individual to win influence and change the "system," much as they see themselves doing. Neoliberal social entrepreneurship also lends itself well to feel-good communication and storytelling—a just cause with young, idealistic, self-reliant protagonists ready to solve the problem on their own. All these, I think, have contributed to the popular image of social entrepreneurship with strong neoliberal overtones, rather than the hybrid reality that actually works on ground.

Donors' interest in social entrepreneurship has also contributed to an explosion of related courses at universities. Funding for social entrepreneurship courses, which allow rich universities to legitimately add to their community welfare credentials and churn out graduates who aim to be job-creators and not just job-seekers, makes the pull of social entrepreneurship too strong to resist for many schools.

It is time to reflect on this trend. Neoliberalism has a track record of favoring the few at the cost of the many. The charity sector tries to redress these inequities and give succor to those left behind. One is the antithesis of the other. Should we not get together to halt the advance of neoliberalism into charity? Do we need to see social entrepreneurship as a "non"-nonprofit? Should we instead promote hybrid models that plan the social change effort with both charity and revenue streams? Should we encourage community entrepreneur networks where charity funds are used to support

entrepreneurial efforts from within a beneficiary community that help solve their social problem? Should we advocate for governments and corporates to join hands with nonprofits in planning, delivering, and monitoring welfare services? Equally, should we set ethical and social responsibility standards for entrepreneurships and applaud them for their contribution to society? Social entrepreneurship is definitely a part of the bouquet of social solutions. But should we be mindful about preventing its slide into the neoliberal form that it is perceived to take now?

Support *SSIR*'s coverage of cross-sector solutions to global challenges. Help us further the reach of innovative ideas. **Donate today.**

Read more stories by Jyoti Sharma.

Jyoti Sharma is a Taubman Fellow and Social Entrepreneur in Residence at Brown University, president of the Indian water and sanitation nonprofit FORCE, and an Ashoka Fellow.

If you like this article enough to print it, be sure to subscribe to SSIR!