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# Social Entrepreneurship in Healthcare

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### Summary

- Social entrepreneurship seeks to address targeted problems that may not attract traditional private capital.
- It leverages concepts employed in traditional entrepreneurship.
- The five core steps include: define the scope of the venture, attend to the sociopolitics, emphasize discovery-driven planning, plan disengagement, and attempt to anticipate unintended consequences.
- These steps can be applied to create radically new and profitable markets that help improve the lives of others.

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Topic Relevance by Timeline

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## Introduction

Social entrepreneurship is a way to identify and bring about potentially transformative social, cultural, or environmental change by leveraging concepts employed in traditional entrepreneurship. Social ventures can address problems that are too narrow in scope to spark legislative activism or to attract private capital. They may rely on a hybrid of government intervention and pure business entrepreneurship. Social entrepreneurs blend the humanitarian goals of social ventures with the proven financial and management techniques of traditional entrepreneurs. While traditional entrepreneurs typically measure performance using business metrics—such as profit, revenues, and increases in stock prices—social entrepreneurs focus on additional measures that often emphasize a positive impact on society and sustainability. To succeed, these ventures must adhere to both social goals and reasonable financial parameters. Typically, the aim is to benefit a specific group of people, sustainably transforming their lives by altering a prevailing

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socioeconomic equilibrium that works to their disadvantage. Sometimes, the benefit may be extended to a broader group once the project has provided proof of concept. But more often the benefit's target is an economically disadvantaged or marginalized segment of society that does not have the means to transform its social or economic prospects without support (Osberg and Martin).

# A Framework for Social Entrepreneurship

Entrepreneurs can play a central role in finding the solutions for difficult problems in healthcare, driving economic growth, and helping individuals through a variety of settings. Entrepreneurs and others who want to launch healthcare businesses with a social focus need to systematically test each of the assumptions underpinning their preliminary models against a series of checkpoints and be prepared to change based on the knowledge gained. Researchers at the University of Pennsylvania, through the Wharton Societal Wealth Program (WSWP), developed a helpful framework for building successful businesses in uncertain markets (MacMillan and Thompson). As part of their research in the WSWP—a nine-year-old field research program at the University of Pennsylvania's Wharton School of Business intended to examine the use of business models to develop projects that attack societal problems—the research team worked with ten groups of local entrepreneurs trying to launch ventures in the United States and several African countries. The insights from their fieldwork have been distilled into the following guidelines for creating new business models in emerging or other highly uncertain markets. These core concepts, while initially developed to tackle societal problems, are highly relevant for societal problems with a healthcare focus as well.

### *1. Define the Scope of the Venture*

First, concretely outline the disqualifying conditions, meaning the factors that would preclude the venture's launch. These might include an inability to scale operations, an environment in which corruption is rampant and cannot be circumvented, situations in which the necessary equipment is of poor quality and is difficult to operate and repair, and a lack or shortage of suitable talent. Second, define the minimum number of people the venture should serve and the minimum level of profitability it should attain. Third, after a thorough review of the economic, national, and cultural contexts in which the venture will operate, draw up the business's rules of engagement. These might include tenets such as "no sales on credit," "no transgressions of home or host country laws," or "absolutely no payments of bribes." All three filters will help one allocate scarce resources only to ventures that satisfy minimally acceptable outcomes.

### *2. Attend to the Sociopolitics*

Before launching the venture, one must develop a detailed understanding of important stakeholders, their roles, and the resources they can provide. Identify the beneficiaries, specifically the individuals or groups who stand to gain from the venture but might be initially skeptical of it (see the chapter "Forming and Maintaining Meaningful Partnerships Between Academic Scientists and

Corporations”). Next, identify potential allies, those most likely to support the project. Then, identify the indifferent or ambivalent groups, those unlikely to care much about the project but whose support may be critical. And, finally, make sure to understand the meaningful opponents, those who will be adversely affected by the success of the project and have the ability and means to obstruct it. With this information, one has a better understanding of how best to mobilize supporters and neutralize opponents.

### *3. Emphasize Discovery-Driven Planning*

Social entrepreneurs need to understand the constantly evolving nature of their projects. One should start with a clearly hypothesized model for the venture, launch it at the lowest possible cost, and use the business data that emerge to continuously update one’s assumptions, systematically learning toward the eventual solution.

The entrepreneur should start by specifying both the unit of business and the unit of benefit. The unit of business is the transaction unit for which the customer pays. For example, a sack of grain, an hour of service, or a load of materials hauled. The unit of benefit is the metric by which societal impact will be measured. For example, a daily protein serving, a patient treated, or a person able to read a book explaining their medical condition. There may be few precedents on which to base the assumptions about those factors, but developing and specifying initial assumptions will help one articulate the business and revenue models.

Next, anticipate the challenges of growth. One of the biggest obstacles to scaling up ventures in emerging economies, for instance, is the shortage of management talent and expertise. It is difficult to attract experienced employees and partners (or even high-potential candidates for education and training) to an uncertain venture (see the chapter “Careers in Academia and Industry: Transitions and Challenges”). This limitation alone can seriously undermine aggressive growth plans.

A helpful approach in planning and problem-solving is to view each individual problem as a series of discovery, definition, and validation. The researcher gains insights through contextual inquiry. They then identify the problem to solve and the metric to shift. Next, explore multiple directions that reveal the attributes of an effective solution. And, then, finally, run a series of rapid, low-cost experiments to test solutions before scaling these solutions for further growth.

### *4. Plan Disengagement*

There is more than just financial capital at stake in societal-wealth-generating initiatives. Individual lives can also be directly impacted by the work of the social healthcare entrepreneurs. Before one starts a new venture, one must plan how to disengage with a minimal footprint. How could someone exit in an acceptable manner or pass the project on to another partner? Even if the company fails, are there other benefits that may be accrued by the target population, such as improved financial or health literacy? These are particularly important considerations in healthcare, since ending a venture could lead to the removal of healthcare services.

*5. Try to Anticipate Unintended Consequences*
It is important to recognize that societal interventions in emerging markets or targeting vulnerable populations can create unintended effects, both negative and positive. For instance, when various nongovernmental organizations (NGOs) and governments encouraged intensive growth in shrimp farming in order to bolster local economies and create new export markets, mangrove forests in parts of Thailand and China were decimated.

# Social Impact Bonds

Financing is often cited as one of the most important pieces of social entrepreneurship. Results-based financing (RBF) arrangements, in which governments or donors pay service providers contingent on outputs or outcomes, are one of the fastest-growing types of innovative financing (see the chapter "Seeking Venture Capital Investment"). Social impact bonds (SIBs) and related development impact bonds (DIBs) combine RBF and impact investing (investing that seeks both a social and a financial return) (Gustafsson-Wright and Gardiner).

In an impact bond, an outcome funder (a government in the case of SIBs, and a third party such as a donor agency or foundation in the case of DIBs) repays private investors with a return based upon the achievement of agreed-upon outcomes. The first of these types of bonds was established in 2010; data analysis and program evaluation are still preliminary.

Impact bonds require the measurement of outcomes and create an incentive for the service provider to deliver results. Both aspects encourage the service provider to improve performance management and, ultimately, the quality of the service. Because governments or donors only pay if results are achieved, funding is not wasted on unsuccessful programs. The guarantee of value can encourage governments or donors to explore new, potentially high-impact interventions, instead of continuing to fund low-impact programs.

While social impact bonds have significant potential, there are limitations and challenges. There are four issues to assess before considering a social impact bond–based approach:

1. The ability of the funder to pay for outcomes rather than inputs.

2. Sufficient evidence that a given intervention and service provider will be able to deliver a stated outcome for an investor to take the risk of engaging.

3. Meaningful outcomes that can be measured within a time frame suitable to both the investors and the outcome funders.

4. The ability of the key stakeholders to collaborate with one another.

Impact bonds serve an important role in financing mid-scale interventions with some evidence of effectiveness. While they may not be best suited to large-scale financing of social services, they have the potential to affect large-scale systematic shifts in how governments and service providers think about service provision because they build cultures of monitoring and evaluation, encourage investments in prevention, and incentivize collaboration, all of which are essential to achieving the social innovation and entrepreneurship.

# Conclusion

Pursuing a social venture in the healthcare space while being constrained by the requirement of financial sustainability is difficult. The five steps detailed in the framework above—define the scope of the venture, attend to the sociopolitics, emphasize discovery-driven planning, plan disengagement, and attempt to anticipate unintended consequences—can be applied to create radically new and profitable markets that help improve the lives of others. Social impact bonds offer potential opportunities for funding, especially in areas where service providers need flexibility and where risk factors discourage direct funding but are minor enough to attract impact investors. The discipline engendered by these guidelines will ensure that social entrepreneurs—who are tackling problems often too difficult for governments or businesses to tackle independently—maximize limited resources in pursuit of socially minded healthcare startups.

# Acknowledgments

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# Resources

1. *The Social Entrepreneur's Playbook*
    a. This book by MacMillan and Thompson provides more information on the framework described here to increase the likelihood of a successful social enterprise launch in the face of the high-uncertainty conditions typically encountered by social entrepreneurs.
    b. https://wdp.wharton.upenn.edu/book/the-social-entrepreneurs-playbook-2/.
2. Social Enterprise
    a. Ongoing series from the *Harvard Business Review* on the topic of social entrepreneurship.
    b. https://hbr.org/topic/social-enterprise.
3. "How Social Entrepreneurs Make Change Happen"
    a. A *Harvard Business Review* article by Martin and Osberg summarizes an *HBR* book that describes how social entrepreneurs target systems that exist in a stable

but unjust equilibrium and transform them into entirely new, superior, and sustainable equilibria. The authors then set out a framework for understanding how successful social entrepreneurs actually go about producing transformative change. There are four key stages: understanding the world, envisioning a new future, building a model for change, and scaling the solution.
    b. https://hbr.org/2015/10/how-social-entrepreneurs-make-change-happen.

4. "Scaling Up Social Enterprise Innovations: Approaches and Lessons"
    a. An article by Agapitova and Linn that presents a general approach to scaling up development interventions, considers approaches for the scaling up of social enterprise innovations, and provides a summary of the main conclusions and lessons from experience.
    b. https://www.brookings.edu/research/scaling-up-social-enterprise-innovations-approaches-and-lessons/.
5. *The Power of Social Innovation: How Civic Entrepreneurs Ignite Community Networks*
    a. A book by Goldsmith is described as the bible of social innovation, full of examples of social entrepreneurs' successes. It sets out both the potential of the partnership approach and the huge difficulties one will have to overcome.
    b. https://ash.harvard.edu/links/power-social-innovation-how-civic-entrepreneurs-ignite-community-networks-good.
6. Impact Bonds Project
    a. From the Brooking Institute, a repository and analysis of the potential of social and development impact bonds to address a wide range of intractable social challenges in high-, middle-, and low-income countries. The research also includes a particular focus on the achievement of early childhood development and education outcomes in the developing country context.
    b. https://www.brookings.edu/series/impact-bonds/.

# References

Gustafsson-Wright, Emily, and Sophie Gardiner. "What Role Do Impact Bonds Have in the Achievement of the Global Goals?" *Brookings*, Brookings, 13 July 2016, https://www.brookings.edu/blog/future-development/2016/07/13/what-role-do-impact-bonds-have-in-the-achievement-of-the-global-goals/.

MacMillan, Ian C., and James D. Thompson. "The Social Entrepreneur's Playbook, Expanded Edition Pressure Test: Plan, Launch and Scale Your Social Enterprise." Wharton Digital Press, 2013, https://wdp.wharton.upenn.edu/book/the-social-entrepreneurs-playbook-2/.

Osberg, Sally R., and Roger L. Martin. "Two Keys to Sustainable Social Enterprise." *Harvard Business Review*, 1 May 2015, https://hbr.org/2015/05/two-keys-to-sustainable-social-enterprise.

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