

**SOCIAL  
ENTREPRENEURSHIP**

**WHAT EVERYONE NEEDS TO KNOW®**

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## INTRODUCTION

For much of the past decade, the specter of 9/11 has hovered like a dark cloud, a stark reminder that we have entered a phase of human history in which individuals can destabilize nations. The global dispersion of information, technology, and organizing capability has forced governments to rethink the basis of human security. These forces have also caused many to rethink the way we address global problems. Just as individuals and small groups have more destructive capability now, they also have more *constructive* capability.

This is fortuitous because the need for change is urgent. The United Nations recently reported that one billion people face hunger as a result of the financial crisis. Millions of women and girls die prematurely due to violence or the denial of medical care. Deadly diseases circulate globally with astonishing speed. Coral reefs are being destroyed, species are going extinct, fresh water reserves are being depleted, global warming is accelerating. At home we struggle to fix health care and financial systems that have run dangerously out of control.

Many respond to the onslaught of problems by tuning out the world, getting lost in distractions, or adopting an attitude

of cynical detachment. Many would like to take action but feel overwhelmed, don't know where to begin, or feel that problems are too big to be solved. But many have also found ways to respond with creativity, energy, and even optimism—attacking global, national, and local problems with powerful ideas and new tools. They see problems that are being ignored or mishandled by traditional institutions. In addition to registering protest, they are building new solutions.

Their stories have gone underreported. Even as news and information inundate us, the proliferation of people building new organizations to address social problems—millions of them—remains largely hidden from view. We know far more about the world's problems than about the world's problem solvers. This book draws attention to their efforts.

We refer to the landscape of organizations described above as the “citizen sector”; we believe that “social entrepreneurship” represents its leading edge. The book summarizes some of the historical underpinnings of this global phenomenon and suggests implications for the future. It asks the question that today's legion of changemakers are attempting to answer: how can people adapt rapidly, on an ongoing basis, to an ever-changing array of unforeseeable and increasingly critical problems?

Because of the size of the global population, the pace of change, the spread of technology, the urgency of financial, health, and environmental crises, and the interdependence that has collapsed boundaries, our response time must quicken: we must anticipate problems and attack them at their sources before they grow and multiply. And we must continually invent new solutions as conditions change.

The emergence of the citizen sector and social entrepreneurship are an adaptation to the changing demands of the global

environment, a departure from the top-down, centralized problem-solving model that dominated the past century. They favor an integrated, decentralized approach that harnesses the efforts of creative problem solvers far and wide.

Consider some developments from the past few decades. Microfinance organizations are expanding economic opportunities for hundreds of millions of poor people; rural schools and libraries deliver quality education to places beyond the reach of asphalt; health innovations release people from illness and prevent child deaths by expanding access to prenatal care, vaccines, micronutrients, and medicines; human rights advocates undermine the attitudes that cause exclusion based on race, gender, religion, sexual orientation, and disability; social businesses increasingly look to market products that meet basic human needs and reduce our environmental footprint; educators are developing methods that successfully teach empathy and conflict resolution skills; international networks have overcome nationalist forces to safeguard human rights at the global level.

Although problems are being attacked from many directions, today's changemakers share one common feature: they are building platforms that unleash human potential. They struggle to increase the number of people who have the opportunity to contribute their talents to the world. In so doing, they help more people to live with dignity.

It takes many kinds of actors to advance change: people who initiate new ideas and institutions (or renew old ones); a larger number who collaborate in building those institutions directly; and a much larger number who support those efforts in different ways. Over the past quarter century, the field of social entrepreneurship has gained a better understanding of the interplay among the roles. Describing the evolution of

thinking like generations of the Worldwide Web would break it down as follows:

Social entrepreneurship 1.0 involved a concerted effort to: (1) Systematically identify people with innovative ideas and practical models for achieving major societal impact; (2) Describe their function in society and shine a spotlight on their work; and (3) Develop support systems to help them achieve significant social impact.

Social entrepreneurship 2.0 shifted into the terrain of organizational excellence. It drew heavily on insights from business strategy, finance, and management and was primarily concerned with helping social entrepreneurs build sustainable, high impact organizations or enterprises. Many people with expertise in the business sector were attracted to the field during this phase as they discovered new avenues to apply their talents.

Social entrepreneurship 3.0 (today) looks beyond individual founders and institutions to the change-making potential of *all* people and their interactions. It recognizes that social entrepreneurship is contagious. Every person who starts a social change organization emboldens others to pursue *their* ideas and solutions, whether by building institutions or by strengthening existing solutions through their investing, philanthropy, managing, advocacy, research, teaching, policy making, computer programming, purchasing, writing, and so forth.

The field of social entrepreneurship is improvising its own ecosystem of supports by stimulating more changemaking as it grows. These developments are spontaneous; there is no single source of leadership, but, rather, countless responses to emerging needs. They are scattered around the globe. Individually many of the actions seem small, but they are

interconnected and mutually reinforcing. Taken together, they add up to more than the sum of their parts.

They are like the ant colony described by Lewis Thomas 35 years ago in *The Lives of a Cell*:

A solitary ant, afield, cannot be considered to have much of anything on his mind; indeed, with only a few neurons strung together by fibers, he can't be imagined to have a mind at all, much less a thought. He is more like a ganglion on legs. Four ants *together*, or ten, encircling a dead moth on a path, begin to look more like an idea. They fumble and shove, gradually moving the food toward the Hill, but as though by blind chance. It is only when you watch the dense mass of thousands of ants, crowded together around the Hill, blackening the ground, that you begin to see the whole beast, and now you observe it thinking, planning, calculating. It is an intelligence, a kind of live computer, with crawling bits for its wits.

While human foresight is also limited, we *do* have our own ideas. We can imagine, and sometimes even predict accurately, how our individual actions might contribute to a larger end, even if the long-term consequences are unknowable. We can create structures and platforms that coordinate, rationalize, and augment our diverse efforts. The examples of the International Campaign to Ban Landmines and the Microcredit Summit Campaign come to mind. Both successfully aligned the efforts of thousands of groups to achieve shared global goals.

Social entrepreneurship 3.0 is concerned with building platforms that enable more people at every age to think and behave like changemakers *and* to help them work together powerfully in teams and in teams of teams. It looks to forge

stronger linkages across cultural and disciplinary boundaries, particularly with business and government, and facilitate the rapid circulation and sharing of solutions at the global level.

The study of social entrepreneurship sheds light on how change happens and how societies renew themselves. It can help explain why government and international aid efforts have often met with limited success or outright failure, and what needs to be done differently in order to achieve better results. It also adds a dimension to the study of democracy, expanding the role of the citizen beyond choosing government representatives. In the years ahead, we believe many more citizens will consider it natural to take the lead in the creation of solutions to social problems. A quarter century ago, it took unusual confidence and vision to become a social entrepreneur. The role was undefined; examples were rare. Today, the path is becoming clear.

There is no way of knowing whether the constructive forces will overcome the destructive ones. As Bill Clinton has observed: "We're in a race against the positive and negative implications of our interdependence." Despite the problems, our spirits rise when we consider the historical changes that have enabled millions to take concerted and coordinated action to solve problems. Our hope is that this book will spark your excitement, expand your sense of possibility, and perhaps point the way to your own changemaking path.

# I

## DEFINING SOCIAL ENTREPRENEURSHIP

### *What is social entrepreneurship?*

Social entrepreneurship is a process by which citizens build or transform institutions to advance solutions to social problems, such as poverty, illness, illiteracy, environmental destruction, human rights abuses and corruption, in order to make life better for many. Academics, practitioners, and philanthropists characterize it variously as a profession, field, and movement. The most widely cited definition was offered by Greg Dees, who is often referred to as the father of social entrepreneurship education. Dees draws on the thinking of the economists Jean-Baptiste Say and Joseph A. Schumpeter, who argued that entrepreneurs improve the productive capacity of society and provide the "creative destruction" that propels economic change. Dees holds that social entrepreneurs do the same for social change, creating new combinations of people and resources that significantly improve society's capacity to address problems. Social entrepreneurs, he explains, create public value, pursue new opportunities, innovate and adapt, act boldly, leverage resources they don't control, and exhibit a strong sense of accountability.

Dees has identified two schools of thought in the United States that focus on enterprise development and innovation. The former emphasizes organizational strategy, revenue generation, and financial planning as centerpieces of high-impact enterprises, while the latter focuses on breakthrough insights. Some scholars hold to an inclusive definition that accommodates many forms of changemaking behavior; others use the term to characterize only those with uncommon creativity, courage, and tenacity whose work produces large-scale transformational change.

Despite the absence of a universally accepted definition, the term has proved useful because it builds on long-held understandings about entrepreneurs but applies them in new ways. By demonstrating how entrepreneurial qualities can be channeled to address major problems, it has opened up new pathways of behavior and methods of analysis for people who are motivated by a desire to solve those problems.

Social entrepreneurs have always existed. But in the past they were called visionaries, humanitarians, philanthropists, reformers, saints, or simply great leaders. Attention was paid to their courage, compassion, and vision but rarely to the practical aspects of their accomplishments. Thus, people may know about the moral teachings of St. Francis but not about how the Franciscans became the fastest growing religious order of its day. Children learn that Florence Nightingale ministered to wounded soldiers but not that she built the first professional school for nurses and revolutionized hospital construction. Gandhi is remembered for demonstrations of nonviolent resistance but not for building a decentralized political apparatus that enabled India to make a successful transition to self-rule. And everybody knows that Martin Luther King Jr. declared “I have a dream” on the steps of the Lincoln Memorial, but

few know that Asa Philip Randolph and Bayard Rustin orchestrated the March on Washington and made sure that King could make the maximum impact by speaking last.

A careful reader of history could identify the hidden hand of social entrepreneurs in the creation of many institutions and movements that we take for granted. However, it wasn't until the seventeenth century that societies began to accelerate the broad structural reforms that would allow large numbers of people to become entrepreneurs. The changes began in Europe where, for centuries, the Crown monopolies, the Church, the feudal lords, and the guilds had restricted commercial activity, discouraged innovation, and tied people to land and parishes. Not only was there little scope for independent trade at any scale, but people had little freedom or incentive to use their enterprise. As Robert Heilbroner explains in *The Worldly Philosophers*, in seventeenth-century France button makers were arrested for experimenting with cloth, and thousands of merchants were sent to the galleys, broken on the wheel, and hanged simply because they imported printed calicoes for sale.

The forces that overturned the old way of life in Europe—population growth, urbanization, scientific advances, improvements in transportation, and accumulated wealth—compelled traditional structures to relinquish some control over social and commercial activity. During the Enlightenment, new religious and philosophical beliefs, particularly the advent of political liberalism and the theory of natural rights—the rights to “life, liberty and property” in John Locke’s famous formulation—provided a moral and conceptual foundation for modern economics and democracy. These ideas helped demarcate a new sector of society—a private sector—in which individuals could reorganize the patterns of production in order to capture the benefits of their enterprise.

To make sense of the forces unleashed by these historic changes, the dismal science, economics, was born. Its founding text, *The Wealth of Nations* by Adam Smith, was published in 1776. This coincided with the birth of the United States, the nation that more than any other would place economic liberalism at the center of national discourse.

Historians have pointed to one event that occurred during the Renaissance as among the most significant in modern history: the creation of the limited-liability joint-stock corporation. This legal innovation made it possible and attractive for investors to pool capital to build companies that could grow virtually without limit. To get an idea of the implications, consider that in the United States today, although 99.7 percent of all companies have fewer than five hundred employees, the tiny percentage of firms above this mark employ almost half the nation's salaried workers.

Corporations have grown immensely powerful. Three hundred multinational corporations control roughly a quarter of the world's wealth. Their managers frequently make decisions that run counter to the long-term interests of the public and even their own shareholders, as the recent financial crisis has illustrated. Some view these derelictions as an unavoidable consequence of the corporate legal structure. For example, in his book *The Corporation*, law professor Joel Bakan argues that while a corporation enjoys the legal status of a person, it is free of the social and legal forces that ensure good behavior from real people, such as empathy, public disapproval, and the threat of imprisonment. "Unlike the human beings who inhabit it," he writes, "the corporation is singularly self-interested and unable to feel genuine concern for others in any context." (Today, many social entrepreneurs with backgrounds in law and finance are working to change rules and

incentive structures to ensure greater social responsibility from corporations.)

As the business sector developed, institutions were constructed to accelerate the flow of capital, provide business and management training, reward firms for better performance, spread business knowledge throughout society, facilitate business start-ups, and, in some countries, regulate business and financial activities. These institutions and regulations include antitrust laws, stock exchanges, business schools, accounting firms, securities and exchange commissions, business journalism, and, in recent years, venture capital.

What was the effect of the emergence of business entrepreneurship? The economist William J. Baumol has noted that during the 1700s, per-capita incomes in Europe are estimated to have risen 20 or 30 percent; during the 1800s, they rose 200 to 300 percent. And during the 1900s, the conservative estimate is that per-capita income in free-market economies increased 700 percent.

The rise of modern business created new wealth (large middle classes), new comforts (washing machines, electric lights, faster transportation), new patterns of living (40-hour workweeks, vacation time, retirement), and many new problems, including population displacement, the decimation of traditional cultures, abusive labor practices, environmental disasters, and the exploitative pursuit of cheap minerals and energy sources—many of the causes of the maldevelopment that continues to haunt much of the world, from West Virginia to the Congo to Iraq.

The intimate relationship between the two forms of entrepreneurship is evident in the fact that many of the most familiar examples of social entrepreneurship in the United States came about in response to problems created by the

successes of business and were financed by the philanthropy of industrialists and the pooled wages of their workers.

Consider the surge of creative citizen activity in the United States between 1880 and 1920, when the country was rapidly being transformed from a collection of small, self-sufficient farms and midsize cities into an industrialized consumer society. Millions of immigrants and rural Americans were flooding into cities that were stretched beyond capacity—a situation comparable in many respects to the massive rural-to-urban migration occurring across the developing world today.

The new city dwellers had to learn how to translate their numbers into political power so they could change the oppressive conditions in America's slums and factories. It was during this period, the Progressive Age, that enlightened philanthropists began experimenting with "scientific charity," which aimed to transform the conditions that produced poverty, not just to provide comfort to the poor and ease the consciences of the rich. This era produced many of the organizations that form the American tapestry: the Salvation Army, the Urban League, the Lions Clubs, the Boy and Girl Scouts, Goodwill Industries, the PTA, the NAACP, Hull House, Rotary International, the YWCA, the League of Women Voters, many labor unions, and hundreds of other such organizations.

The United States was unusual in the degree that its citizenry self-organized to address problems almost from the nation's inception. As far back as the 1830s, Alexis de Tocqueville wrote that Americans seemed to possess a unique propensity for creating associations. It is no longer clear that America is exceptional in this regard, given the explosion of social entrepreneurship today in places as diverse as Brazil, India, Thailand, and South Africa. What is clear is that Americans

were the beneficiaries of laws and attitudes highly favorable to social entrepreneurship—laws that can be directly traced to England's Charitable Uses Act of 1601, which defined roles for citizens in the redressing of social problems. The U.S. Constitution stipulates that all powers not explicitly given to the states or to the federal government are given to the people. Both the presumption of a robust citizen domain and U.S. nonprofit law were departures from the global norm. Many countries would not put similar laws in place until the 1990s. In France, which was Tocqueville's reference point, private social service associations were banned until 1901.

The rush of citizen activity that Americans experienced a century ago when faced with a profound and painful transition is analogous to today's global changes.

#### *When did it emerge as a global movement?*

To answer this we need to consider the human condition in the past. In *Bury the Chains*, Adam Hochschild explains that at the end of the eighteenth century, well over three-quarters of all people were living in slavery or serfdom. Of those *not* enslaved, the majority were forced to submit to the rule of kings or dictators, locked into immutable traditions that did not permit dissent, or consigned to short lives characterized by crushing poverty, disease, and violence.

Until recently, even in developed countries, women, dark-skinned people, the disabled, and any number of minority groups were segregated, denied the vote, or subjected to additional forms of discrimination often backed up by the full weight of law. Members of these groups continue to face discrimination, while gay, lesbian, and transgender people are still struggling for equality under the law. Over the past

forty years, however, social norms have evolved, and opportunities have opened up for many of them. Around the globe, the changes have been even more dramatic, as authoritarian governments have fallen, education, health care, and communications have been extended to hundreds of millions of families, and economic growth has produced large middle classes. The result has been an explosion of citizen activity, including the establishment of millions of new social-purpose organizations.

The biggest driver of change has been the women's movement, which shifted aspirations and expanded the scope of possibility for women in many societies (though certainly not all). In recent years, leaders like Ela Bhatt, founder of the Self-Employed Women's Association in India, and Nobel Peace Prize winner Wangari Maathai, founder of the Green Belt Movement in Kenya, have established new pathways for women in Asia and Africa. And other long-marginalized groups, such as Afro-Brazilians, the Roma in Hungary, and the Dalit (untouchables) in India, have benefited from an array of social justice movements.

Since the 1970s, the world has witnessed the collapse of many communist and authoritarian regimes. Citizens regularly challenge power and convention in countries where, thirty or forty years ago, they might have been "disappeared," "banned," or imprisoned for doing so. Prior to the 1980s or 1990s, social entrepreneurs would not have been tolerated in such countries as Argentina, Brazil, Chile, Hungary, Indonesia, Nigeria, Pakistan, Poland, Portugal, South Africa, Spain, Thailand, or Vietnam. Although they still face dangers in some of these countries, many nevertheless operate openly.

Mikhail Gorbachev said that the single biggest factor behind the demise of the Soviet Union was the Beatles.

Decades before the advent of the Internet, radio, television, and cassettes made it difficult to contain ideas within borders and suppress human aspirations. We have to stop to recall that not long ago, leaders like Vaclav Havel and Stephen Biko were imprisoned or murdered because of the power of their words. To be sure, suppression continues in countries such as China, Iran, Myanmar, and North Korea. However, the uprisings that followed the fraudulent Iranian election in 2009, chronicled globally via Twitter, demonstrated the problems governments now face in keeping citizens in the dark.

It was during the 1980s and 1990s that disparities in wealth and freedom grew particularly vivid to much of the world through global media. Governments and businesses found themselves closely scrutinized. With new exposures, people's expectations shifted. In many places, frustration and anger mounted about conditions (and abuses) that had previously gone unquestioned and unchallenged. Among global civil society organizations, a consensus emerged that governments too often failed in their core representative duties, and corporations too often exacerbated suffering and inequality and destroyed the environment for short-term gain. The clearest indication of the dissatisfaction with governments was the decline in voter turnout in virtually every nation where free elections were held. Governments, liberal and conservative alike, were widely perceived as impotent in the face of concentrated corporate power.

Governments conspicuously failed to stand up to business interests when it came to safeguarding the environment, protecting human rights, ensuring access to health care and decent working conditions, and regulating financial institutions. To many, it seemed that World Bank projects and IMF policies were explicitly designed to benefit the wealthy at the

expense of the poor. Reforms were needed, and nowhere more than within the very institutions charged with protecting the public interest. But many recognized that change wasn't going to originate from within these institutions. For change to happen, new institutions and new spheres of power would need to be created.

This recognition coincided with the new freedoms described above and was supported by advances in education and health, which further strengthened the global citizenry. Between 1970 and 1985, adult literacy in the developing world increased from 43 to 60 percent. During the 1970s alone, the number of universities in the world doubled. During the twentieth century, largely owing to improvements in sanitation, the advent of antibiotics, and advances in plant genetics (which led to the Green Revolution), life expectancy soared from 25 to 63 in the developing world and from 45 to 75 in the developed world. Many other gains were concentrated over the past four decades. During the 1980s, for example, the global vaccination rate of children climbed from 20 percent to almost 80 percent, preventing millions of child deaths and disabilities annually.

Along with these changes came massive demographic shifts. The last decade of the twentieth century was the first in human history in which more people lived in cities than in the countryside. Two or three generations ago, the vast majority of the world's people still lived in villages or towns where communication with the outside world was limited. People tended to stay in one place all their lives and learned their work from their parents.

That world has disappeared, and, historically speaking, it vanished overnight. In a few decades, hundreds of millions fled villages and towns to find employment in cities. The

urban population in developing countries was three hundred million in 1950. By 2025, it is expected to reach four and a half billion.

Urbanization intensifies economic change. Richard Florida, author of *The Rise of the Creative Class*, notes that the forty largest megaregions in the world—stretches of interconnected cities spanning hundreds of miles—are home to a fifth of the world's population but produce two-thirds of the world's economic output and 90 percent of its innovations. Urbanization has coincided with the growth of large middle classes in Brazil, China, India, Indonesia, and other developing countries. And because members of this class enjoy access to education, wealth, and political power yet remain less vested in historic systems of privilege, they often become highly effective social entrepreneurs.

Below the middle class, the expansion of economic opportunity has spread to tens of millions of families through microfinance and thousands of organizations such as Kick-Start, TechnoServe, and International Development Enterprises, which provide assistance to small and medium-sized ventures. Increasingly, people in rural areas and slums possess the skills, resources, and confidence to create businesses and other organizations. Microfinance and business assistance often lead to higher levels of political engagement.

Along with these benefits, the headlong rural-to-urban migration of recent decades has imposed great hardships. Developing world cities—or megashantytowns—are often violent, unhealthy, and ugly, with people living amid open sewage and industrial pollution. Those who have been uprooted from the countryside due to forces beyond their control—a World Bank dam project, a multinational mining or logging company, or even a mortgage crisis that precipitates

a worldwide recession—often feel adrift, anxious, and angry. Global warming is largely a result of consumption, industry, and farming in the West, but it is the poor in the developing world who will suffer most from the droughts, floods, and storms that scientists expect it to bring.

As the world has grown more urban and interdependent, the pace of change has accelerated. Today, our adaptive systems must keep pace. Whether it's the environmental threat, infectious diseases, global terrorism, or economic crises, we have little time to fix things when they go awry; nor can we address problems chiefly in a centralized manner. Solutions must be decentralized and integrated and deployed in real time.

Let's put it all together now. Large numbers of people around the world have experienced the removal of historic constraints. Attainment of their newfound freedoms coincides with more wealth, longer life spans, better communication, and an array of problems that necessitate the creation of new solutions.

Now consider what emerged over the past forty years: millions of new organizations aimed at addressing problems from every conceivable angle; and hundreds of new movements to protect the environment and the rights of consumers, eradicate landmines, expand access to microcredit, build and finance an array of social-purpose businesses, create an international criminal court, and protect the rights of people with disabilities, indigenous groups, gays and lesbians, and many others. People seeking solutions are no longer willing to wait for governments, corporations, churches, or universities to lead.

Historical changes have produced urgent and complex problems while simultaneously augmenting the capacity of people around the world to address those problems. What we

are witnessing in the field of social entrepreneurship is the intersection of these forces as they unfold.

### *Who are the pioneers?*

Even before the language of social entrepreneurship had been invented, it was clear that not all social purpose organizations—so-called nongovernmental or nonprofit organizations—performed equally well. Just as some businesses grow faster and are more profitable than others, some organizations achieve more social impact per dollar than others. And two groundbreaking examples of social entrepreneurship occurred in one of the poorest countries in the world: Bangladesh.

Bangladesh was born in 1971, in the wake of a massive cyclone and a war of independence that left the country in devastation. Up to five hundred thousand people died from the 1970 Bhola cyclone. During Bangladesh's war of independence, the Pakistani army raped hundreds of thousands of girls and women and murdered more than a million people. Cholera, typhoid, starvation, and other diseases claimed the lives of up to two million more. Ten million refugees fled to India.

The war and cyclone generated sympathy and outrage on a global scale. International development agencies converged on Dhaka, ready to provide aid. The conventional practice at the time was for development assistance to flow directly from governments of wealthy countries to governments of poor countries, and from the top to the bottom through local government channels. However, large amounts of free money will almost always produce corruption, and Bangladesh's nascent government—which included idealistic freedom fighters as well as political cronies—was unprepared to handle

basic functions, let alone a massive relief and reconstruction effort. Relief that was supposed to be spent on food, medicine, housing, and schools was siphoned off at every level. Some estimated that only ten to twenty percent of the aid actually reached the poor.

This problem was not unique to Bangladesh. Globally, vast amounts of foreign aid, like wealth from natural resources, have ended up enriching elites in poor countries and subsidizing businesses in wealthy ones. A great deal of aid money has gone to pay high-priced Western consultants whose advice and decisions affect countless lives in developing countries. Although many consultants fly in and out of countries too quickly to gain a meaningful understanding of local cultures or conditions, they are rarely held accountable for wasteful or harmful programs that stem from their recommendations.

In Bangladesh, the influx of aid snowballed, until it came to represent 90 percent of the country's development budget. Billions of dollars were spent on projects—road construction, electricity generation, and agriculture development—that were prioritized by foreign donors and made sense on paper but often fell apart on the ground or produced benefits that bypassed the poor. The legacy of this aid is a culture of dependency and corruption that continues to distort Bangladesh's economy and government.

However, foreign aid did support some highly positive changes in Bangladesh when it was deployed to help finance—but not to control—citizen organizations that were founded by local social entrepreneurs. The two most famous examples are the Grameen Bank (the "Village Bank") and the Bangladesh Rural Advancement Committee (now known as BRAC).

After the war of independence, Bangladeshis around the world had abandoned lucrative careers in order to help rebuild

their country. Among this group were Muhammad Yunus and Fazle H. Abed. Yunus, an economics professor who had completed a PhD at Vanderbilt University in the United States, established the Grameen Bank, a for-profit, antipoverty bank whose majority shareholders were the women villagers it served. Abed, a former executive at Shell Oil, founded BRAC, a nonprofit organization involved in rural education, health care, microfinance, and social and economic development.

At the time, aid was heavily paternalistic. The relationships between donors and recipients carried overtones from colonialism. By contrast, Grameen and BRAC operated under the presumption that Bangladeshis were capable, and they sought to build capacity and self-reliance within the country. They focused not just on material poverty but on dignity, eschewing charity in favor of respectful transactions.

Instead of hiring foreigners, they hired locals, and rather than dole out jobs to family friends, as was a commonplace practice, they hired staff members through competitive processes. And they refused to turn a blind eye to bribery, something many aid donors did in order to get their projects moving. Most of all, they were single-mindedly focused on efficiency and results. They counted and measured everything: every loan granted and repaid, every female child educated, every package of oral rehydration salts distributed. They tried to be responsive to their clients and prided themselves on their ability to help villagers recover quickly after natural disasters.

To develop solutions, they experimented continuously. Each launched countless variations on microfinance and rural enterprise development. BRAC led the way in Bangladesh, creating high-performing village-based schools and community health programs. In *Freedom from Want*, Ian Smillie

examines how Abed opened up space in BRAC for staff members to take risks, pursue innovative ideas, and share their learning widely within the organization—while maintaining tight quality control. Both Yunus and Abed had the advantage of knowing they were in business for the long haul. They knew that if an idea or program failed, they could shut it down, absorb the lesson, and try something else. And many failures did ensue; some even grew into crises. But they used the failures as opportunities to think deeper about how to solve the country's problems. Foreign aid workers typically had little time for trial and error. Like politicians, they needed success in two-year cycles, because that was the average stint before they moved on.

Although aid donors had only sporadic exposure to Bangladesh, they often tried to impose their development ideas on Grameen and BRAC. Both organizations revolted, essentially saying: You can decide not to fund us. But you *cannot* touch our management. When it comes to Bangladesh, we know best.

Such defiance from recipients was unheard of. At the time, however, the aid industry was experiencing a backlash, and donors were feeling vulnerable. Journalists and other researchers had begun examining the track record of the so-called lords of poverty and revealing it to be unremarkable at best and disastrous at worst. To maintain political viability in their home countries, donors began hunting for organizations that could deliver results. Grameen and BRAC were the top contenders. They were meeting with striking success and had demonstrated the capacity to grow and maintain quality.

During the 1980s and 1990s, the Grameen Bank and BRAC used their bargaining leverage to negotiate unprecedented financing terms. They pressed donors, mostly governmental and multilateral aid agencies, to commit hundreds of millions

of dollars in grants, low-cost loans, and loan guarantees to finance expansions. Never before had social entrepreneurs received funding on this scale. Moreover, the funding came as upfront capital, like investments, which allowed the organizations to execute against their own multiyear growth plans. The results were a world apart from anything the field of international development had yet seen.

Grameen and BRAC reached national scale in Bangladesh, each employing tens of thousands of staff members whose work touched the lives of tens of millions of Bangladeshis in almost every one of the nation's seventy thousand villages. Like great businesses, as they grew, they *improved*, adding new services, using technology more effectively, and spawning imitations. They built cultures of pride and optimism.

Today, despite Bangladesh's enduring poverty, its continuing saga of corruption and factional violence, and its vulnerability to cyclones and floods, the country has managed to expand its economy, reduce poverty by half, achieve significant improvements in maternal and child health, and increase rates of primary education. Except for Sri Lanka, it is the only South Asian country that has achieved parity in school access between girls and boys. Close to a fifth of Union Parishad officials (locally elected government administrators) come from families served by the Grameen Bank or BRAC. In recent national elections, more women voted than men.

The Grameen Bank and BRAC demonstrated that it was possible to mitigate poverty on a massive scale. They achieved new levels of success by departing from the historical pattern of social problem solving. Rather than implement preset policies through bureaucracies in a top-down fashion, they grew solutions from the bottom in a process characterized by trial and error, continuous iteration, and a sharp focus on results.

Together, these organizations helped shift the global development paradigm. They showed that the poor were powerful agents, not just needy beneficiaries. And they demonstrated the dramatic benefits of placing women, rather than male heads of households, at the center of development processes. Over the past twenty years, thousands of development experts, academics, journalists, businesspeople, policy makers, and philanthropists have come to Bangladesh to apprentice themselves in a place that some call the Silicon Valley of social innovation. Yunus and Abed have traveled around the globe speaking to countless audiences and launched spinoff organizations to spread their work in dozens of countries. Microfinance, an idea that was treated as a crazy experiment twenty-five years ago, is now a global industry.

Although Grameen and BRAC behaved more like successful businesses than social programs, people didn't explicitly refer to Yunus and Abed as "social entrepreneurs" until the term was popularized by the organization Ashoka during the 1980s and 1990s. Ashoka, a global organization headquartered in Arlington, Virginia, was founded in 1980 by Bill Drayton, an American who had previously worked as a management consultant and an assistant administrator in the Environmental Protection Agency.

During the 1960s and 1970s, Drayton had traveled extensively in India, where he was influenced by the work of leaders such as Gandhi, Vinoba Bhave (founder of the "land gift" movement), and Verghese Kurien (architect of the "white revolution," which transformed dairy production). Each of these individuals had built organizations that realized radical visions for change.

What Drayton saw in his travels was that Indians across the country were doing the same. A generation after independence,

Indians were feeling more confident and assertive about their future. They were building organizations at every level to address social ills that had been ignored. Drayton spoke with many groups advocating ideas to reform Indian society—everything from improving sanitation to encouraging political participation from low-caste groups to creating new legal structures to protect the rights of women. Not all the groups were effective. He began to spot a pattern: the organizations that were making a difference had both a good idea and an unusually committed, creative, and action-oriented person at the helm: an idea champion or entrepreneur. He believed that these entrepreneurs had enormous potential to lead change efforts, but they were hobbled by many factors: they didn't have much money; they were misunderstood by their families and friends; and they often felt vulnerable and insignificant, isolated from one another and largely ignored by the media, the business sector, and the government.

He envisioned an organization that could support them. He named it after an Indian emperor, Ashoka, who lived roughly 2,200 years ago and is considered by many historians to be among the most benevolent and practical rulers in history. Some of Ashoka's ancient administrative reforms anticipated twentieth-century public works programs like those of the New Deal.

Drayton's organization began searching for social entrepreneurs in India in the early 1980s and, shortly thereafter, in Indonesia and Brazil. The goal was to lend financial support, credibility, and the strength of a global fellowship to entrepreneurs like Yunus and Abed at the moment when their work was poised to "take off." As a former management consultant, Drayton also recognized the need to build bridges between the social sector and the world of business, which historically had attracted most of society's entrepreneurs. Drayton and

his colleagues developed a process for identifying "Fellows" using structured interviews that examined lifelong behavior patterns, the social impact of their ideas, the creativity of their problem solving, and their trustworthiness and personal integrity. Over the past three decades, Ashoka has supported more than two thousand Fellows from seventy countries, many of whom have achieved social impact at national and international levels.

Since the 1980s, many other organizations have emerged which have played critical roles building the field of social entrepreneurship. The New York-based Echoing Green Foundation has supported nearly five hundred early-stage social entrepreneurs from forty countries, inspiring many to pursue this career out of college. New Profit, Inc., based in Boston, was one of the first groups to meet the need for growth funding among high-impact organizations in the United States. In recent years, it has also led the way in strengthening the relationship between social entrepreneurs and U.S. policy makers. The Geneva-based Schwab Foundation for Social Entrepreneurship has raised the profile of social entrepreneurs in the international business community and media through its linkages to the World Economic Forum and its awards programs. And the Skoll Foundation has played a central role drawing international attention to the work of social entrepreneurs through its media efforts, its global award and fellowship programs, and its annual Skoll World Forum held at Oxford University, which has become the flagship event in the field.

#### *What does a social entrepreneur do?*

We are surrounded by good ideas and effective models: we know how to teach disadvantaged kids to read, reduce energy

consumption, and improve health care while reducing its cost. We even know how to eliminate much of the bullying that takes place in school yards. At some level, all of these problems are being solved in the United States and Canada today. But what we don't know how to do is to take the knowledge we possess in bits and pieces and implement it at the scale of the problems we are facing. Many, if not most, international development and government schemes begin with impressive pilot projects and end with disappointing results. In their article "Social Entrepreneurship: The Case for Definition," Roger L. Martin and Sally Osberg argue that the role of the social entrepreneur is to move society from a "stable but inherently unjust equilibrium" to a "new, stable equilibrium" that releases potential and alleviates suffering on a major scale. Social entrepreneurs work to ensure that sensible ideas take root and actually change people's thinking and behavior across a society.

Reforms at this level frequently require systems to change, which has always been extraordinarily difficult. Six hundred years ago, in *The Prince*, Niccolò Machiavelli observed:

[T]here is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new. This coolness arises partly from fear of the opponents, who have the laws on their side, and partly from the incredulity of men, who do not readily believe in new things until they have had a long experience of them.

The system changer must therefore overcome apathy, habit, incomprehension, and disbelief while facing heated resistance

from those with vested interests. Social entrepreneurs have to figure out how to make it happen.

Given the difficulties, it's easy to understand why serious problems *don't* get solved more readily in modern democracies, where governments balance the conflicting interests of millions of people, including powerful elites, while under intense scrutiny to produce short-term results.

Consider the absurd demands we make on our governments. Policy makers must appear decisive and resolute, with ready answers at their fingertips for all manner of problems. An open and deliberative problem-solving approach, informed by trial and error, is practically impossible to institutionalize in such an environment. As a result, policies tend to be shaped by executive or legislative staff members who are removed from the details of implementation yet under intense time pressures to come up with comprehensive solutions or "plans." Consequentially, national policies are regularly based on assumptions that get tested largely after they become law.

Anyone who has tried to advance a change that runs counter to the interests of well-organized groups—the oil or bank lobbies, the teachers union, or the National Rifle Association, for example—knows how routinely promising ideas are killed without fair hearings. Americans are worried that their banking, health, education, and criminal justice systems are profoundly inadequate for today's challenges. Few disagree about the need for reform, yet many insiders battle to defend the status quo.

New ideas are often rejected by the very people who stand to benefit from them, especially if they feel imposed upon or baffled by the proposed changes. One of the biggest problems in the field of information technology is "system rejection": employees simply refuse to use new computer systems that

companies have spent billions to develop. In public education, about half of all new teachers leave the profession within five years, which is another form of system rejection. Yet their unions, protective of hard-won battles, frequently stand in the way of reforms that might bring successful educators more job satisfaction and better pay.

Many ideas get off to a good start but get watered down in the implementation. The problem may be that the agency or institution advancing the idea is unable to grow and maintain quality, one of the toughest organizational challenges. Perhaps it can't afford to hire people who have experience managing growth. When quality deteriorates, motivation wanes. Or perhaps a crisis strikes—a political upheaval, a stock market plunge, a natural disaster—and a fragile organization is washed away before it is able to establish roots.

There are countless unforeseeable dangers that can kill a good idea. From the perspective of a theoretician, a new idea may be interesting in and of itself. From the perspective of an entrepreneur, it makes no sense to talk about an idea without talking about the details of implementation, which include such things as how to finance the work, how to motivate staff and clients, and perhaps how to build a political constituency or engage organized opponents. And the answers, of course, are always changing.

If an important new idea is to achieve major social impact, it needs a force to drive it forward that can be counted upon to provide the care, energy, resourcefulness, and stubbornness necessary to navigate the idea through the system. Social entrepreneurs must attract attention and funding, overcome apathy and opposition, shift behavior and mobilize political will, continually improve the idea, and take care of all the details in painstaking fashion, no matter how long it takes.

Ashoka's key insight was that if you want to predict how things will turn out for a new idea, your best bet is to focus on the person behind the idea. Does the person have the ability and motivation to guide a team that can overcome what may be an inexhaustible supply of obstacles, setbacks and heartbreaks? Is the realization of the idea the most important thing in the world for this person, or close?

In the cases of the Grameen Bank and BRAC, Yunus and Abed had each embarked on long struggles marked by disappointments and setbacks. In the beginning, they were very much alone. People told Yunus that the Grameen Bank would burst "like a balloon." Others told Abed that he was foolish to leave his high-paying job at Shell Oil. Both experienced personal losses. Both had to contend with religious fundamentalists, military dictators, socialist revolutionaries, and, perhaps toughest of all, a habit of corruption that sapped the trust out of every transaction. Both worked intentionally to "market" their ideas, repeating the same stories over and over to help mobilize resources, form partnerships, disarm enemies, and woo political power brokers. Both were committed to seeing this process through to its end, even if it took their whole lives.

The role of the social entrepreneur can be understood through these examples. Social entrepreneurs initiate and lead change processes that are self-correcting, growth-oriented, and impact-focused. They create new configurations of people and coordinate their efforts to attack problems more successfully than before. It's a complex role that involves a great deal of listening, recruiting, and persuading. It takes a curious combination of sensitivity and bullheadedness, humility and audacity, and restlessness and patience to lead a change process in the face of indifference, habit, fear, resource constraints, vested interest, and institutional defenses.

The job can be boiled down to one essential function: the social entrepreneur helps others to envision a new possibility, appreciate its meaning, and recognize how it can be broken down into doable steps that build momentum for change.

The process described above can't work if people lack a sense of ownership for the change. It can't work if there is insufficient space for experimentation or if people are unwilling to talk about failure. It can't work if the daily pressures make it impossible to stay focused on the long-term goal. If we consider the structural constraints in different sectors, the need for social entrepreneurship becomes abundantly clear. A business that doesn't promise profits within five to seven years will not attract conventional investment, no matter how important its products. An idea that doesn't fit within the political shutter speed will face an uphill battle in government. (It's easier to get politicians to spend money on incarceration than on early childhood education.) To orchestrate positive long-term changes, we need people who think beyond quarterly reports and news and election cycles, and who persist in the absence of short-term rewards or recognition. We need people who possess a ground-level view of problems and a mountaintop vision, who have a talent for building teams and the freedom to experiment. We need natural institution builders who care more about solving social problems than becoming personally wealthy.

Finally, it's important to reemphasize that social entrepreneurship is a *process* that involves more than the founders of organizations. Many extraordinary people work closely with social entrepreneurs for years without receiving public recognition, including many "intrapreneurs," who drive considerable innovation within their organizations. Examples include Dipal Chandra Barua in the Grameen Bank, Aminul

Alam in BRAC, and Sushmita Ghosh in Ashoka. To be sure, founders play central roles initiating and navigating changes processes and marketing ideas. They receive the lion's share of awards and media attention, but they accomplish little by themselves.

#### *What are social entrepreneurs like?*

Social entrepreneurs come from all walks of life. Some begin their careers as doctors, engineers, teachers, priests, social workers, clowns, journalists, computer programmers, artists, nurses, businesspeople, and architects. Some get pulled into their work because of friendship or family crises. The Ashoka Fellowship offers the most comprehensive view of the global field of social entrepreneurship. At a gathering of Ashoka Fellows, you might find a twenty-four-year-old factory worker from an Asian slum discussing growth strategies with a sixty-year-old Mexican banker in pinstripes. Next to them an Indian journalist in a wheelchair might be overheard exchanging organizing tactics with a Polish organic farmer, while listening in are an American defense attorney, a former professional surfer from Brazil, a South African pediatrician, and a Bangladeshi garment manufacturer. In the crowd would be MBAs from top universities and villagers with secondary school educations, people who work in laboratories, and people who spend their days where there is no electricity and no running water.

All of them share some basic temperamental qualities. For example, entrepreneurs are comfortable with uncertainty, have a high need for autonomy, and are biased toward action. However, entrepreneurs are not necessarily highly charismatic or confident. Research indicates that their success is less a function of inborn personality traits than the patterns

of behavior they adopt. Although some people are born with more entrepreneurial inclination than others, the management expert Peter Drucker has argued that most people can learn to behave like entrepreneurs.

In particular, certain types of experiences seem to help people, especially children, discover their agency. Many social entrepreneurs can recall a time in childhood when they were actively encouraged by an adult to take initiative—to start a club or organize a league, for example—and then assisted in the process. The achievement taught them to value and act on their own ideas. Many also recall instances when they spoke up against injustice—called out a bully on the playground, for example, or pointed out a racial stereotype inadvertently used by a teacher—and discovered that they could make a difference. Those experiences were highly reinforcing.

Psychologists note that entrepreneurs score high on the quality “inner locus of control.” They locate power within, rather than outside, themselves. If they don’t have the skills to solve a problem, they believe they can acquire them by experimenting, by observing experts, or by getting help from others. When things go wrong, they want to know primarily what happened—and what needs to be fixed, not whom to blame. They don’t take failure as an indication of personal inadequacy but as an indication of a gap in their understanding, something that can be remedied with more effort.

Social entrepreneurs frequently speak of an adult they were close to in childhood, usually a parent or other relative, who was highly ethical and had a profound influence on their thinking. They often refer to these relatives when explaining their inability to bypass the suffering of others. Many have vivid recollections of times when this adult guided or challenged them to understand injustice or question conventional

beliefs. For example, Alice Tepper Marlin, the founder of Social Accountability International and one of the pioneers in the field of socially responsible business, grew up in a comfortable community in New Jersey. When she was in grade school, her father periodically took her to see New York City's Lower East Side, where poverty was highly concentrated and many people lived on the streets. Those experiences and conversations, which she found deeply moving, changed her understanding of the world.

The most common misconception about entrepreneurs is that they like to take risks. While researching his landmark book *The Achieving Society*, David McClelland found that entrepreneurs are attracted to challenges when the key determinant of success is skill, not chance. Entrepreneurs aren't gamblers, he wrote. In fact, they will go to extreme lengths to minimize or eliminate risks, painstakingly seeking information to increase the odds of success. They usually overestimate their chances of success, however, which is why others perceive them as risk takers.

Entrepreneurs tend to be good listeners. They must be able to identify with others so they can understand their motivations and bring them together into effective teams. Andrew Carnegie said that entrepreneurs must be willing to endure the "humbling eclipse of self" that comes from "profound learning from others." They tend to be open-minded and on the lookout for useful information. Goethe could have been describing entrepreneurs when he noted that "the person of analytic or critical intellect finds something ridiculous in everything" while "the person of synthetic or constructive intellect" finds something ridiculous "in almost nothing."

For people who are often exposed to extreme suffering, social entrepreneurs are surprisingly nonideological. Ideology

can impede problem solving if it puts a filter on reality and causes a person to dismiss evidence that challenges his or her beliefs. Entrepreneurs intentionally cultivate relationships with people across political camps and from a variety of backgrounds so they can better understand how to navigate change. They will attend the World Economic Forum one year (if they can get in) and the World Social Forum the next.

To succeed, social entrepreneurs have to remain steadfast in the face of choruses of doubters and critics. This quality can have some downsides; it allows such people to ignore detractors but may cause them to disregard their own shortcomings or even their own desires. Some social entrepreneurs devote themselves so fully to their ideas that they never get around to marrying or having children, even though they once hoped to have families. And, having immersed themselves completely in their work, they sometimes have difficulty working closely with people who want to lead more balanced lives.

Many social entrepreneurs believe that they are fulfilling their life's purpose. For some, this conviction stems from a conscious faith. For others, it grows intuitively and slowly as they pursue different kinds of work until alighting on a vocation that expresses their values and talents. Some who have suffered a great loss or trauma derive meaning and comfort by working to relieve the pain of others or to prevent others from having to endure similar pain. Candice Lightner founded the group Mothers Against Drunk Driving after her thirteen-year-old daughter, Cari, was killed by a drunk driver who was a repeat offender. Leaders in the disability movement are frequently disabled themselves or have disabled children. Many doctors who have become social entrepreneurs did so after witnessing suffering that was not being alleviated through conventional medical models. A common pattern is for

a person to take action to help a friend, relative or patient, only to discover others in similar circumstances. The person finds himself drawn deeper into the work and is unable to return to a previous way of living. For example, in their book *Be Bold*, Cheryl L. Dorsey and Lara Galinsky tell stories of twelve social entrepreneurs supported by Echoing Green who all experienced a "moment of obligation" that caused them to change course and pursue work of deep personal significance.

Finally, one quality not to be overlooked is the capacity to derive joy and celebrate small successes, even while the path ahead remains difficult. Social entrepreneurship is a long-term commitment, with many setbacks and disappointments. Those who stick it out and manage to recruit others always find ways to enjoy the journey.

#### *What is the difference between social and business entrepreneurship?*

The main difference has to do with purpose, or what the enterprise is trying to maximize. For social entrepreneurs, the bottom line is to maximize some form of social impact, usually by addressing an urgent need that is being mishandled, overlooked, or ignored by other institutions. For business entrepreneurs, the bottom line may be to maximize profits or shareholder wealth, or to build an ongoing, respected entity that provides value to customers and meaningful work to employees. The world needs both kinds of entrepreneurship; one should not be deemed superior to the other, although social entrepreneurship is often more challenging because it tackles problems that have defied governmental approaches and for which market solutions have not yet been demonstrated. And, of course, there are overlaps: social entrepreneurs often earn

profits through social enterprises, and businesspeople are frequently concerned with social responsibility. Both types of entrepreneurship require vision, initiative, organization building and "marketing." In terms of skill and temperament, social and business entrepreneurs are strikingly similar. But their *primary* objectives are different.

People build enterprises to accomplish many different things. Some seek to build the world's dominant running shoe company, construct the world's fastest computers, or expand the market for subprime loans. Others want to create integrated housing for disabled people, develop vaccines for developing world diseases, or help poor children gain access to quality books. Some researchers argue that there is little use in making distinctions and that all entrepreneurs should be considered social entrepreneurs because they generate employment and meet needs. We disagree. We wouldn't call someone a social entrepreneur who introduced snacks like potato chips or Twinkies to the Chinese market, even if his or her firm generated a million jobs.

Seeking to maximize social impact is not the only criterion for social entrepreneurship. As Greg Dees noted, entrepreneurship involves elements of newness and dynamism. Today, thousands of "cleantech" and "greentech" companies are addressing environmental problems, but not all are examples of social entrepreneurship. Within the solar energy industry, for example, many firms sell established products in established markets. Without minimizing their contributions to the solution, it's useful to distinguish conventional firms from those that are pioneering new products, attempting to change industries, or building markets in particularly difficult contexts. The small firm D.light Design is a good example. In a world in which two billion people lack access to electricity,

it is trying to market low-cost solar-electric lamps to villagers and slum dwellers in the developing world so they can switch from kerosene, an unhealthy and dangerous substance that contributes to global warming.

One of the leading examples of social entrepreneurship in the United States is ShoreBank Corporation, the nation's first community development and environmentally conscious bank holding company. Headquartered on Chicago's South Side, today ShoreBank is a \$2.4 billion company with for-profit banks and social-purpose affiliates in five states, as well as global consulting and financing arms. It began by lending money to local businesspeople on the South Side of Chicago who rehabilitated the neighborhood's housing stock. If ShoreBank had set up shop in a middle-class community, we would simply call it a bank—a good bank, to be sure. But its founders intentionally opened in a poor area of Chicago that was reeling from the flight of the middle class, where banking services had become all but nonexistent. ShoreBank developed a business model attuned to the needs of this underbanked community and, in the process, helped transform it. The bank sought to maximize the social impact of its lending, while maintaining a healthy profit margin. Had ShoreBank sought to maximize profits, it would have done what many other banks did at the time: abandon the inner cities. Instead, it became the *only* bank to support the landmark Community Reinvestment Act, which aimed to halt the redlining of poor neighborhoods.

Moreover, two of ShoreBank's founders, Ron Grzywinski and Mary Houghton, took several trips to Bangladesh to share their banking experiences with officials of the Grameen Bank and BRAC. Through ShoreBank's affiliated nonprofit arm, Yunus and a senior BRAC manager traveled to the United

States in exchanges that led to the establishment of microfinance programs in several U.S. states and attracted the attention of key policy makers, notably Bill and Hillary Clinton, then governor and first lady of Arkansas, who carried their support for microfinance into the White House.

Social entrepreneurship has to be understood also in relation to the evolution of thinking and practice in a given field. What is innovative in one generation may be conventional or even retrograde in the next. Microfinance began as an example of social entrepreneurship, but now these services are being extended by formal financial institutions primarily interested in profitability. Commercial banks have entered this market following thirty years of work by path breakers who demonstrated its viability. The people who broke ground didn't get wealthy; some depleted personal savings to build their organizations. Now commercial microfinance promises to open up huge capital flows for financing small loans. The banks' efforts, if handled responsibly, could benefit hundreds of millions of people, perhaps billions. In our view, however, banks practice social entrepreneurship only when they seek to maximize social impact rather than profitability. The test is what they do when faced to choose between the two objectives. Do they overlook poorer borrowers in favor of wealthier ones? Do they charge the poor interest rates that are substantially higher than their own cost of capital? The current mortgage crisis occurred because banks were so concerned with profits they neglected the social consequences of their lending. A similar crisis in microfinance could produce suffering around the globe.

For generations, business entrepreneurs have outnumbered and received more attention than social entrepreneurs. The top business entrepreneurs benefited from robust financial and

managerial services, which allowed them to build phenomenally successful companies. They generated tremendous excitement; many became legends. By contrast, the social entrepreneurs contended with unpredictable and fragmented financing. Their organizations grew slowly. The founders did not appear on *Forbes* lists. Media companies did not create magazines devoted to their activities. They didn't even get their own newspaper beats. Next to business and government leaders, their role went unnoticed.

But that is changing. Today the attention meter is angling in the direction of social entrepreneurship as more people are asking themselves the question at its heart: What kind of enterprise is *worth* devoting your life to build?

#### *What are the differences between social entrepreneurship and government?*

We often reduce social entrepreneurship to stories of charismatic people. As we have mentioned, social entrepreneurship describes a *process*, a way to organize problem-solving efforts. The entrepreneurial authors get the ball rolling, but the process has its own characteristics.

Unlike governmental efforts, it flows from the bottom up. Typically it grows out of one person's direct interaction with a problem and a simple question: "Hey, what if we tried X?" What follows is an experiment, a response, some adjustment, and more experimentation. Over time, the entrepreneur accumulates experience. He or she works to attract resources and usually has to persuade people to abandon conventional careers in order to join a small team of people committed to an unproven idea. At the outset, the process requires unusual levels of commitment. It also requires humility and faith,

because in most cases, early efforts are small, fraught with error, and take years to show significant results. If the process is successful, what emerges is a new institution whose staff, board members, and supporters bring together the skills, knowledge, and influence to advance a new approach.

Social entrepreneurs don't control major resources, and, unlike governments, they can't command compliance. They have to leverage resources that others control and influence people by articulating goals that are meaningful. Social entrepreneurs are most effective when they demonstrate ideas that inspire others to go out and create their own social change. The beauty of demonstrating positive pathways is that it is possible to redirect human energy without telling people what to do. Consider the spread of microfinance, charter schools, and independent living centers, which have been taken up by people working independently around the world. People have embraced these ideas because they offer opportunities to be effective.

Social entrepreneurship is inductive and outward-looking: it moves from observation and experimentation to institutionalization and independent adoption. As a rule, major initiatives advanced by governments and international aid agencies flow in the reverse direction, beginning with policy battles and ending with programs planned and implemented through agencies or contracted to service providers. This approach has its own characteristics. Public policies often lack a nuanced appreciation for ground-level details. Rules and procedures designed to prevent corruption or waste, or to ensure fairness, often limit flexibility and responsiveness. Another characteristic is that any modification at the local level may involve a long approval process.

Even when policies are flawed, it takes a monumental effort to correct them. Once a program is rolled out, with a budget

and a constituency to defend that budget, it will remain there almost regardless of its effectiveness. The primary feedback mechanisms for policy makers—press reports and elections—punish failure and demand results in unrealistically short time frames. Consequentially, elected officials come to favor the short-term appearance of success over actual success. This dynamic understandably distorts policy making.

Social entrepreneurs are less encumbered by these constraints, which accounts for their competitive advantage in devising solutions. They can try out crazy ideas and hire and fire people based solely on performance. They can recruit talented executives more easily than government (assuming they can pay them) because nobody has to worry about being attacked in the press for joining a citizen organization. (Many executives cringe at the thought of putting themselves forward for high-level government posts.) Most of all, social entrepreneurs have the luxury to work on problems until they figure them out, provided they can find someone to foot the bill. Often, groundbreaking strategic insights don't come for years, as was the case with the Grameen Bank, which began making loans primarily to women after seven years of experimentation lending mainly to men.

These structural differences explain why social entrepreneurs are so inventive and highly motivated and why committed people in government often feel frustrated and hamstrung.

Governments can be innovative, of course, especially when institutional entrepreneurs, or intrapreneurs, are given leeway to innovate. The possibilities for changing public structures from within have been demonstrated by such people as Francis Perkins, the architect of much of the New Deal; Sargent Shriver, who launched the Peace Corps; John Gardner,

who led President Johnson's Department of Health, Education and Welfare and later established the White House Fellows Program and the public interest lobby Common Cause; and James Grant, the former head of UNICEF who led massive efforts to disseminate vaccines and oral rehydration therapy, preventing the deaths of tens of million of children.

Like business entrepreneurship, social entrepreneurship carries risks. Just as nobody can predict where the next eBay, Google, or Twitter will come from, nobody can predict where the best solutions to tough social problems will emerge. To produce a steady stream of social innovations, we need to actively search for social entrepreneurs with the same seriousness and vigor that investors like Warren Buffett devote to finding and building undervalued companies. This approach, which can be undertaken equally by governments and other social investors, will naturally produce many social ventures that fail, some that perform well, and a few that cause transformative change. Society needs to encourage and harness decentralized social experimentation on a larger scale and far more systematically than it currently does. Governments, in particular, would benefit by focusing more on spotting and supporting talented changemakers outside their walls.

To address problems at the necessary scale, we need to interweave the creativity, agility, and operational excellence found in the field of social entrepreneurship with the resources and legitimacy of governments.

### *How is social entrepreneurship different from activism?*

Activism can be thought of as a subset of social entrepreneurship, one of many tactics employed to advance change. The simplest distinction is that activists generally seek to elicit

change by influencing the decision making of large institutions or by changing public attitudes, while social entrepreneurs pursue a wider range of options, including building institutions that directly implement solutions themselves.

Many social entrepreneurs incorporate activism in their work, crafting campaigns to induce change in governments, corporations, universities, or bodies like the World Trade Organization. Groups such as iSky, 350.org, and the Energy Action Coalition are organizing hundreds of thousands of people to change U.S. environmental policies in response to global warming. The Genocide Intervention Network has organized thousands of student activists who pressure governments to respond more forcefully to mass atrocities in Darfur, the Democratic Republic of Congo, and other countries. In recent decades, activists have been primary actors in movements seeking to ban landmines and to advance legal protections for women, gays, racial minorities, and people with disabilities.

Activism and direct problem solving go hand in hand. In the field of disability, for example, early social entrepreneurs built schools for people with visual and hearing impairments and adapted learning environments for people with other disabilities. In recent decades, they created accessible workplaces and independent living centers. These innovations broke new ground and demonstrated that disabled people could live more independent and satisfying lives—and could be far better integrated with mainstream society—than had previously been imagined. But most were relatively small, privately funded organizations, and they were far from a comprehensive solution to disability discrimination. Advocates saw that as long as public schools, universities, and businesses were permitted by law to systematically exclude students and employees purely on the basis of a disability, the disabled would remain marginal.

In the 1970s, therefore, disability groups established new organizations that explicitly focused on activism rather than service delivery, with the dual goals of spreading awareness about the conditions of people with disabilities and changing laws and standards across society. One early group, Disability in Action, attracted national attention by occupying a floor in a federal office building for 25 days in 1977. The attention led the U.S. government to pass the nation's first regulations banning discrimination against the disabled in any federally funded institution or government contractor. In 1990, many of the same activists won passage of the landmark Americans with Disabilities Act.

Activists bring political or consumer pressure to bear by showing their numbers and their intensity, and thereby forcing elected officials, business executives, or other leaders to heed their demands and attend to their grievances. As a long-term change strategy, however, the greatest power of activism may not be its ability to compel action but its capacity to elicit empathy by making injustice and suffering palpable. There is no better example of this than Gandhi's 1930 Salt March, which dramatized the injustice of colonial rule by focusing on what appeared to be a tiny prohibition: the law that forbade Indians from making their own salt.

It was a seemingly simple plan: Gandhi announced his intention to make salt and spent days walking from his inland ashram to the Bombay salt flats on the Indian Ocean. He knew his 241-mile walk would slowly build suspense and that it would culminate in a confrontation with the colonial authority. When he finally arrived at the sea, before tens of thousands of witnesses, including many journalists, Gandhi bent down, picked up some salt, held it aloft, and was promptly arrested.

More than sixty thousand Indians repeated his act. Many were subsequently beaten bloody by soldiers working for the British authorities. The activists refused to fight back and the images of dignified men and women being brutally clubbed by soldiers circulated around the globe. The effect was to bring into sharp focus the moral deformity of colonialism.

Years later, American civil rights activists, led by Martin Luther King Jr., followed Gandhi's lead as they marched peacefully in the streets of the South, singing and holding hands, while phalanxes of police, armed with riot gear and clubs, vicious dogs and fire hoses, set upon them in brutal attacks. Scholars have argued that the images of these confrontations, beamed into millions of homes, were critical in opening the hearts of millions to the plight of American blacks.

One fundamental difference between today's social entrepreneurs and yesterday's activists is that, historically, activists have proceeded largely as outsiders to power—like uninvited guests storming the gates of the mansion. By contrast, social entrepreneurs frequently combine outside- and inside-oriented tactics to bring change. In recent years, for example, social entrepreneurs in the environmental movement have engaged directly with companies such as Wal-Mart and General Electric, as well as the U.S. Army, to teach environmentally positive practices. Outside activists have convinced companies that they need to change, while social entrepreneurs working on the inside have shown them what to do.

This points to a central insight of social entrepreneurship: institutions on the receiving end of pressure are frequently at a loss about how to respond to demands for change. For example, environmental activists often assume that corporate executives know how to modify their business practices and remain profitable. But in the face of new environmental and

global economic pressures, many business leaders are bewildered and defensive. To get them to break with the past, it's not enough to condemn them or boycott their companies. We must show them how to build the future. We must advise or compete with them.

This dimension—the constructive element of change—is too often overlooked by would-be changemakers. Consider the field of education. To be sure, political mobilization is essential to reform education policies. But today we need to figure out how to build systems to identify, retain, and nurture effective teachers and ensure that ineffective teachers are rerouted to other careers as quickly as possible. For this, we need demonstrated solutions, not just political power. Accordingly, a kind of activism is emerging that is more concerned with problem solving than voicing outrage. As *New York Times* columnist Nicholas D. Kristof has observed: "I'm struck that while there has always been student activism, it was mostly protest in my day, while these days it often includes an element of starting an organization to do something positive as well. It's the social entrepreneurship revolution, and I'm in awe of it."

#### *What is the relationship between social entrepreneurship and democracy?*

Democracies flourish when large numbers of citizens acquire the capacity to shape civic life. Social entrepreneurship is a process by which citizens organize to do just that. To the degree that a significant percentage of people—not just a few appointed or elected elites—are engaged in leadership efforts to address problems, and to the degree that they know how to be effective, they will feel more confident and powerful as citizens, and the society will be more adaptive and resilient.

The history of the United States is full of examples of social entrepreneurs who have strengthened democracy. People like William Lloyd Garrison, Susan B. Anthony, Booker T. Washington, and the disability advocate Judith E. Heumann collaborated in building institutions that made it possible for Americans to acquire and express their power as citizens and thus shape their own history. Similarly, half a decade after the Berlin Wall fell, Ashoka found social entrepreneurs emerging in large numbers across Eastern Europe. They had already started building new schools and environmental organizations to replace the bureaucracies that had dominated under Communism.

Democracy is a process of continual adaptation, as citizens experiment in the building of institutions to meet their needs at different moments in history. During the twentieth century, for example, citizens in wealthy democracies pressed their governments to construct an array of new public goods and safety nets, such as publicly funded education, social security, and health care for the poor and elderly. They greatly expanded the role of the government, which became a provider and third-party purchaser of many services.

But in recent decades, it has become clear that that many of those services have fallen short of their goals: for example, many public schools fail to educate significant numbers of students, most foster care systems do not prepare youth for successful adulthood, and the criminal justice system routinely turns minor offenders into career criminals. Citizens have responded by building a new array of institutions to try to fix the problems that emerged out of the solutions developed by previous generations. Abraham Lincoln saw the evolution of the nation as an iterative process, with each new generation standing on the shoulders of the previous one, striving to

bring society a little closer to its founding ideals of freedom and equality.

Today, for example, we see groups like the Memphis-based Youth Villages improving the foster care model through family-based treatments. Foster care was itself an improvement over the earlier state of affairs, in which youths from troubled families were often sent to work houses as indentured servants. That in turn was believed to have been an improvement over the practice of placing children in almshouses, which had a history of neglect and abuse.

Over the past thirty years, social entrepreneurs operating globally have also demonstrated that in predemocratic contexts or in the context of fragile democracies, their work builds skills and attitudes that can ignite and reinforce citizen power. Each time a citizen stands up and acts effectively to address a problem, others are emboldened. People first come to believe that change is possible, and then they learn how to advance change themselves.

That happened in Brazil in the early 1980s. While the country was still under military rule, social entrepreneurs began encouraging citizens to challenge government and business hegemony. Chico Mendes and Mary Allegretti organized indigenous people and rubber tappers to protest the burning and cutting of the Amazon rain forest, leading others to demand protections in the Pantanal and later the Atlantic Rainforest. In Bahia, the cultural group Olodum demonstrated that Carnival could be used as a force for the educational, economic, and political advancement of Afro-Brazilians, inspiring many black communities across Brazil to transform local cultural organizations into vehicles for economic and political change.

Similarly, in the 1970s and 1980s in Eastern Europe, environmentalists seeking to protect primeval forests, natural river

systems, and endangered species laid much of the organizational groundwork for the citizen action that culminated in the fall of the Berlin Wall in 1989. (Today, the environmental movement remains at the forefront of citizen activity in China.) The numerous citizen organizations in Brazil and Eastern Europe solidify past gains and make it difficult for dictatorships to reemerge.

In wealthy democracies, social entrepreneurs spend as much time renewing old institutions as they do building new ones. In poor, weak, or failed states, however, social entrepreneurs are more often focused on basic needs which people in Western democracies take for granted. In India, for example, despite remarkable economic growth, more than 40 percent of the children are underweight. Many social entrepreneurs there and in other developing countries focus on expanding access to safe drinking water, providing primary health care and education, delivering electricity, and promoting improved sanitation and nutrition. These are considered public goods in developed countries.

One significant demographic difference is that the poor are in the majority in developing countries, so poverty is a central political issue. Thus, social entrepreneurs can gain access to policy makers more easily. The big constraint they face is resources. In developed countries, the poor are in the minority, and their concerns are frequently ignored by policy makers. The constraint there is not money but political will. To get the attention of policy makers, social entrepreneurs have to learn how to compete head to head with well-financed lobbyists and any number of special interest groups.

In the poorest parts of the world, which tend also to be the least democratic, social entrepreneurs have difficulty operating at any level of scale. In *The Bottom Billion*, Paul Collier

notes that the poorest billion people in the world usually live in countries characterized by violent conflict, overdependence on natural resources, physical isolation, and catastrophic governance. In such contexts, state services are frequently corrupt, ineffective, or nonexistent, and violence is commonplace. Citizen organizations may provide basic education, health care, or economic development, but rarely on anything more than a modest scale. It is difficult for social entrepreneurship to flourish without a baseline of security and social order. BRAC is now the largest provider of microfinance and other services in Afghanistan, but its gains have come at great cost. Several of its staff members have been kidnapped and murdered.

As the field of social entrepreneurship continues to expand, it may foreshadow a new stage of democracy—one animated by citizens who are actively involved in building, shaping, and renewing organizations to improve society. As such, it may also come to redefine citizenship.

In the United States and Canada, we practice what could be called a minimalist type of citizenship. A good citizen votes, pays taxes, abides by the law, and serves in the military when called. Anything beyond that—volunteering, say, or being helpful to neighbors or addressing social problems—is considered optional (though it is esteemed). Even our core duties are fairly passive: voting is essentially a process of giving away power, only a relative few serve in the military, and most of us pay taxes grudgingly.

What we don't have is a collective belief that with citizenship comes a responsibility to serve society. Some advocates of national service hope to see Congress one day pass a law requiring every citizen or resident to engage in public service for a year or two. Currently, the political constituency does

not exist in the United States and Canada to move this idea forward. Beyond taxation to pay for the social safety net, we don't ask or expect citizens to assume responsibility for the well-being of anyone outside their families.

It's worth asking how modern democracies have evolved to accept individualistic social norms that would cause tribal societies, military units, and sports teams to collapse. Part of the answer may stem from Adam Smith's famous notion of the "hidden hand" and how it may have influenced our understanding of the relationship between the individual and society.

The hidden hand describes the mysterious process by which markets coordinate economic behavior. Smith argued that large numbers of individuals, each pursuing their own narrow profit seeking, will unintentionally maximize the wealth of all. In many cases, he was right. The hidden hand metaphor has a significant drawback, however. It transforms self-interest into a public virtue, releasing citizens from the need to consider the whole of society and effectively shrinking everyone's circle of accountability. This idea, perhaps the most influential in the history of economics, may be the basis for the questionable modern notion that individuals need only assume responsibility for themselves in order to enjoy social well-being.

Citizenship could be construed differently. We might define a good citizen as one who takes an active and intentional role in the shaping of a good society, both at an individual and communal level. The Founding Fathers didn't just look after their own economic interests; they built institutions to realize their vision for a new nation. In so doing, they demonstrated the power and responsibilities of citizenship. Today, the example they set can be seen in contemporary form in the field of social entrepreneurship, with hands-on institution building

and problem solving emerging as a more common expression of citizenship.

These changes are driven by the failure of old institutions to meet the needs of our time. In a world of lightning change, more people need to be involved in solving problems. A thriving economy requires that many people build new businesses and serve them in different ways; an adaptive society requires that many people construct and collaborate on solutions. Today, we can see that a hidden hand coordinates more than just profit seeking; it also coordinates solution seeking as change agents respond to new problems and new opportunities. For example, the market signals of urgent needs and lowered "barriers to entry" have fueled a global explosion of environmental organizations and, domestically, a surge of social entrepreneurship in education and health care.

A vision of robust citizenship is captured beautifully by John Gardner, in his book *Self-Renewal*: "[S]ociety is not like a machine that is created at some point in time and then maintained with a minimum of effort; it is being continuously re-created, for good or ill, by its members. This will strike some as a burdensome responsibility, but it will summon others to greatness."

The irony is that most social entrepreneurs we know find their work fulfilling and enjoyable. In contrast, polls reveal that the majority of doctors, lawyers, and journalists, for example, are dissatisfied with their work. People who switch to the field of social entrepreneurship after spending years doing more "sensible" work often say that they did so in order to feel more alive. Ask Jordan Kassalow, the founder of VisionSpring, which makes eyeglasses available to poor people in the developing world. He feels a thrill every time he sees a client's face light up with the experience of clear sight. His motivation for building VisionSpring into an international organization is crystal clear: "I get to experience that thrill over and over."

## THOUGHTS FOR CHANGEMAKERS

1. Begin with an end in mind.
2. Do what you do best.
3. Have people ask you questions about your idea.
4. Practice pitching your idea.
5. Study the history of the problem you are attacking.
6. Develop a theory of change.
7. Keep thinking about how you can measure or evaluate success.
8. Celebrate every victory, no matter how small.
9. Initiate new relationships.
10. Apprentice yourself with masters. (Work without pay if necessary.)
11. Volunteer for a political campaign.
12. Publish a letter to the editor or an op-ed.
13. Meet with a newspaper editor and a congressman.
14. Host dinner discussions about your idea.
15. Form a group to achieve a modest, short-term goal.
16. Ask a question at a public forum.
17. Engage people with opposing political views.
18. Ask for advice from people you admire.
19. Read biographies of people who have built things.

- 20. Spend some time working in a different sector, field or country.
- 21. Practice public speaking.
- 22. Take a finance course.
- 23. Learn how to negotiate.
- 24. Find sources of inspiration and use them.
- 25. Hold to principles, be flexible about methods.

Trends in shifting mindsets

<i>From</i>	<i>To</i>
Expecting others to solve problems	Up to me/us
Big problems are too complicated to fix	We can solve problems at scale
Planned division of labor	Integrated, decentralized, emergent
Deficit based	Strengths based
Bureaucratic/hierarchical	Flexible teams of teams
Linear, top-down	All-direction, viral
Quarterly returns	7th-generation equity
Great men theories of change	Everyone can be a changemaker
Search for a cause	Make change from where you stand
Disposability	Cradle to cradle
Top-down design	Cocreation
Sustainability	Continuous renewal

A short list of online resources

1. Alltop's Social Entrepreneurship coverage (<http://social-entrepreneurship.alltop.com>)
2. Catalyst Fund's Social Business Blog (<http://www.clearlyso.com/sbblog>)
3. Change.org's Social Entrepreneurship blog, by Nathaniel Whittenore (<http://socialentrepreneurship.change.org>)
4. CSR Wire, a wire service for corporate social responsibility (<http://www.csrwire.com>)
5. Dowser, a media site that focuses on uncovering stories of change, founded by David Bornstein ([www.dowser.org](http://www.dowser.org))
6. E-180's Top 25 social entrepreneurship websites (<http://e-180.com/2009/02/04/our-top-25-social-entrepreneurship-websites>)
7. Echoing Green's top social entrepreneurship blogs (<http://www.echoinggreen.org/blog/top-seven-social-entrepreneurship-blogs>)
8. Evan Carmichael's top 50 social entrepreneurship blogs 2009 (<http://evancarmichael.com/Tools/Top-50-Social-Entrepreneur-Blogs-To-Watch-In-2009.htm>)
9. Fast Company's "Ethnomics" (<http://www.fastcompany.com/topics/ethnomics>)
10. Global Voices Online, a leading participatory media news site focusing on the developing world (<http://globalvoicesonline.org>)
11. Good Magazine (<http://www.good.is>)
12. Greenbiz, coverage of green business (<http://greenbiz.com>)
13. Grist, green issues and sustainable living (<http://www.grist.org>)

14. MIT Innovations (<http://www.mitpressjournals.org/loi/itgg>)
15. Net Impact, global network of young business leaders seeking social impact (<http://www.netimpact.org>)
16. NextBillion.net, an initiative of the World Resources Institute, provides an overview of social enterprise globally (<http://www.nextbillion.net>)
17. Ode Magazine (<http://www.odemagazine.com>)
18. Social Edge, an initiative of the Skoll Foundation, is an online community for social entrepreneurs and other practitioners (<http://www.socialedge.org>)
19. Social Enterprise Alliance (<http://www.se-alliance.org/index.cfm>)
20. Stanford Social Innovation Review (<http://www.ssireview.org>)
21. Starting Bloc, educates and connects emerging leaders to drive social innovation (<http://www.startingbloc.org/home>)
22. Treehugger green news, solutions and product information (<http://www.treehugger.com>)
23. University Network for Social Entrepreneurship (<http://universitynetwork.org>)
24. World Changing, a media site focusing on major social issues (<http://www.worldchanging.com>)
25. Youth Social Entrepreneurs of Canada (<http://www.ysec.org>)

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