



Utrecht University

The 18th Sustainable Development Goal
Social Entrepreneurship
in a global society

by Prof. Dr. G.J.A. Hummels — 1 March 2018

This address is dedicated to my dear friend Theo Brouwers. Without his friendship and the many discussion we have had, I would never have gained the knowledge, the insight and the experience, that I have today. In addition, I am grateful to him and my colleagues Erik Stam and Niels Bosma for their constructive comments on previous versions of this contribution.

*Die Philosophen haben die Welt nur verschieden interpretiert;
es kommt drauf an, sie zu verändern*¹.

¹ Karl Marx, Thesen über Feuerbach, 1845, Marx-Engels-Gesamtausgabe Ab IV. Bd. 3, Akademie Verlag, Berlin 1998

Rector Magnificus, ladies and gentlemen²,

Today is a magnificent day. After months of diligent preparation, the involvement of several colleagues, to whom I am greatly indebted for their contributions, and the support of a wide circle of stakeholders, I am happy to announce that this morning we celebrated the start of *Le Souk d'Orient*. Le Souk is a restaurant that provides refugees – mainly from the Middle East – an opportunity to fully participate in our society. What is special about the restaurant is that it employs the refugees as of the first day, while also educating them – mostly on the job. They will receive a professional certificate that allows them to work anywhere in the Netherlands. In addition, they will learn to speak and write in Dutch and take the mandatory citizenship exam.

The restaurant finds itself just outside of Nijmegen in Museum park Orientalis. The reason to start and end this lecture in the Heilig Land Stichting can be traced back straight to Karl Marx, who is one of the inspirational sources for this lecture. In his *Theses on Feuerbach*, Marx argued for fundamental change. The philosophers, he wrote, have only interpreted the world in different ways. The point is to change it. And that is what

we are trying to do. Apart from an integral approach allowing refugees to become fully integrated and participating members of our society, Le Souk also differs in what it offers to its guests. Being part of the museum and the arriving exhibition *Tastings of the Middle East*, it will be more than a restaurant. As the name indicates, the aim is to create a market place. Tasty food will be prepared and exchanged, but also ideas and music. It is intended to be a vibrant place where cultures meet, where you can become acquainted with the Levantine cuisine, where you can learn to prepare it yourself, and where the good life is being shared.

By now, you may think you find yourself in the wrong building or the wrong hall of the building. The invitation that you kindly accepted, clearly mentioned you would be attending an inaugural address and not some commercial talk about the start of a restaurant. I can assure you that you are in the right hall of the right venue. With this lecture, I have the honour and pleasure to officially accept my position as Professor of Social Entrepreneurship at the Utrecht University School of Economics (U.S.E.) at this eminent university. The opening of Le Souk just coincidentally concurs with my inaugural address today, but it is clearly relevant for what I have to say and what I

² This address is a summary of a more comprehensive Utrecht University working paper in which I explain my approach to social entrepreneurship. The working paper, available online, contains all references to the literature and to other relevant sources.

hope to study in the upcoming years. Le Souk d'Orient is a real world attempt to apply my ideas about social entrepreneurship in a live setting. But don't get me wrong. It is not a playground for philosophers or a lab for economists to test academic hypotheses. Le Souk will be a serious, for-profit restaurant with a social purpose.

Now the question comes up: what does it mean if I refer to the idea of "social entrepreneurship" in this respect? I presume that most of you by now will have at least a sense of the meaning of 'social entrepreneurship'. Generally speaking, scholars refer to it as *an innovative approach, using business concepts and tools to create social or environmental change for the benefit of society*. In our case, the objective is to run a restaurant that aims to enhance the opportunities for refugees to participate in our society through the offering of employment, training and education. We do not go as far as the famous Greyston Bakeries in New York, who do not hire employees to bake cookies and brownies, but bake cookies to employ people. We do recognise, however, that if it weren't for providing refugees a chance to build a meaningful life in our country, we wouldn't have started the restaurant. Le Souk will help young men and women, like Eden, Khaled, Yousf, Aymen, Borhan, and many

others, to build a new future. They want to do something, contribute to rebuilding their lives and to create something new in our society. We also recognise that, if the refugees are not able to find a paid job, it will be difficult from them to become integrated and accepted in our society. This leaves them with a problem, but Dutch society as well. But why call it social? Le Souk d'Orient aims to be a commercial Levantine restaurant. Who can you better hire as cooks than the people who know this cuisine from their early childhood onwards? Isn't it just a regular business transaction, motivated by creating mutual benefit?

1 | Two major tasks

The ambiguity about what social entrepreneurship is all about, leads to the first task of this chair. It is to clarify the meaning of the concept of 'social entrepreneurship'. In doing so, I will refer to the writings of three philosophers and political economists: Karl Marx, Amartya Sen and Martha Nussbaum. Starting with the idea of (a lack of) human development, the authors propose theories that put basic needs and the capabilities of humans to deal with these needs centre stage. I believe that

By the end of this address, I hope to have convinced you of the need to see social entrepreneurship first and foremost as innovative business contributions enabling a free and sustainable development of humans and the societies they live and work in.

their lessons, can be meaningfully applied to – and provide a foundational groundwork for – the emerging practice and study of social entrepreneurship. By the end of this address, I hope to have convinced you of the need to see social entrepreneurship first and foremost as *innovative business contributions enabling a free and sustainable development of humans and the societies they live and work in*. Many businesses today are innovative and contribute to sustainable development. Despite their willingness and actions, their activities do not automatically constitute forms of social entrepreneurship. To illustrate this point, let's look at Tesla, the iconic company run by Elon Musk.

Tesla addresses two of the greatest challenges of our time: the reduction of CO₂-emissions and the storage of energy from renewable sources. In pursuing a business opportunity, Tesla

aims to transform the car market and accelerate “sustainable transport by bringing compelling mass market electric cars to market as soon as possible”. The company uses an innovative business approach to create social and environmental change for the benefit of society. As such, it seems that Tesla is involved in social entrepreneurship. Despite its praiseworthy contribution to transform the automobile and the energy storage markets, there are reasons to believe that Tesla does not belong to the domain of social entrepreneurship. At least not yet. We all need transportation, and we need clean transportation as well. That does not mean, however, that we need a Tesla, even though many of us may aspire to have one. Providing cleaner transport is not a sufficient condition to become part of the realm of social entrepreneurship. To belong to this domain, I will argue, requires strengthening the capabilities of individuals and communities to improve the fulfilment of basic needs, a demonstration of outcomes and the consent of the beneficiaries – as can be seen in the upper half of the social entrepreneurship screen on the next page.

We all need transportation, and we need clean transportation as well. That does not mean, however, that we need a Tesla.

Social Entrepreneurship Screen

— Minimum SE qualifying score
— Inferred profile

Determining Socialness

B Demonstration outcomes

A Capability development

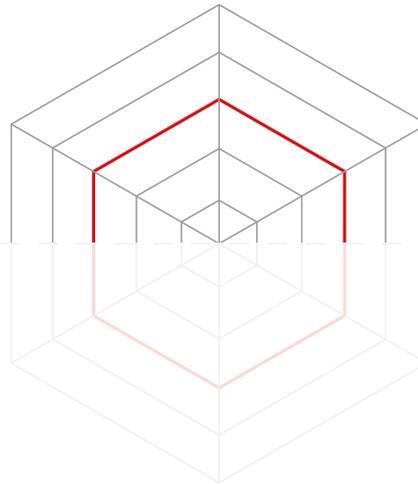
C Beneficiaries involved

F Financial sustainability

D Innovation

E Scalability

Determining Entrepreneurship



My second task deals with improving our understanding of social entrepreneurship's potential to contribute to the large social and environmental problems of our times. Can social entrepreneurship help to eradicate poverty, reduce the pressure on our climate, or increase access to primary healthcare? Often with its roots in the third sector, it is set apart from entrepreneurship that mainly or primarily focuses on the creation of profits. Can we think of approaches that can overcome our grand challenges, without calling upon commercial businesses and institutional investors to do the trick? I have difficulty imagining what such an approach could look like – although that may simply be caused by my lack of imagination. There is, however, another reason for me to study what commercial businesses and institutional investors contribute to social value creation beyond offering products and services, paying taxes, creating jobs and limiting negative externalities. When I accepted this position, I agreed with the focus of this chair, being:

“social entrepreneurship in general, with an initial focus on radical innovations of value chains to improve the social and ecological aspects of production”.

What does that mean: ‘radical innovations of value chains’? Looking at the agenda of one of the promoters of this chair, Tony’s Chocolonely, we can get an idea of what radical innovation of a value chain potentially means. The company’s objective is to eradicate child labour in the cocoa industry – most certainly including the worst forms of child labour, like child slavery and hazardous work. This objective clearly refers to the company’s own operations, but reaches beyond its own turf and includes all producers, manufacturers, and distributors worldwide to eliminate child labour in all processes. As a result, large multinationals like Nestlé, Mars, Barry Callebaut, and Cargill, have to be brought into the fold. This is a huge challenge and calls for a major transformation of business as usual. To achieve this objective, Tony’s Chocolonely uses an impact-creation logic. It starts with the idea that if you pay farmers a living wage, improve their production methods, extend the length of their contracts, and professionalise their representative organisations, you give them a better chance to create a rich human life for themselves, their families, and communities. An obvious precondition to make the model work for farmers, their cooperatives and Tony’s Chocolonely itself is that the beans have to be traceable. Only then, the company can provide evidence that its chocolate is free of child slavery.

The company's efforts point to the essential dynamics of the economy caused by a fundamental disequilibrium in access to and interpretation of market information. Differences regarding this market information result in the design, production and distribution of products and services. Economic activity, therefore, can be explained by "the tendency of certain people to respond to the situational cues of opportunities" – and the differences in these responses. Individuals, groups or organisations continuously assess market information – for instance regarding market gaps, the needs of customers or the potential to serve them better with new and innovative products or services – while having ideas to overcome the identified lacunae. This not only leads to economic development, but clearly also to social value creation. According to Venkataraman, "entrepreneurship is particularly productive from a social welfare perspective when, in the process of pursuing selfish ends, entrepreneurs also enhance social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs, and net increases in real productivity".

If our objective is to study social entrepreneurship with a focus on radical innovation of value chains, it makes sense to look at some determinants of successful entrepreneurship. If entrepreneurship is about the pursuit of opportunity in the context of creating economic and social value in an innovative way, our focus on solving grand challenges requires focusing on at least three dimensions. The first is *innovation* and more specifically radical or disruptive innovation. It is unlikely that incremental or "sustaining innovation" will lead to fundamental change in order to solve the challenges of our time and of the future. Secondly, effective intervention demands *scale* in light of the magnitude of the challenges and, thirdly, of *long-term financial sustainability*. This requires a shift from individual entrepreneurial activity to entrepreneurship driven by organisations, like businesses, corporations, cooperatives, and organisational networks³. This is expressed in the lower part of the social entrepreneurship screen.

3 The shift from individual initiatives to organisational forms with higher levels of formalisation and propensity to create the desired social or environmental outcomes, is not a principle one. It is prompted by the assignment I have been given.

Social Entrepreneurship Screen

— Minimum SE qualifying score
— Inferred profile

Determining Socialness

B Demonstration outcomes

A Capability development

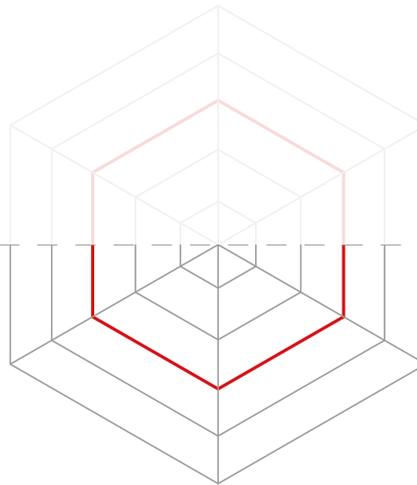
C Beneficiaries involved

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Determining Entrepreneurship



2 | Challenges in the field of social entrepreneurship

Child labour is only one of many *grand challenges* our world faces today. The United Nations Sustainable Development Goals (SDGs) provide a comprehensive overview of the world's impressive to-do list for the upcoming decade. The declaration preceding the SDGs recognises that “the dignity of the human person is fundamental” and needs to be furthered by a concrete plan of action for people, planet, and prosperity. A particular responsibility is felt for the most vulnerable of all people, including children, youth, persons with disabilities, refugees and the elderly. Also, special attention should be given to vulnerable countries, like least developed countries or small island developing states. The declaration preceding the goals comprises a “transformational vision”. In the words of the UN:

“We envisage a world free of poverty, hunger, disease and want, where all life can thrive. We envisage a world free of fear and violence. A world with universal literacy. A world with equitable and universal access to quality education at all levels, to health care and social protection, where physical, mental and social well-being are assured.”

The vision is the expression of an ‘overlapping consensus’ within and among the nations of the world that “the idea of what human beings need for fully human living is among the most vivid intuitive ideas we share”. This ‘overlapping consensus’ provides a justification for governments, multilaterals, non-governmental organisation, businesses, investors, and individuals to further a just and decent society, to implement the SDGs, and most importantly from the viewpoint of this chair, to stimulate social entrepreneurship. Referring to the role of the private sector the UN asserts:

“Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro-enterprises to cooperatives to multinationals. We call upon all businesses to apply their creativity and innovation to solving sustainable development challenges”.

Numerous business organisations and investors have already expressed a commitment to implement the SDGs. They want to contribute to challenges ranging from poverty alleviation and social cohesion to health improvement, and from inclusive workplaces to environmental protection and the circular economy. Although their activities may differ significantly, they seem to share a sense of responsibility for the deprived – no

matter whether the destitution focuses on humans, animals or nature. A contribution to serve humans and their communities in fulfilling their basic needs is an important driver of many public and private organisations in our present society. Now where does this focus on basic human needs come from and what does it mean?

3 | A basic needs-based approach to social entrepreneurship

“Saying that a human need is basic, implies that its absence would deprive a human from a good, a service or a quality that is *essential* to life and the development of that life”. This focus on basic human needs emerged in the mid 1970s to express what a full human life consists of. It is also at the core of the Brundtland commission’s definition of sustainable development. The commission defines ‘sustainable development’, as: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” In other words, a sustainable development of our society and our planet “requires *meeting the basic needs* of all and extending to all the opportunity to satisfy their aspirations for a better life”. Basic human needs are not the same as preferences, desires or interests, as was mentioned in case of the latest Tesla models. I may desire

one, that does not mean that I need one. Basic needs, like the need for subsistence, protection, affection, understanding, participation, identity or freedom, have a more mandatory nature. Without the capability of humans to fulfil these needs, life becomes a rather risky, nasty, and undignified affair.

The economist and philosopher Amartya Sen, developed a ‘capability approach’ to underline the importance of increasing the abilities to fulfil our basic needs. At the core of Sen’s approach, we find a deep concern for the (in)ability of vulnerable people to fulfil these needs and, even more, for the lack of capability to do something about it. Human development is not primarily about the increase of consumable goods, like food, shelter or clothing – even though in some parts of the world there is a clear need for these goods. What matters is the extent to which people can (develop their capability to) freely fulfil their personal needs. Capability constitutes “spheres of freedom and choice”. Based on the work of Sen, American philosopher Martha Nussbaum developed her own account of the ‘capabilities approach’. She examines what constitutes a dignified life governed by basic human capabilities required for such a life. “A central part of our own good,” Nussbaum argues, “is to produce, (.), a world in which all human beings have what they need to live a life with human dignity.” To guide governments, corporations, institutions, and individuals in producing such life, she presents a list of ten core capabilities:

1. **Life** – the ability to live a human life of normal length,
2. **Bodily health** – ability to have a good health, adequate nourishment and ditto shelter,
3. **Bodily integrity** – to move freely from place to place and be secured against violent assaults,
4. **Senses, Imagination and thought** – ability to think, reason and imagine, informed and cultivated by an adequate education,
5. **Emotions** – ability to be attached to people and things, to love and grieve, and experience longing, gratitude, and anger,
6. **Practical reason** – ability to conceive the good and engage in critical reflection about one's life,
7. **Affiliation** – ability to engage in various forms of social interaction and having the social basis of self-respect
8. **Other species** – ability to live with concern for and in relation to animals, plants, and nature
9. **Play** – ability to play, laugh and enjoy,
10. **Control over one's environment**
 - Political** – ability to participate effectively in political choices that govern one's life, and
 - Material** – ability to hold property, seek employment, work as human being exercising practical reason and engage in meaningful relations of mutual recognition with other workers.

A sustainable development of our society and our planet “requires meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for a better life”.

Together, the ten capabilities form the bare minimum of what constitutes a dignified human life. Nussbaum's account of the capabilities approach is a political doctrine about a just society in which all human beings are morally entitled to a basic a “set of non-negotiable entitlements of all citizens”. Societies should achieve a threshold level of each capability for every individual. A failure by government to secure these entitlements results in a grave violation of basic justice. If basic needs cannot be met, American economist Deirdre McCloskey argues, “society or the world should be reordered so far as possible, so that they are capable of being met” – provided that greater goods are not thereby lost or jeopardised. This puts a substantial burden on society – including governments, corporations, and civil society organisations – to enable people to develop their capabilities and fulfil their basic needs. Here, business can contribute through the promotion of social entrepreneurship. Businesses have a unique opportunity

to further the capabilities of their clients, their workforce and society, to fulfil basic needs. The question then is: what contributions constitute a ‘social entrepreneurial’ response to the needs of individuals and their communities that is more than merely ‘business as usual’?

4 | When do we call entrepreneurial activities ‘social’?

Without clarity about what distinguishes social entrepreneurship from regular entrepreneurship, it will be difficult to determine the contribution of social entrepreneurship in improving the social and ecological aspects of production in value chains. Nicholls and Cho observe quite correctly, that social entrepreneurship only has meaning insofar it can be distinguished from entrepreneurship that is not explicitly social. Surprisingly enough, scholars have remained rather silent or indifferent regarding the meaning of the term ‘social’. Some argue that all business is inherently social. There is no such thing as non-social entrepreneurship. Such a conclusion can hardly be satisfactory, as it turns every enterprise into a social enterprise. Attempts that try to demarcate the subject, sometimes also fail to determine who operates inside the domain of social entrepreneurship and who is on the outside. Take the definition of the European Commission. The commission writes:

“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives”

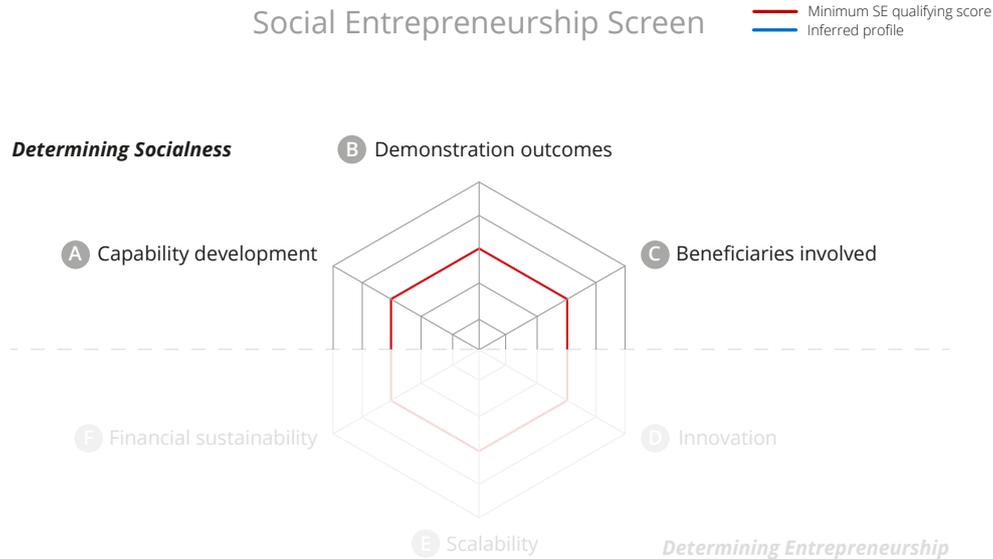
Such a definition is hardly helpful. Many companies use their profits to reinvest in the company, to create jobs, to give back some part of its profits to society and thereby achieve social objectives. In addition, to the extent that the definition is clear by prioritising non-financial over financial objectives, it misses the point that mainstream companies increasingly develop initiatives within the domain of social entrepreneurship as I see it. Since the aim of this chair is to focus on “social entrepreneurship in general, with an initial focus on radical innovations of value chains to improve the social and ecological aspects of production”, I propose three elements to adequately demarcate my research:

- A. Contribution to reinforcing the capabilities of humans and their communities to fulfil basic needs through designing, producing or distributing innovative products and/or services,
- B. Demonstration of the outcomes of business initiatives aimed at reinforcing the capabilities of individuals and communities to fulfil their needs, and

C. Involvement of the (intended) beneficiaries of these outcomes⁴ and other direct stakeholders in deciding on the adequacy of the organisation's activities and results.

What do these elements entail and how can we decide whether an organisation passes the test?

Social Entrepreneurship Screen



⁴ Beneficiaries are all those aimed at to experience the (positive and negative) consequences of the entrepreneurial activities, products or services. For pragmatic reasons, I suggest to restrict the active involvement of beneficiaries to those who experience the direct consequences of these activities, products and services. I do recognise, however, that in case of collective goods, like a healthy and clean natural environment, beneficiaries have to be represented by, for instance, civil society organisation, academics and others that focus on our common, public benefit.

A. Contribution to the fulfilment of basic needs and capabilities

Many businesses design, produce and distribute products and services that explicitly intend to improve human capabilities and fulfil their basic human needs – without necessarily using this vocabulary. I already referred to Tony’s Chokolonely, that does not make a reference to basic human needs in its corporate communications. Nevertheless, the company is on a path to eradicate the worst forms of child labour, including hazardous work, in the entire cocoa value chain. Its products are primarily intended to act as vehicles for social change. Through its production and sales of chocolate, and its close cooperation with farmer cooperatives in Ghana and Ivory Coast, Tony’s Chokolonely creates the conditions for the elimination of child labour. Its ambition, however, is to positively influence the policies, practices and activities of the big eight corporations in the cocoa value chain. On its own Tony’s Chokolonely can produce and sell slave free chocolate. Together with others, it can make chocolate slave free.

Practice shows, however, that it is not always clear whether an organisation’s activities, goods or services, contribute to fulfilling basic needs and capabilities. Take Linestanding.com, discussed by Harvard professor Michael Sandel. The company delivers a line-standing service for people who want to attend US Congressional hearings and the US Supreme

Court. The company started its operations in 1985 based on a simple business model. When the US Congress or the Supreme Court hold a hearing most seats in the audience are available to the general public on a first-come, first serve basis. Lawyers, business reps, and lobbyist may take an interest in attending, while not being able or prepared to stand in line. As the demand for seats is often overwhelming, the line is usually long. In the case of Obamacare, the line started to form three days in advance. Linestanding.com hires homeless people to queue up. Once the hearing starts, the professionals take over their place in line. The homeless often love the task, the lawyers and lobbyists are being served, while the company makes some money. Everyone a winner, one could conclude. But Sandel doesn’t buy it, however. The employment opportunity for a few homeless people is traded against the democratic tradition that allows all citizens equal access to the political process. Commercial line-standing degrades democracy.

On its own Tony’s Chokolonely can produce and sell slave free chocolate. Together with others, it can make chocolate slave free.

The example calls for a critical reflection on business solutions that increase the capabilities of the deprived. For this reason, I formulate two additional conditions that need to be met to call such solutions 'social'. The first is demonstration of outcomes, while the second refers to the beneficiaries' opportunity to actively influence any solution intended to improve their fulfilment of basic needs.

B. Demonstration of outcomes that lead to fulfilment of basic needs and capabilities

Following Sen and Nussbaum, it is imperative to demonstrate that social entrepreneurial initiatives realise positive outcomes, while not ignoring the negative ones. This "outcome-orientedness" requires an assessment of the improved ability of the homeless to obtain a regular income in the future.

This means that "organisations working on social problems, ..., should be able to demonstrate results in solving societal problems". Unfortunately, we cannot be too overoptimistic about the self-reporting of companies on the success of their entrepreneurial initiatives aimed at capability development. This means that *an interactive demonstration process*⁵ is needed, that results in a comprehensive overview of positive and negative outcomes of socially entrepreneurial initiatives. In the

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field of international aid and trade, Easterly argues, the poor do not always end up better off. Direct foreign investments made into a country may, for instance, result in slowing down or even impairing public investments in primary goods like healthcare, education, poverty alleviation, energy access, sanitation, basic infrastructure, et cetera. Take the following example.

Bridge International Academies (BIA) is an acclaimed social enterprise providing private primary education to more than 120,000 children in Kenya and Uganda. Research commissioned by the company shows that its approach leads to a positive effect on acquiring knowledge and skills in English and math. The children educated by BIA, outperform those at public schools. However, as Kenyan teachers unions demonstrated, BIA instructors do not have the right qualifications and

⁵ A great example of this process is currently developed by Solidaridad. To replace the traditional and far too costly practice of accounting and auditing, Solidaridad has developed a system of peer learning and review among farmers – first in Africa, but also focusing on other regions in the developing world.

classrooms are not adequately and safely equipped. It is rather paradoxical that a social entrepreneur is successful in improving the educational results of children, while crowding out public education. BIA's initiative leads to a transition from public to private education, from teachers to mere instructors and from financing broad-based education to investing in commercially-oriented instruction. In summary, a demonstration of outcomes should be comprehensive and include both the upsides and downsides of a development. It brings me to the third dimension to determine the meaning of 'social' in social entrepreneurship.

C. Involvement of beneficiaries in deciding on the adequacy of activities and results

Despite our sharing one common world, society is fundamentally plural. Perceptions and valuations of basic needs vary, just as the capabilities to fulfil them. Recognising the principle of equal access, Sen stresses the importance of a "culture-dependent" implementation of basic capabilities. Development can be seen as "an empowering process" in which individuals should be able to make informed choices about the fulfilment of basic needs. This means that the value of fulfilling a specific basic need does not rest on general consensus in a society. Ultimately, Sen argues, *it rests on the individual being able to freely choose from the options that are available to her or him.*

It is here that business, operating in the domain of social entrepreneurship, can contribute to enlarging the set of opportunities of individuals and their communities to fulfil their basic needs. An excellent example of this empowerment is the Community Life Center (CLC) concept developed by Philips. The healthcare company defines a CLC as a "community driven holistic platform for strengthening primary and community healthcare". At the core of the concept lies the idea of improving access to better primary healthcare – first and foremost in developing countries in Africa. The company takes a holistic view, by aiming to increase access to high-quality medical care, while also improving "the living conditions of the community and such factors as security, water, waste and lighting" and creating jobs. In Kiambu County in Kenya, the centre operates since 2014 and services 180.000 citizens.

The CLC provides a good illustration of Sen and Nussbaum's insistence on improving the capability of individuals to determine their own future course of a life in human dignity. In collaboration with government in several African countries, Philips increases the set of opportunities for individuals to better access healthcare. The option is not forced upon the communities. Philips simply provides an alternative to existing options and, therefore, enhances the capabilities of individuals to freely decide among alternative health care solutions. The involvement of the local population, the government and

A procedural theory is required, specifying the rules and practices for “effective debate and decisions on identifying needs and satisfiers in specific contexts”.

other relevant stakeholders is also important for another reason. As the example of Bridge International Academies has shown, private schools can provide an alternative to educate children, if government or civil society are unable or unwilling to adequately address the need for local, high-quality, public education. But the case also led to a dilemma. What capability should get priority? Is it the provision of adequate instruction in English and math by a company that delivers superior quality to the benefit of the children? Or is it the provision of meaningful work to the teachers in public schools, which enables them to compete with private schools? In November 2017 the Ministry of Education in Uganda has decided to shut down the initiative that was backed, inter alia, by prominent investors like the Gates and Zuckerberg foundations and the World Bank. Involving the intended beneficiaries and other direct stakeholders in an early stage, could potentially have prevented the closure of the operations. To know whether entrepreneurial activities and solutions work in their interest

individuals and their communities deserve to be heard – either directly or via a representative. A procedural theory is required, specifying the rules and practices for “effective debate and decisions on identifying needs and satisfiers in specific contexts”. Legitimate decision-making is determined by the processes that are “communally and relationally constituted”, rather than derived from “private sense making” alone. As Nussbaum and Sen argued, involvement of those concerned invokes mutual learning and helps to understand what people really want. The ability to voice needs, concerns and ideas can be facilitated through feedback mechanisms, social media platforms, or complaints mechanisms. A minimum requirement appears to be acknowledging the principle of consent.

Conclusion

The analysis so far has brought us to conclude that the adjective ‘social’ has been poorly defined. I suggest an alternative account of ‘socialness’, based on three dimensions of the social entrepreneurship screen. Meeting all three criteria is a necessary condition to qualify for ‘social’ entrepreneurship and determine who is in and who is out. We can now better understand why Tesla’s activities do not qualify as ‘social entrepreneurship’ – at least not yet. Tesla contributes to the global energy transformation through the design, production and distribution of batteries. These batteries allow individuals and communities to increase their access to energy and

their freedoms to live a more developed human life. The other dimensions – demonstration of relevant outcomes and involvement of stakeholders – were not met, or only to a limited extent. As Milton Friedman once pointed out, it would be a great mistake “to judge policies and programs by their intentions rather than their results”. At present, Tesla offers only limited proof of those results. It does not disclose its social and environmental performance, nor the societal benefits of its activities. The same counts for the lack of active engagement with stakeholders. Taken together, it means that Tesla may become a social enterprise in the future but at the moment it does not qualify.

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5 | The entrepreneurial dimensions

Having clarified the meaning of what it is to be social, the question arises what social entrepreneurship requires to help solve our society’s major challenges from an entrepreneurial point of view. We start with the assumption that large societal problems can be solved and that business⁶ can contribute to a successful transition toward an inclusive, just and sustainable society. If we want to positively influence the lives of millions – and sometimes even billions – and enable them to fulfil their basic needs and create a more sustainable world through the achievement of the SDGs, three dimensions appear to be material: innovation, scaling and financial sustainability.

Radical innovations of value chains and exponential scaling of the positive outcomes, are a sine qua non. It is simply inconceivable to reduce the environmental pressure on land, water and air, or to alleviate poverty and provide more opportunities to individuals and communities to access primary education, primary healthcare, water and sanitation, adequate shelter, renewable energy, or a job that pays a living wage, without major breakthroughs in innovation and scale. As the United Nations pointed out, we can only successfully

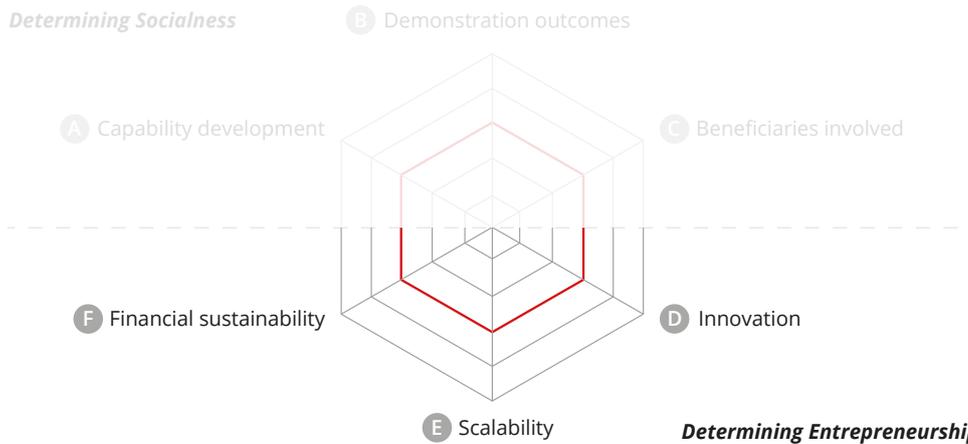
6 When I say ‘business’, I refer to the entire gamut of business organisations ranging from start-ups and SMEs to large corporations and even networks of organisations.

tackle our grand challenges when the private sector steps in. To implement the SDG to-do list, investments are needed of 6 to 7 trillion US dollars per annum. Since mainstream businesses and investors will only step in if they can align their contribution to the SDGs with their fiduciary responsibility towards their

stakeholders, including their shareholders, this means that long-term financial sustainability is a mandatory condition for change. In this second part, I will, therefore, highlight the hexagon's bottom half, starting with innovation.

Social Entrepreneurship Screen

— Minimum SE qualifying score
— Inferred profile



D. The relevance and meaning of innovation

Innovation is a means to an end. That is the core message conveyed in Seelos and Mair's *Innovation and scaling for impact*. Both innovation and scale only improve the 'capability' to make better decisions about providing "disadvantaged people and communities with solutions for their fundamental problems and to create fruitful spaces for development". If the objective is to resolve these fundamental problems, new frameworks, ideas, products, and services, are indispensable for human development. What determines the value of an 'innovation' in a context of social entrepreneurship is the positive effects⁷ on "the people and communities that an organisation serves".

In light of the magnitude of the social and environmental challenges, innovation needs to be radical, rather than incremental – both national and international. Small and large firms are both drivers of (radical) innovation, although, most breakthrough innovations come from large organisations. Corporations often engage in, what Christensen has called, "sustaining innovation", by improving its offering to incumbent clients as a way to consolidate their leading market position. They have the financial and operational resources to induce and implement systemic innovation. Also, R&D is

found to be positively correlated with firm size, while large corporations have advantages if technology plays a major role in development. In several high-tech industries, leading incumbents maintained their position by setting up a new business unit with sufficient freedom to pursue a disruptive opportunity.

This might be different, Christensen argues, in the case of "new market disruptions". A new market disruption is characterised by accessing customers that have not used existing product or service offerings, as these were not available to them previously. Having captured the forgotten customer part of the market, they gradually move on to penetrate the mainstream market. A great example of a "new market disruption" is microfinance. The core paradigm of microfinance is to include individuals and communities that have no or only very limited access to financial services in the processes of economic and social development. Ever since BRAC and Grameen Bank started their initiatives in the nineteen seventies, microfinance soared and became an industry. At present, more than 1000 financial institutions serve some 120mn clients with a total gross loan portfolio of approximately USD 100 billion. Particularly interesting in this respect is the example of ACLEDA

⁷ Seelos and Mair use the term impact, which is in line with my approach to social entrepreneurship – although I prefer the term 'outcomes' or 'effects'. The latter, as Seelos and Mair (2017:17) admit, belongs to the ranks of the buzz words.

Bank in Cambodia. It is the country's largest bank, with more than USD 4.5 billion in assets and a loan portfolio approaching USD 3 billion, and a tremendous success for an organisation that started as a microfinance institution.

Contradicting Christensen's observations, we increasingly witness new market disruptions being initiated by large corporations. They usually focus on the most profitable segments of the market although, but at times, they are receptive to poor and forgotten clients. M-Pesa is a case in point. The mobile money service was introduced in Kenya in 2007 by Vodafone's Safaricom, and served in its early days mainly Kenyans without access to a formal bank account. Using a network of agents, subscribers were empowered to send money throughout Kenya for a small fee. Currently, an estimated 30 million Kenyans have subscribed to mobile money services, a market penetration of nearly 90 percent. Eighty percent of that market is dominated by M-Pesa – using some 150,000 agents for transactions with an estimated annual monetary value of USD 12.5 billion. Ergo, in as little as 10 years, mobile money has revolutionised the market for financial transactions in Kenya. Therefore, there is reason to emphasise the role of corporations in engaging in and promoting innovations aimed at serving individuals and communities to (improve their capabilities to) fulfil their basic needs.

E. Scaling

Innovation focuses on transforming the entrepreneurial landscape to design, produce and distribute new products and services that enable people better to fulfil their basic needs. Scaling, on the other hand, is about doing more of what was successful in the past. Former US President, Bill Clinton, once remarked when reviewing school reform initiatives that “[n]early every problem has been solved by someone, somewhere.” Unfortunately, we never manage to replicate the solutions elsewhere. In areas like school reform, but also with regard to many other domestic social or environmental issues, replication may be an appropriate strategy to scale successful innovations. As eminent social entrepreneurship scholar, Gregory Dees, however, observed: “We have learned to create the small exceptions that can change the lives of hundreds. But we have not learned how to make the exceptions the rule to change the lives of millions.”

Without the potential to scale, the benefits of a social innovation will remain limited, according to Seelos and Mair. So, “if you cannot scale, don't innovate”. This is all the more relevant when dealing with issues of poverty, restricted access to products and services fulfilling people's basic needs, and building adequate capabilities. The scaling of positive outcomes of social entrepreneurship is widely discussed in the academic literature. Several strategies have been suggested to increase

“We have learned to create the small exceptions that can change the lives of hundreds. But we have not learned how to make the exceptions the rule to change the lives of millions.”

the spreading of positive outcomes beyond the intervening organisation and the communities it operates in. Most of these strategies take the core-organisation as their starting point and look to expand its reach beyond the organisation’s geographic or product and service range. They provide an *inside-out* perspective on scaling. In an attempt to further collaboration between social enterprises and corporations, impact investor Acumen defined a bottom-up, or *outside-in* approach. Acumen brought together four multinationals and four of its own portfolio companies and enhanced the capabilities of all firms in several ways. Corporations benefitted from the deeply rooted knowledge of small firms about the aspirations, (dis)incentives and daily lives of the poor. Portfolio firms took advantage of the multinationals’ economies of scale and from considerable corporate resources allocated to strategic support. The advantages are clear:

“The multinational may serve as a channel for the social enterprise, with the social enterprise selling products and services to the multinational’s suppliers, distributors, or retailers. Alternatively, the social enterprise may serve as a channel for the multinational, providing on-the-ground presence and services that help the multinational reach that “last mile” to procure from smallholder farmers or sell to low-income consumers effectively. The benefits of such channel partnerships – for both the social enterprise and the multinational – can include increased sales and enhanced quality, quantity, and reliability of supply.”

Sometimes, the mutual benefits of collaboration are so interesting for the corporation and the social enterprise that a takeover of the smaller enterprise become opportune. This was the case for Vital Health Software, a professional healthcare start-up that was acquired by Philips. One of VHS’s product lines allows patients across the world to have access to medical expertise, advice and counselling regarding non-communicable diseases like diabetes, COPD, cancer and Alzheimer’s online and through protected social media applications. In remote areas in China, its ICT applications create access to medical expertise and medical professionals for potentially millions of people. VHS is accountable and engages actively with relevant stakeholders, and, as a result, belongs to the domain of ‘social entrepreneurship’ as defined by this approach. It facilitates positive social change in the medical value chain,

allowing patients to take control over their disease and the communication with remotely operating medical professionals.

E. Financial sustainability

In commenting on the success of Grameenphone, the joint venture between Telenor⁸ and Grameen Bank, former CEO Tormod Hermansen of Telenor remarked:

“On the one hand, we are doing sound business. And you always need to do sound business. On the other hand, we are also contributing to development in a much broader sense – a fantastic opportunity for my company. Good business is good development, and good development is good business.”

Grameenphone started its operations in 1997, being the first to introduce GSM technology to serve mainly women in rural areas. With more than 63 million subscribers, the company is currently the largest telecom provider in Bangladesh. It aims to create public benefits and positive outcomes for customers, workers, the community, in addition to profits for its shareholders. Grameenphone resembles the model of a B Corp, a type of corporation that originated in the USA in 2010. A company's status as a benefit corporation empowers the management board to materially pursue positive social and

environmental outcomes in addition to the financial objectives of the firm. In other words, the interests of shareholders do not *a priori* take priority over those of other stakeholders. Inspired by the growth of the movement in the US, the idea that corporations have a broader responsibility than serving the interest of the shareholders, has soared. Just like Grameenphone, B Corps adopt a ‘blended value’ proposition. They believe that B2C and B2B markets offer opportunities to sell products and services that contain an explicit response to a social or environmental challenge. Failure to combine both social and financial objectives by returning below-market financial results or disappointing social or environmental outcomes, will ultimately impede the opportunities of companies to implement and promote their environmentally or socially driven strategies. Research shows that an increasing number of business organisations target a double bottom line of financial and non-financial returns, and still do financially well. Organisations as Greyston Bakeries and Danish placement agent for autistic ICT specialists, Specialisterne, have turned their “perceived antagonistic assets” into “complementary assets” with additional value for the employees, clients, and the company itself. The company's ambition is to create 1.000.000 jobs for people with autism.

⁸ Telenor is the Norwegian, mostly government-owned, multinational telecommunications company.

Organisations failing to return ‘reasonable’ financial outcomes to their investors, are likely to endanger their growth and, as a result, their success in terms of social and environmental outcomes. They will have decreased access to financial markets and to financial products, leading to higher cost of capital. It is partly for this reason that organisations like the Global Impact Investing Network (GIIN) aim to demonstrate that investments that create positive social and environmental returns also offer market-rate returns to their investors. Because of the short history of impact investments⁹ and the limited size of the market, the evidence is not robust enough to convince mainstream investors to allocate large sums of capital to the impact economy. The good news is, however, that large institutional investors are increasingly convinced that they can, and have to, contribute to sustainable development. More in particular, they openly endorse the Sustainable Development Goals as our world’s to-do list and look at ways to invest in Sustainable Development Investments.

6 | A common global agenda

In the first part of this contribution a reference was made to Amartya Sen and Martha Nussbaum, who provide a foundation for the analysis of social entrepreneurship and its contribution to overcoming the grand challenges of our society and our planet. In the second part, the focus shifted towards three conditions for effective and innovative interventions with the potential for (financial) sustainability. To create the desired change in our current value chains, Sen and Nussbaum suggest a capability approach which argues that social arrangements should aim to expand people’s capabilities. They should allow them to freely chose the lives they want to live. Without, at least, the consent of the beneficiaries, human development remains the dream of the deprived and the fantasy of the fortunate ones. In order for individuals to make choices, this freedom should be effective and allow them to decide for themselves what is valuable and what not. Here, the UN has formulated an agenda for the transformation of our world, consisting of a minimum set of capabilities to support a life of human dignity: the 2030 Agenda for Sustainable Development.

9 According to the Global Impact Investing Network (GIIN), impact investments are “made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return” (see <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>). They have a similar approach to development and the creation of positive social and environmental outcomes as social entrepreneurship has on the side of business.

No one will be left behind.

“On behalf of the peoples we serve, we have adopted a historic decision on a comprehensive, far-reaching and people-centred set of universal and transformative Goals and targets. (...) Recognizing that the dignity of the human person is fundamental, we wish to see the Goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first”.

6.1 The Sustainable Development Goals

The Sustainable Development Goals were adopted unanimously by the Heads of State and Government and High Representatives at the General Assembly of the UN in September 2015. The declaration recognises that “the dignity of the human person is fundamental” and needs to be furthered by a concrete plan of action for people, planet, and prosperity. A particular responsibility is felt for the most vulnerable of all people, including children, youth, persons with disabilities, refugees and the elderly. They need to be empowered. Also, special attention should be given to the most vulnerable countries, like least developed countries or small island developing states. The document expresses a “transformational vision” that comes fairly close to Nussbaum’s capabilities approach:

“We envisage a world free of poverty, hunger, disease and want, where all life can thrive. We envisage a world free of fear and violence. A world with universal literacy. A world with equitable and universal access to quality education at all levels, to health care and social protection, where physical, mental and social well-being are assured.”

The vision has been translated into 17 goals that need to be implemented in the year 2030.

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

The vision, operationalised in the SDGs, points to an 'overlapping consensus'. This consensus provides a justification for governments, multilaterals, non-governmental organisation, businesses, investors, and individuals to (improve the capabilities of humans and their institutions to) further a just

and decent society. Referring to the role of the private sector the UN asserts:

Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro-enterprises to cooperatives to multinationals. We call upon all businesses to apply their creativity and innovation to solving sustainable development challenges.

The justification for individual and collective action by non-state actors to fulfil basic human needs, does not come from individual entitlements or claims on these non-state actors or from a moral obligation of these actors. The UN merely calls upon non-state actors, and more in particular on the private sector, because they have the *opportunity to contribute to human development*. It is *not an imperative* for businesses – both small and large – and investors to implement the goals, but it certainly is commendable when they use their resources to further human capabilities and a future in human dignity for all. It is here that we find a compelling argument for companies and investors to develop new strategies incorporating the notion of 'social entrepreneurship'. Not because they must, but simply

Businesses and investors belong to the realm of opportunity.

because they can. Businesses and investors belong to the realm of *opportunity*¹⁰. They can create innovative solutions in developing, producing and distributing goods and services that help to fulfil the basic needs of individuals and communities. The enormous corporate and investor support for the SDG agenda gives an indication that the private sector is open to creating opportunities for development – including initiatives in social entrepreneurship and impact investing.

6.2 The 18th SDG

The SDGs provide a pretty comprehensive overview of the basic needs in our current and future society. Compared to Martha Nussbaum's list of capabilities, the SDGs and the sub-goals provide a relevant operationalisation of the capabilities.

They address the ability to live a human life of normal length in good health, with adequate nourishment and ditto shelter. Also, the goals stress the importance of peace and security and to live in harmony with nature, in which wildlife and other living species are protected. Property ownership and the achievement of full employment are seen as important elements for living a life in dignity, just as increasing access to education.

If these goals are implemented successfully, they contribute, one may infer, to improving Nussbaum's capabilities of practical reason. Interestingly enough, though, the SDGs do not aim to improve the capabilities to access information and communication or effectively influence decisions that matter to individuals and communities. In other words, the goals do not target effective participation in relevant decision-making and political control over one's life. This leads me to formulate the 18th Sustainable Development Goal:

¹⁰ The justification of a basic needs or capabilities approach for social entrepreneurship does not rest in (moral) obligation, but in (moral) opportunity. That is, actions aimed at fulfilling basic needs do not merit blame when they are not enacted, though they do merit praise when they are completed. The idea of (moral) opportunity seems fitting for and aligned with the notion of 'entrepreneurship', defined as 'opportunities to create future goods and services are discovered, evaluated, and exploited'.

Promote and strengthen the capabilities of individuals and the communities in which they live to actively participate in and effectively influence policies, practices and activities that are part of the global sustainability agenda – as expressed in the Sustainable Development Goals.

The 18th SDG goes beyond the global partnerships that are mentioned in number seventeen. It acknowledges the fundamental importance of including the intended beneficiaries in policy-making and implementation of policies aimed at furthering their interests and fulfilling their essential needs. This objective can be promoted by:

- 1) Acknowledgment of the role of intended beneficiaries in assessing policies, practices and actions of governments, corporations and civil society organisations aimed at promoting their interests,
- 2) Direct access to an advice mechanism allowing the intended beneficiaries to be consulted, and

- 3) Direct access to a complaints mechanism for intended beneficiaries or their representatives to file a complaint regarding the policies, practices and activities aiming at implementing the goals.

In line with the capability approach of Sen and Nussbaum the litmus test of sustainable development lies in the real opportunities of the beneficiaries to freely make choices about the future they value or have reason to value. Do beneficiaries positively receive and review the policies, practices and activities aimed at creating a more just and sustainable world? The relevance of the 18th SDG for social entrepreneurship lies in the perception, recognition and acknowledgement by the beneficiaries – or their representatives – of the extent to which initiatives aimed at their well-being, succeed in achieving their premeditated purpose. The core question is how any initiative can add social or environmental value, if not through the acknowledgement by the beneficiaries that their capabilities to acquire basic goods and services are improved? Involving the beneficiaries in assessing the value of initiatives aimed ensuring healthy lives (SDG 3), inclusive and equitable quality education (SDG 4) and gender equality (SDG 5), is relatively easy to organise. Organising direct beneficiary feedback regarding sustainable consumption and production (SDG 12), combatting climate change (SDG 13), or conserving the oceans (SDG 14), is much more difficult. Here representatives of the

interests of communities or our global society – like academics, civil society organisations, multilateral organisations, or the free press – have to step in.

6.3 Evaluating human development

The capability approach, expressed in the 18th SDG, can play two major roles: a prospective role and an evaluative role. The prospective role refers to “policies, activities, courses of action and recommendations that seem, at any given time, most likely to generate considerable capability expansion and human development”. The evaluative role assesses the extent of freedom people have to promote and actively pursue the life they value or have reason to value. Both roles are briefly explained below.

Prospective capability development

As Marx indicated in his *Theses on Feuerbach*, the point is to change the world and to change it fundamentally. Social entrepreneurship can play a role in that transformation, as the examples in this contribution have shown. The social entrepreneurship screen that was presented in this contribution, can be helpful to determine the progress they

are making in furthering human development. Starting from an idea how to create societal value or help to solve a societal problem, businesses develop an intervention logic.

This prospective approach is fundamentally forward-looking and helps to guide businesses – either independently or in collaboration with other businesses, governments, and civil society organisations – to navigate towards an unknown future.

Take the case of M-Kopa. The Kenyan solar energy company aims at connecting millions of East Africans to solar energy solutions. According to World Bank data, less than 13 percent of Kenyans living in rural areas was able to access electricity in 2014. Based on a rather generic mission statement “to upgrade lives by making high-quality solutions affordable to everyone”, the company started providing off-grid solar energy solutions in Kenya in June 2012. Ever since, M-Kopa has been successful in connecting hundreds of thousands of East-Africans to off-grid solar energy solutions.

Evaluative capability assessment

Based on its implicit impact-creation logic¹¹, the company

11 There is no public record of M-Kopa’s impact-creation logic, although some of the elements of such logic can be inferred from what is available. The company aims at serving customers in Africa – at the moment limiting itself to Kenya, Tanzania and Uganda – to provide them with access to off-grid solar energy and to radio and/or television.

presents its results on the company's website in what it calls an 'impact report'.

M-Kopa's output report

1. M-Kopa connects over 600,000 homes to affordable solar energy¹²
2. Customers save US \$300M in fossil fuel expenses
3. Customers enjoy 50,000,000 hours of fume-free lighting per month
4. As a result of M-Kopa's solar energy delivery, the emission of CO₂ was reduced by 380,000 tonnes
5. M-Kopa created 2500 jobs in East-Africa

The report demonstrates that M-Kopa contributes to the reduction of CO₂ emissions, thereby reducing the pressure on our climate. The company is innovative, financially sustainable and scales rapidly with an expected annual growth rate of 20 percent. Also, M-Kopa provides evidence that the innovation has meaning for the intended beneficiaries. In a range of videos customers give feedback on their access to clean energy in terms of increased autonomy, access to new services, or improving their internal climate at home. It leads to the following inferred social entrepreneurship screen.

¹² The company reports to add 500 new connections per day.

Social Entrepreneurship Screen M-Kopa

Determining Socialness

B Demonstration outcomes

A Capability development

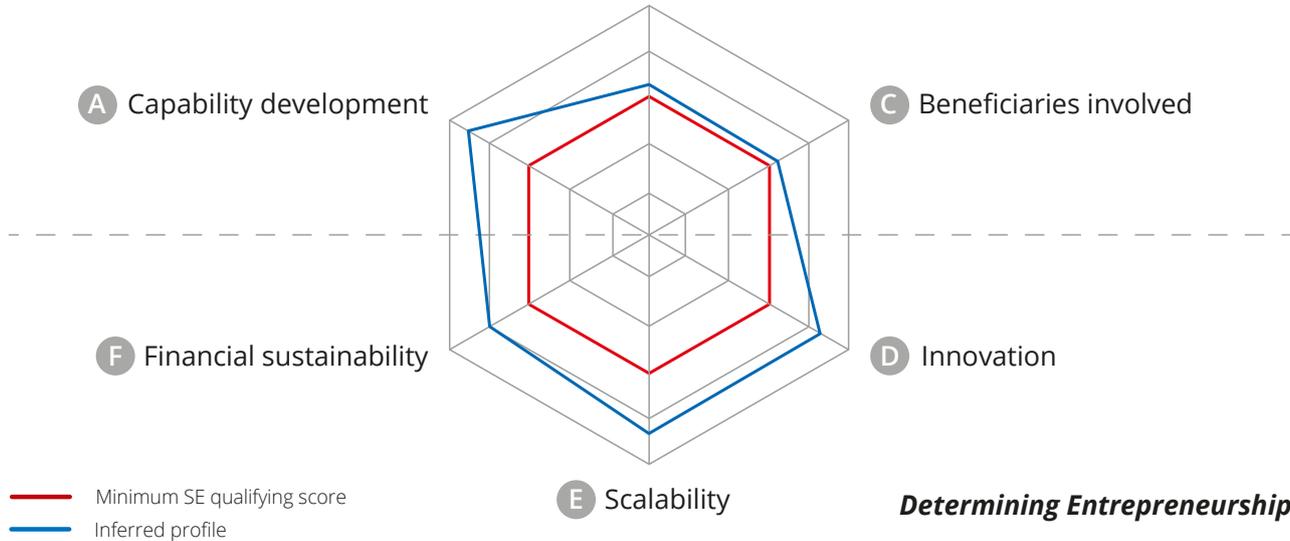
C Beneficiaries involved

F Financial sustainability

D Innovation

E Scalability

Determining Entrepreneurship



From a social entrepreneurship perspective, the value of M-Kopa's products, services and activities lies in the improvement of the capabilities of their clients and employees to further a 'rich human life'. Some outputs give a clear indication of the company's contribution to the implementation of the SDGs. Reduced carbon emissions are a case in point. Despite M-Kopa's modest reduction against the background of the global climate change challenge, the company does contribute to sub-goal 13.1: "Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries". Positive effects on the capabilities of clients and employees can only be inferred. An indication is provided by a video on working at M-Kopa. It starts with the Swahili word 'Maendeleo'. This is best translated as 'progress', 'development', and 'improvement'. Due to M-Kopa's efforts, 600,000 East-Africans have gained access to solar energy. The number is impressive but does not prove that consumers have increased their set of capabilities. At best, the output indicators are a mere proxy for the positive contribution to human development. What should be measured is the extent to which the beneficiaries welcome the goods, services and activities and if the offerings improve human flourishing and control over their lives. M-Kopa attempts to provide such evidence through the use of videos in which consumers provide feedback on the effects of having access to M-Kopa's products and services.

It is not only the amount of money that determines whether someone is poor or not, but also the conditions under which people have to live.

This reversed logic of capability evaluation, which starts at the backend of what is ultimately the objective of socially entrepreneurial interventions in terms of human development and a life in human dignity, therefore, calls for a different approach to the demonstration of outcomes. We need to ask companies and investors – but also governments, multilaterals and civil society organisations – to provide evidence on their contribution to improve the capabilities of individuals and communities. An example of this reversed logic is provided by Collins, et al., in their book *Portfolios of the Poor*. In their study of over 250 poor households in India, Bangladesh and South-Africa, the authors researched the ways in which the families managed small, irregular, and unpredictable flows of income. They found that poor people in the respective countries used at least eight different financial instruments to manage their income, provisions and liabilities with great creativity. It supports Sen's argument that it is not only the amount of

money that determines whether someone is poor or not, but also the conditions under which people have to live. The book provides an excellent example of an evidence-based approach that shows that the litmus test of radical innovations of value chains to solve social and environmental challenges of our society does not (only) lie in access to goods and services. It is found in the capabilities of humans to live a life worth living in harmony with nature and with the other forces in our global society¹³.

- 13 Having said that, the telling examples provided by Collins, et al., clearly demonstrate the need for the implementation of the SDGs. The fact that humans are very creative in times of great need and deprivation, should not lead us astray and leave the poor behind, struggling with their portfolios of small, irregular and unpredictable income flows. Particularly in case of an accident or an unexpected expenditure, the capability of the poor to cope with misfortune is easily exhausted.

7 | Social entrepreneurship — a research agenda

In this contribution, I have provided an account of social entrepreneurship based on six dimensions. They all have to be met in order to speak of 'social entrepreneurship' from the perspective of this chair and guided by the assignment that I have accepted to study and teach:

“social entrepreneurship in general, with an initial focus on radical innovations of value chains to improve the social and ecological aspects of production”.

It calls for collaboration between scaling entrepreneurial initiatives, larger businesses – or networks of businesses – and other relevant stakeholders, to deal with the grand challenges of our times and our future. Based on the outline presented today, the research efforts of this chair will be directed to, inter alia, the following topics:

1. The practice of social entrepreneurship

This stream calls for, i.e., case-study research to analyse an enterprise's 'social' character. Deep dives on Tony's Chocolonely, Greyston Bakeries, Philips, DSM or Unilever, to mention a few, on how they improve the capabilities of their target groups, are relevant. Surveys and research on secondary data

provide additional avenues to highlight what companies do to develop these capabilities. By analysing the characteristics and predispositions of organisations – and the actual results of their activities – we contribute to further insights in improving human development and the achievement of social and environmental change in value chains.

2. An adequate and sufficient approach to the demonstration of outcomes

It is important to create clarity about what constitutes qualifying accounts of the outcomes of social entrepreneurial initiatives, as well as the role of the beneficiaries in deciding on the success of the intervention. It is not likely that current, output-driven demonstrations suffice to be convincing.

3. The boundaries of 'socialness'

Is it possible to provide more detail on the location of the 'red line' that demarcates companies who belong to the domain of social entrepreneurship and those that do not?

4. The inter-relations between the two parts of the hexagon

It is worthwhile studying the interaction between the upper and lower part of the social entrepreneurship screen. To what extent does the promotion of the capabilities, its demonstration and involvement of the beneficiaries, influence the opportunities for innovation, scale and financial

sustainability – and vice versa? Ex ante research – i.e. before investments are made – into the opportunities and barriers of innovative, scalable and successful business ventures, is important.

5. Potential market disruptors.

Systematic comparison of bottom-up and top-down social and environmental ‘new market disruptions’ can help to increase our understanding of the role social entrepreneurship can play in creating the desired change. Furthermore, insight is needed in the sometimes dialectic processes of influencing market behaviour of new entrants and incumbents aimed at creating positive societal outcomes.

6. The potential for financial sustainability of (collaborating) business organisations activities

Particular attention will be given to the mind-set of large corporations and investors, to enhance the adoption of social entrepreneurship as an alternative that supports simultaneous human development and fiduciary responsibility. Often, the worlds of social entrepreneurship and impact investing – let alone those of mainstream business and finance – are not in tune. The Acumen project showed that it is possible to align interests if potential partners are able to define common goals, have shared interests and bring additional resources to the table.

7. The reversed logic of capability evaluation.

This contribution calls for further research to the improvement of the capabilities of individuals and communities to fulfil their basic needs and the actual fulfilment of those needs. It requires all actors who claim to create opportunities for improved access to basic goods and services and achievement of the SDGs are obliged to demonstrate that their efforts contribute to reinforcing human dignity. A core assertion in this contribution is that such demonstration can never be convincing without the beneficiaries consenting to the intervention, the resulting outputs, and their positive contribution to developing their capabilities.

This latter assertion is expressed in the 18th Sustainable Development Goal that aims at providing the intended beneficiaries of positive social and environmental change to voice their ideas, appreciation, and concerns about interventions aimed at raising their human dignity:

Promote and strengthen the capabilities of individuals and the communities in which they live to actively participate in and effectively influence policies, practices and activities that are part of the global sustainability agenda – as expressed in the Sustainable Development Goals.

8 | A word of gratitude

Approaching the end of this inaugural address I would like to express my gratitude to a few people to whom I am highly indebted. As you can see by my gown, it is not the first time that I give an inaugural address. Actually it is my third. That remarkably shortens the list of people I want to thank today.

First, I would like to thank Utrecht University and the University's School of Economics in particular – and more in particular the board of the Faculty of Law, Economics and Governance, represented here by the Dean, professor Janneke Plantenga. It is clearly a gamble to appoint a philosopher as your professor of social entrepreneurship. That can lead to quite a bit of disruption. But maybe you were looking for that anyway. I look forward to working with so many inspiring colleagues including, but certainly not limited, to my colleagues in the field of entrepreneurship, the social entrepreneurship hub and UGlobe. Six people I would like to mention in particular: Erik Stam, Niels Bosma, Margot Leger, Milande Busquet, Rebecca van Musscher and Christiaan Glerum. It is a real pleasure working with you and I look forward to our continued collaboration.

Second, I would like to thank the foundation that enables my work and that of my PhD students. This foundation is funded by, inter alia, Tony's Chocolonely, Tony's Chocolonely Foundation, ABN AMRO and Van Doorne. Thank you very much for the opportunity you provide Utrecht University's Social Entrepreneurship Initiative to study and develop the field of social entrepreneurship – together with many inspiring partners, of which I like to mention in particular B Lab Europe, Society Impact, Social Impact Factory, and Social Enterprise NL.

Third, I'd like to express my gratitude to all those working in the practice of social entrepreneurship, with whom I have had and still have the pleasure to cooperate. In the mid 1990s, I was part of the first movement of social ventures pursuing a triple bottom line – before that term was even coined – and of the academic community studying this development. Today, some of them are still around and I specifically want to pay tribute to Frank van Beuningen, Marcello Palazzi, Peter Blom, Leen Zevenbergen, Jan-Willem Nieuwenhuis, Freek ten Broeke, Edgar Karssing, and, of course, my dear friend Theo Brouwers. It is because of your tenacity, that our world keeps on being reminded that wealth and well-being exceed the realm of making and unevenly distributing money.

Four, I like to thank the students with whom I worked so far for their critical attitudes – not only vis-à-vis our material world, but also in the challenges they pose to us as professors and mentors. I would encourage you to even step up your efforts, while not forgetting to look in the mirror as well. Fantastic research by Harvard professor Joe Badaracco, demonstrated that many of you tend to lose your critical view on the world around us once you become incorporated in the world of business and government.

Five, and this is the only recurring one, I would like to express my immense gratitude to my wife, Riny Voort, and our twin-daughters, Hazel Hester and Merel Marlies. They are the greatest joy and inspiration in my life. My dears, it wasn't for your enduring patience and never ending support, I probably would not have given this address today.

Finally, I am indebted to Karl Marx and all those great philosophers, helping us to understand our real world better to create a better real world.

Rector Magnificus, ladies and gentlemen,

I started this inaugural address by telling you that today is a great day. I have been able to share my thoughts with you regarding social entrepreneurship as an exciting field of academic study, a discipline that can be taught to interested students, and a field of practice that can benefit from our research – and from which we can benefit in improving our understanding of the real world.

It is also a great day, because it is the first day that Le Souk d'Orient is in business and provides young refugees with an opportunity to develop their capabilities and become part of our society. As it currently stands, Le Souk is still in its infancies and does not meet any of the criteria that constitute the realm of social entrepreneurship aimed at alleviating the grand challenges our present and future society face. Just like Le Souk, many organisations will not meet all six criteria and will, therefore, not be at the heart of the studies of this chair. That does not make them less relevant or valuable for the beneficiaries or for society. Hiring Syrian chefs might seem social, and maybe it is social, but first and foremost it is quite savvy for a restaurant that offers great Mezze, and other delicious food from the Levant. The refugees we work with are victims of a horrible war. They are displaced, have gone through terrible moments, and often witnessed atrocities.

That does not incapacitate them, however, to live a full human life. Their coming from abroad does not disqualify them to act as trained chefs and to share their culture and delicious food. On the contrary. They are an asset for our restaurant and for society – rather than a liability. It is for us to see the opportunities and make them happen. It is for them to assess whether our intentions lead to desirable results. Without the consent of the beneficiaries, human development remains the dream of the deprived and the fantasy of the fortunate.

I have spoken!

Utrecht, 1 March 2018

Harry Hummels

About the author

Prof. dr. Harry Hummels

Harry Hummels holds a chair in Social Entrepreneurship at Utrecht University School of Economics and one in Ethics, Organisations, and Society at Maastricht University. In addition, Harry is a Special Advisor of the United Nations Office of Project Services (UNOPS) on Impact Investing. He serves on the UNDP/UNSIF Research Council on Sustainable Development Investments, and on the board of Society Impact in the Netherlands. Also, he is one of the initiators of Le Souk d'Orient, and member of the advisory board of B Lab Europe. Between 1999 and 2015 Harry held a variety of functions in the financial world including, but not restricted to, Director at ING Bank and SNS Asset Management/ACTIAM in Responsible Investing and Impact Investing and European Liaison of the Global Impact Investing Network (GIIN).

Harry published on Impact Investing, Social Entrepreneurship, Responsible Investing, Corporate Responsibility, Business and Organizational Ethics and Philosophy of Work, while also publishing two cookbooks. Not surprisingly, he loves cooking, traveling with his wife and daughters, reading, and workouts – but doesn't overdo the latter. His favourite café is Frowijn in his hometown Nijmegen.

