

Growing Opportunity Entrepreneurial Solutions to Insoluble Problems



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A growing array of socio-economic, environmental and governance challenges presses in on decision-makers – including climate change, the risk of global pandemics, the growing threat to natural resources like water and fisheries, and the ever-present issues of poverty and hunger. *Growing Opportunity – the first in an annual series of surveys conducted by SustainAbility in partnership with The Skoll Foundation – explores the potential for more entrepreneurial solutions to such challenges.*

The key messages: at a time when such challenges seem to narrow our horizons, they are creating a wealth of new opportunities, but to enjoy them longer term we must ensure real opportunity for a very much greater proportion of the global population. The report attempts to assess the current state of social entrepreneurship – the possibilities presented by new mindsets, the challenges entrepreneurs face in scaling their organizations and the opportunities for greater collaboration with corporations and others.

The survey findings are discussed in Chapter 2 (pages 11–22) and the – increasingly persuasive – business case for mainstream corporations and financial institutions to get involved is explored in Chapter 3 (pages 23–29). We look at three different mindsets that have characterized business thinking in relation to the relevant issues. If 1.0 was about compliance and 2.0 about citizenship, 3.0 is about creative destruction and creative reconstruction.⁹ Chapters 4 and 5 then probe a little deeper into two key sectors, health and energy.

Our main conclusions are that:

- 1 **Social entrepreneurship is on a roll.** Social entrepreneurship is emerging as a powerful catalyst of the sort of change that governments and business are increasingly committed to – but rarely know how to deliver.
- 2 **The potential for breakthrough solutions is considerable – and growing.** Among the routes to breakthrough solutions and scaling discussed by our respondents, the following surfaced repeatedly: (1) grow individual social enterprises; (2) establish multiple enterprises; (3) get big organizations – whether companies, public agencies or NGOs – to adopt the relevant models and approaches; and (4) spur public policy legislation designed to fix market failures.

- 3 **The field is growing, but still relatively small.** To put rough numbers on the three areas of social enterprise, cleantech and philanthropy, we estimate that less than \$200 million is going into social enterprise worldwide from dedicated foundations each year, compared with over \$2 billion into cleantech in the USA and EU and well over \$200 billion into philanthropy in the USA alone.
- 4 **Money remains the main headache.** Accessing capital is the No.1 challenge for the entrepreneurs we surveyed, with almost three-quarters (72%) putting this at the top of their priority list. Foundations are still the favorite source of funding for social entrepreneurs (mentioned by 74% of respondents), but there is a wide recognition of the need to diversify funding sources.
- 5 **Financial self-sufficiency is seen as a real prospect within five years.** The proportion of respondents expecting to be funding their own operations, with little or no dependence on grants, jumped from 8% to 28%.
- 6 **There is a real appetite to partner with business.** Social and cleantech entrepreneurs are equally interested in developing partnerships with business – but with different expectations. Social entrepreneurs, in particular, are acutely aware that they often lack the experience and skills needed. A constant refrain was the growing need for brokering between the entrepreneurs and potential business partners.
- 7 **Beware blind spots.** There is a risk that we may become overly focused on narrow definitions of social and environmental entrepreneurship. For example, it's easy to get excited about small start-ups in the renewable energy field, but we should remember the huge contributions already being made by much larger companies like **Acciona** in Spain, **Vestas** based in Denmark or **GE** based in the USA. And there is also a need to focus on ways of supporting social *intrapreneurs*, change agents working inside major corporations and financial institutions. The potential leverage at their disposal is huge.
- 8 **For real system change, we must focus on government and public policy.** Governments need to do more to shape public sector targets, tax incentives and pricing signals to ensure that markets drive change – and that the sort of ventures covered in *Growing Opportunity* reach their full potential.

⁹ We adopted the 1.0–3.0 terminology during an Australian tour early in 2006. *Fast Company* also talk of Business 3.0 in their 'Fast 50' survey report, *Fast Company*, March 2007. The terms label different aspects of the same phenomenon.