

S.E.VET– Capacity Building Programme



Sub-Unit 2

Developing Social Entrepreneurship Ventures

- Social entrepreneurship is the practice of addressing social and environmental issues through innovative solutions. In the engineering sector, this involves leveraging technical expertise and creativity to develop sustainable solutions for societal challenges. Ideation and opportunity identification are crucial steps in this process, as they enable entrepreneurs to identify problems, generate innovative solutions, and create meaningful impact.



Introduction and Overview

What is *Ideation*?

Ideation is the process of generating, developing, and refining ideas. In the context of social entrepreneurship, it involves creatively exploring potential solutions to address social and environmental challenges. Creative thinking is essential in this stage, as it allows entrepreneurs to think outside the box and develop innovative solutions that can make a real difference in the world.

Ideation comes also from observation: social entrepreneurs have the ability to see and address social problems and needs that traditional businesses can't perceive.

Social entrepreneurs focus on identifying problems in their communities or beyond and think of creative ways to address these problems sustainably and effectively.



▪ **Ideation Process**

- The ideation process typically involves several key steps:
- **Understand the Problem:** Begin by thoroughly understanding the social or environmental problem you aim to address. Conduct research, gather data, and empathize with the affected communities to gain insights into the root causes of the issue.
- **Research and Analysis:** Explore existing solutions and best practices in the field. Analyze the strengths and weaknesses of current approaches to identify opportunities for improvement.
- **Idea Generation:** Use brainstorming techniques such as mind mapping, SCAMPER, or reverse thinking to generate a wide range of ideas. Encourage creativity and open-mindedness to explore unconventional solutions.
- **Evaluation and Selection:** Evaluate each idea based on its feasibility, impact, scalability, and alignment with your mission and values. Select the most promising ideas to move forward with.



From concept to practice

The expression social business is increasingly being used to identify that broad and heterogeneous set of business experiences that, by combining entrepreneurial tools and cultures with an orientation to community service and proximity to need, make the creation of economic value the means to pursue goals of development and social cohesion. The business idea in social takes shape not only through the creation of new business activities in support of a social cause, such as spin-offs of pre-existing businesses or start-ups of new initiatives, but also through the repositioning of nonprofit companies in new areas of intervention and in response to new social needs.

The motivations behind drafting a **social business plan** are no different from those related to drafting a business plan for a for-profit enterprise, the differences are found in the particularity of the business project that encompasses the dual soul of both economic and social and in the special attention that in drafting the plan is given to some of its constituent elements such as ownership and management, relations with the competitive system and the measurement of business performance to highlight the social character that distinguishes the entrepreneurial initiative.



From concept to practice

Writing a business plan can facilitate access to sources of financing by providing possible lenders with a document presenting the contents and characteristics of the business project and of the company as a whole. Used for this purpose it takes on an external informational purpose to support the credibility of the business project, in order to persuade potential lenders about the goodness of the idea and the business opportunity it holds. The plan prepared for this purpose should be therefore as comprehensive (that is, explanatory of all the elements that make up the business) consistent in the different parts analyzed, and should set clear, convincing and realistic goals.

The chapters of the social BP are the same as traditional BP; the most important thing is highlighting the social aspects and impacts of the business idea.



From concept to idea

The structure, in this context, can be summarized as follows:

- Description of the social enterprise
- Business concept
- Market description
- Value proposition or competitive advantage
- Key success factors
- Main financial aspects and capital requirements



Stakeholder Theory

Stakeholder Theory views capitalism as emphasizing the interconnected relationships between a business and its customers, suppliers, employees, investors, communities, and others with interests in the organization. The theory posits that a company should create value for all stakeholders, not just shareholders.

R. Edward Freeman first outlined Stakeholder Theory in 1984, focusing on organizational management and business ethics that consider morals and values in running an organization. His acclaimed book, *Strategic Management: A Stakeholder Approach*, identifies and models the groups that are stakeholders in a corporation and offers methods for management to appropriately consider these groups' interests.

The theory has become a crucial aspect of business ethics, providing a foundation for further research and development by numerous scholars, including those highlighted on this website.

Since the 1980s, the theory's importance has grown significantly, with academics worldwide increasingly challenging the sustainability of prioritizing shareholder wealth as the primary goal of business.



Stakeholders can include:



1. Employees



2. Suppliers



3. Community members



4. Competitors



5. Governments



6. Customers



6. Shareholders



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Stakeholder Engagement

- Referring to a broader literature on impact methods, Costa and Pesci (2016) propose a **5-step model approach** that puts stakeholders at the centre of impact evaluation, through a multiple constituency logic. This theory originated in the field of performance measurement, which sees organisations as networks of stakeholders in dialogue with each other to define criteria of organisational effectiveness. The multiple constituency theory is, therefore, an organisational approach used to assess the organisational effectiveness of a company. According to this theory, the assessment of an organisation's effectiveness depends on the preferences expressed by multiple stakeholders.
- **All these declinations agree that the presence of different stakeholders can lead to different measures of effectiveness for different types of decisions/needs.** Thus, no single measure of organisational effectiveness, not even the simplest, will be able to respond to all the cognitive demands of the various stakeholders.



- Stakeholder engagement is a process that organizations can follow in order to listen to, collaborate with, or inform (or a combination of all three) their existing stakeholders. This process entails identifying, mapping and prioritizing stakeholders to determine the best tactics for effective communication while making the best use of available resources.
- Stakeholder engagement helps organizations to proactively consider the needs and desires of anyone who has a stake in their organization, which can foster connections, trust, confidence, and buy-in for your organization's key initiatives. When done well, stakeholder engagement can mitigate potential risks and conflicts with stakeholder groups, including uncertainty, dissatisfaction, misalignment, disengagement, and resistance to change.

When it comes to strategic planning, stakeholder engagement is critical. It's important that your stakeholders understand why you exist, where you want to go, and how you're going to get there. Furthermore, it's essential that your *KEY* stakeholders are aligned with and bought into the strategic direction of your organization, so they can become advocates that can help you achieve your mission and vision.



Example: Stakeholder engagement and social impact in social services: the MARAC experiment in Trentino.

- Starting in 2017, the Autonomous Province of Trento launched a Multi-Agency Risk Assessment Conferences (MARAC) project, which envisages the involvement of different stakeholders in the definition and handling of cases of women victims of violence. In order to assess, both in itinere and ex post, whether the new system of stakeholder involvement is able to better identify and respond to cases of violence against women, a set of output and outcome indicators was constructed with the aim of constantly monitoring the MARAC process and intervening with corrective actions where appropriate. From a methodological point of view, the construction of the social impact indicators was carried out through the participation of all stakeholders at the multi-stakeholder table, consistent with the MARAC approach and the project's aims.



Example: Stakeholder engagement and social impact in social services: the MARAC experiment in Trentino.

- In this way, following a multiple constituencies approach, the different actors involved made themselves the spokespersons for specific demands that found a common and shared response. The metrics thus identified were gathered in a co-responsible manner through the participation and involvement of the different actors at the MARAC table. This project highlights the potential of stakeholder engagement for the definition of social impact measures; indeed, in the MARAC project, each actor was able to participate in the co-construction and co-creation of metrics and measures that individually would not have found meaning.



Financial Management and funding options for social ventures

Contemporary society faces a major challenge: to create economic value through the generation of shared value in order to contribute to the progress and support of the global economy. The paradigm of reference is characterised by a **strong interdependence between business and community**: the community needs the business for the satisfaction of its economic needs and, vice versa, the business needs the community as it is embedded in the context in which it operates and not detached from the problems of society. In this scenario, entrepreneurial initiatives aimed at promoting social change and generating cohesion within communities acquire increasing relevance. However, the presence of a welfare state in decline due to the decrease in public funding does not facilitate their full development. It is therefore necessary to identify efficiency models that, on the one hand, bridge the gap between reduced public funding and a growing demand for the satisfaction of needs and, on the other hand, promote the development of shared economic value in a synergetic perspective.



- In response to this need, new forms of **social finance** have emerged in recent decades, and in particular private investment instruments to support social entrepreneurship initiatives, the so-called social impact investment instruments. Among impact investing initiatives, venture philanthropy plays a relevant role which, through a coordinated and joint set of solutions, aims at building stronger social organisations. This approach provides both financial and non-financial support, with the aim of creating a shared social impact in the target community in which the social enterprise operates (John, 2006; Balbo et al., 2010; Balbo et al., 2016).



Case Study

Venture Philanthropy: non-financial support for social entrepreneurship. The case of E4SC (Entrepreneurs for Social Change) Project.

- The creation of shared value and the promotion of social equity within communities are becoming increasingly important in today's society. With this in mind, it becomes crucial to provide adequate support to social entrepreneurship. A crucial point is the implementation of *business models* that promote innovative and sustainable social initiatives in the medium to long term. Venture philanthropy represents a relevant approach in this sense because it adopts an investment methodology that has as its prerogative the realisation of social, environmental and cultural change, without neglecting the financial returns from the investment itself. It is characterised, in particular, by direct involvement in the social initiative by placing human capital at the centre through the provision of financial and non-financial support. In this scenario, it is interesting to question the potential of non-financial support to social entrepreneurship, **with a view to creating shared value and social impact.**
- **The case study will analyse the E4SC (Entrepreneurs for Social Change) Project - promoted by Fondazione CRT in collaboration with UNAOC (United Nations Alliance of Civilizations) - which aims to foster the evolution of social business ideas into real entrepreneurial opportunities, through training and mentoring.**



Case Study

- The program allows social entrepreneurs to boost their “business idea” into a “business opportunity” through non-financial support, referred to training and mentoring. This kind of nonfinancial support could enhance managerial skills and encourage social business initiatives, as a result of an increase in social impact.
- Entrepreneurs for Social Change (E4SC) is a project with the belief of sustaining EuroMediterranean young entrepreneurs with employment and opportunities in order to serve their communities with socio-economic growth and political engagement (United Nations Alliance of Civilizations and the Fondazione CRT, 2014) to improve individuals’ and communities’ lives and increase their well-being.
- the main aims of the programme are twofold. Firstly, the project attempts to fill their business skills lacks in terms of leadership, innovation, problem solving, strategic planning, business planning, fundraising, branding/marketing, stakeholder management, operations management, financial management. Secondly, the project aims at improving added cultural social skills, with a specific focus on cultural understanding, cultural pattern, recognition, collabo:



Case study

- In order to achieve this long-term purpose, 20 young entrepreneurs are short-listed within a competition, using the following selection criteria: - Applicant's background (gender, age and geographic area); - Objectives of the social enterprise; - Capacity to frame social context and diversity issues; - Capacity to address cultural/religious challenges; - Capacity of the social enterprise to generate employment; - Potential financial sustainability of the social enterprise. After three steps of selections, the winners firstly attend a targeted 8-day training that allow them to better understand two main different topics on social entrepreneurship: social and business aspects. The former focuses on the framework of the social enterprise such as creating a solid implementation plan; defining the target audience/clientele and finding the appropriate partners; being strategic and efficient in the search for funding capitals; understanding the need to continuously network; ensuring sustainability of the social enterprise. The latter highlights the social aspects, i.e. the content of the social enterprise: thus social entrepreneurs fully understand the cultural and religious diversity of the context in which the social enterprise will be implemented and acquire strategic capacities, for example (finding a niche, responding to a need) in either leveraging this diversity or addressing challenges related to it. During the 8-day training young participants could exchange with their peers from other parts of the region regarding opportunities and challenges related to multicultural settings and to get in touch with potential investors. After that the candidates are assisted for 9/12 months through non-financial support in terms of networking and mentoring, thus building sustainability of the initiative.



- **Identify gaps and opportunities.** Based on your research, you need to identify the gaps and opportunities that exist in the current situation. What are the unmet needs or unresolved problems that the problem creates? What are the existing solutions or interventions that address the problem? How effective are they? What are their limitations or challenges? What are the potential improvements or alternatives that could be made? You can use tools such as **gap analysis** (the difference between the current and desired state), **benchmarking** (the comparison of current performance with best practices or standards), and **brainstorming** (the generation of new and creative ideas), to help you find gaps and opportunities for social entrepreneurship.
- **Assess feasibility and impact.** Finally, you need to assess the feasibility and impact of your proposed solution or intervention. How realistic and feasible is your idea? What resources, skills and competencies are needed to implement it? What are the risks, uncertainties and assumptions that need to be considered? What are the expected results and benefits of your idea? How will you measure and evaluate them? You can use tools such as the feasibility study (the assessment of the viability and profitability of your idea), the logic model (the illustration of the inputs, activities, outputs, results and impacts of your idea) and the social return on investment (SROI) (the calculation of the social, environmental and economic value of your idea), to help you assess the feasibility and impact of your social entrepreneurship opportunity idea.



- For example, education and literacy represent access to and the ability to acquire and use knowledge and skills. They are essential for human development, economic growth and social inclusion. However, more than 250 million children and youth are not in school and more than 750 million adults are illiterate, especially in low- and middle-income countries. Some of the causes of education and literacy gaps are poverty, inequality, discrimination, conflict, lack of infrastructure and poor quality of teaching and learning. Some of the consequences of education and literacy gaps are unemployment, low income, poor health, social unrest and radicalisation. Some of the social entrepreneurs who have addressed the education and literacy gaps are **Salman Khan** (the founder of Khan Academy, which provides free online education to anyone, anywhere), **Sugata Mitra** (the founder of Hole in the Wall, which enables self-organised learning through digital technology in remote areas) and **John Wood** (the founder of Room to Read, which supports girls' literacy and education in developing countries).



Practical Application

Exercise: Applying Stakeholder Theory in a Social Venture

Objective:

To understand and apply Stakeholder Theory in a practical scenario, focusing on identifying and addressing the needs and interests of various stakeholders in a social venture.

Scenario:

Imagine you are the founder of a social enterprise called "EcoWater Solutions," which aims to provide affordable and sustainable water purification systems to rural communities in developing countries. Your goal is to create value for all stakeholders involved, not just the shareholders.

- who are your stakeholders?
- what are their interests and needs?
- how can you engage with each stakeholder group?



Practical Application

Conduct an Online Search for Funding Opportunities: Using search engines and online resources, look for potential funding opportunities. Include grants, competitions, venture capital, crowdfunding, and government programs. Document your findings in a table with the following columns:

Funding Source	Type of funding	Eligibility Criteria	Website Link
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Conclusion and Summary

Ideation is the process of generating, developing, and refining ideas, particularly in the context of social entrepreneurship. It involves creatively exploring solutions to social and environmental challenges. Creative thinking is crucial for developing innovative solutions that make a significant impact.

Key Aspects of Ideation in Social Entrepreneurship:

- **Observation:** Social entrepreneurs identify social problems and needs that traditional businesses may overlook.
- **Community Focus:** They find sustainable and effective ways to address issues within their communities or beyond.



Conclusion and Summary

Ideation Process Steps:

- 1. Understand the Problem:** Research and empathize with affected communities to grasp the root causes.
- 2. Research and Analysis:** Explore and analyze existing solutions to identify areas for improvement.
- 3. Idea Generation:** Use brainstorming techniques to generate a wide range of ideas, encouraging creativity.
- 4. Evaluation and Selection:** Assess each idea for feasibility, impact, scalability, and alignment with mission and values. Select the most promising ones to develop further.



The term "social business" refers to enterprises that combine entrepreneurial tools and cultures with a focus on community service and addressing needs.

These businesses use the creation of economic value as a means to achieve social development and cohesion goals.

Social businesses can emerge through new business activities supporting social causes, spin-offs from existing businesses, or start-ups.

Nonprofit companies can also reposition themselves in new areas to meet emerging social needs.

The motivations for drafting a social business plan are similar to those for a for-profit enterprise, **but the plan must address both economic and social goals.**

Special attention is given to elements like ownership, management, competition, and performance measurement to highlight the social aspects.



Stakeholder Theory emphasizes the interconnected relationships between a business and its various stakeholders, including customers, suppliers, employees, investors, and communities. It asserts that a company should create value for all these stakeholders, not just shareholders.

Over the years, its significance has grown, with increasing academic challenges to the notion that prioritizing shareholder wealth should be the primary goal of business.

5-step model that centers on stakeholders in impact evaluation, using a multiple constituency logic. This theory highlights that different stakeholders may lead to varying measures of effectiveness for different decisions or needs. Consequently, no single measure of organizational effectiveness can satisfy all the cognitive demands of various stakeholders, underscoring the need for a multifaceted approach to impact evaluation.



Contemporary society faces the significant challenge of creating economic value through the generation of shared value to support and advance the global economy. This approach is based on a paradigm that emphasizes the strong interdependence between business and community. Entrepreneurial initiatives that promote social change and foster community cohesion are becoming increasingly important.

In response to the need for bridging the gap between reduced public funding and the growing demand for fulfilling community needs, new forms of social finance have emerged over the past decades. One significant development is the rise of private investment instruments to support social entrepreneurship, known as social impact investment instruments.



What's next?

In the next lesson, you will learn about **Impact measurement** and its three primary areas: planning effect, analyzing effect, and reporting effect.

Impact planning is vital at the outset of a project or company and remains important for ongoing adjustments. It begins with a needs and environment analysis to determine the needs of the target groups and the context in which the enterprise operates. This analysis helps identify the target group, involve stakeholders, and lay the foundation for effective impact measurement.

Through a case study and interactive activities, you will learn how to identify the right tools to measure impact and to keep it sustainable.

The "2030 Agenda for Sustainable Development", which was ratified by all member states of the United Nations in 2015, provides an important framework.





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