

Chapter 1

The Social Ecosystem

Transitions within the Ecosystem of Change

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The ecosystem paradigm provides a framework for understanding and influencing the forces of change facing the nonprofit sector.

At the core of the social ecosystem are the social purpose organizations and individuals who are helping their beneficiaries, and the capacity builders who seek to help the helpers. Around them are the individuals and corporations in the community, the media, and the government (including its role as regulator) who collectively provide the resources, support, and scrutiny to ensure that the core players function as intended.

Four key enablers of change—culture, leadership, technology, and finance—have resulted in three broad macro-trends in the social sector: the rise of global civil society and its attendant issues; the acceleration of social change through innovation; and the fusion of ideas, models, and practices of the social and enterprise sectors.

We live in an age of transition.

The big transition, which has been playing out for decades, has been the move to a global knowledge economy. Momentous events have rippled alongside this shift: the fall of communism, the rise of capitalism, and the growth of civil society. In turn, smaller transitions such as changes in a currency's value and society's values may be felt more immediately in our daily lives. Yet, in many ways, all these smaller waves of change are really part of the larger ones.

To place these transitions in context, it is useful to have a framework to anchor ourselves, to be able to understand the forces of change, and to determine how we can respond to them.

One such useful framework is derived from biology. Framed by the study of living organisms, the term "ecosystem" describes a self-sustaining community of interdependent organisms interacting with one another in their local environment. The beauty of the ecosystem paradigm is the way it applies systems thinking to a complex environment.

For our purposes, an ecosystem is defined as a system whose members benefit from one another's participation via symbiotic relationships. And just as systems can comprise subsystems, an ecosystem can comprise sub-ecosystems that interact with, and benefit, each other. Thus, the ecosystem of a country is composed of three interdependent sub-ecosystems: the enterprise ecosystem (the private sector), the state ecosystem (the public sector), and the social ecosystem (the people sector).

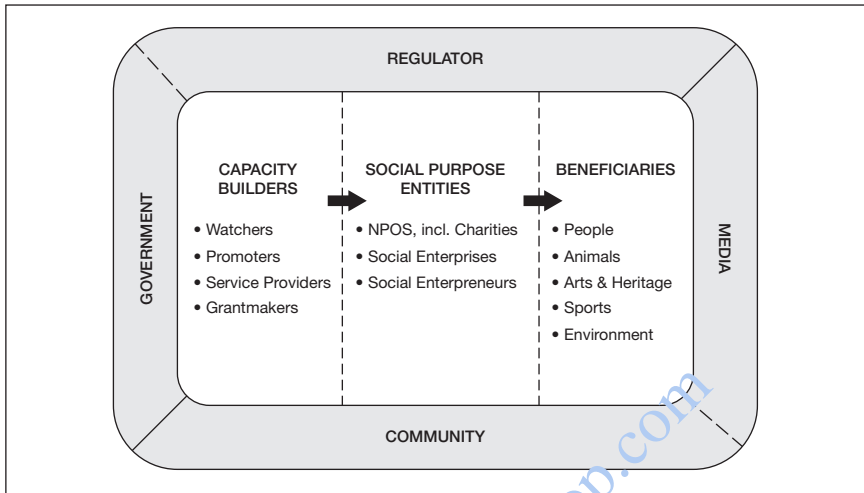
In a sense, the social ecosystem plays a unique role relative to the other two: Its function is to fill the gaps and pick up the pieces left behind through the misdeeds, negligence, or oversight of the state and enterprise ecosystems. It is, indeed, the ecosystem of change—change to a better society and change for a better world.

The Social Ecosystem

By applying an ecosystem approach to the social sector—the subject of this book—we obtain a holistic and integrated perspective about how the different players can and should interact with one another to create a more effective sector (and, *ipso facto*, a better world).

A picture of what the social ecosystem and its players might look like is shown in Figure 1.1.

Figure 1.1 The Social Ecosystem Framework



At the core of the social ecosystem are the social purpose entities that seek to positively impact their beneficiaries, and the capacity builders that facilitate the missions of these social purpose entities. Around them are the community (individuals and corporations), media, and government (including one of its distinctive roles as the regulator) who collectively provide the resources, support, and scrutiny to ensure that the core players function as intended.

A description of the nature, key issues, and major trends for each group of players follows in the ensuing subsections:¹

- Beneficiaries
- Social purpose entities
- Capacity builders
- Community
- Media
- Government
- Regulator.

Beneficiaries

Beneficiaries and their causes are the *raison d'être* for the existence of civil society. However, we sometimes lose sight of this vital group because they have the least voice.

We would expect social causes to be specific to geography and time. Yet, at a high level, there is a great deal of commonality in unmet social needs across the globe. The basic needs of food, water, and health have existed since time immemorial, and are today, much related to poverty and the developing world. Economic progress, however, has brought with it other social issues, chiefly human displacements (refugees and migrant workers), environmental challenges (climate change and natural disasters), and developed society issues (income disparities, aging population, mental health, and breakdown of the family structure).²

Unfortunately, the resources that are allocated to social causes may not necessarily be proportionate to the actual needs. Many factors influence this allocation, but a significant consideration is whether the cause officially counts as a “charitable cause” whereby tax benefits accrue to the nonprofit organization and the donor.

There is a surprising disconnect between what different people see as constituting a “charity” and its beneficiaries. If you ask the man in the street, the common response you will get is that charity is simply about helping the poor and the needy of society. Implicit in this answer is the notion that charity is about redressing the gap between the rich and the poor.

However, the legal definition of charity in most jurisdictions is usually much broader than that. Often, the scope of what legally constitutes charity extends beyond the poor and the disadvantaged to cover the general community good—sports, the arts, the environment, heritage, and even animals.

While there may be nothing wrong with this broadened definition in itself, the result is that when the same support mechanisms (tax breaks, community mobilization, etc.) are made available generally for the community good, then the preferential option for the poor is diluted and sometimes lost. Also, the level of accountability to which some of these “community causes” may otherwise have had to adhere is usually more relaxed for charitable projects than for commercial or public sector projects.³

Social Purpose Entities

At the very heart of the social sector are the social purpose organizations and socially motivated individuals who seek to make a difference to society.

Social purpose organizations have gone by different labels depending upon the country and how they have evolved in those locations. The most common acronyms are “NPOs” (nonprofit organizations), “NGOs”

(nongovernment organizations), and “CSOs” (civil society organizations). The terms are often used interchangeably, although there are nuanced differences among them. The term “NPO” connotes that an organization is fundamentally nonprofit in nature, while “NGO” and “CSO” emphasize that the organization has no participation or representation by the government. In many countries, NPOs can be funded and directed by the government.⁴

A large number of NPOs qualify as “charities.” In most jurisdictions, a charity is legally defined by either income tax law or charity law. In Commonwealth countries, an organization becomes a registered charity under a Charities Act or equivalent legislation. In the United States, a charitable organization needs to satisfy section 501(c)(3) of the Internal Revenue Code; they are often simply referred to as nonprofits or 501c3 organizations.⁵ Apart from the beneficial image of having charity status, being a charity carries with it attendant tax benefits: usually, its income is tax exempt and donations to it are tax deductible for the donors.⁶

While most social purpose organizations are nonprofit in nature, a new form of hybrid social–business organization has emerged to bridge the social and enterprise world. These “social enterprises” are, essentially, businesses with a social mission. Grameen Bank, Cabbages & Condoms, and *The Big Issue* are examples of outstanding social enterprises.⁷

Most social enterprises are set up to provide funding support to related NPOs and/or to provide employment opportunities for beneficiaries. While their numbers are mushrooming in many countries, their success rate appears to be lower than that of their commercial counterparts. Most, it seems, are hampered by the multiple bottom lines (financial, social, environmental, etc.) that they have to deliver.⁸

Organizations are driven by people. All NPOs (including charities) and social enterprises are invariably peopled by socially motivated individuals, and helmed by social leaders. In the last few years, a special breed of social leaders called social entrepreneurs has emerged either as part of formal organizations (often founded by them) or operating as individuals.

The term “social entrepreneur” was first coined by Bill Drayton who went on to form Ashoka: Innovators for the Public,⁹ the world’s largest association of social entrepreneurs. In essence, social entrepreneurs effect systemic, large-scale social change through innovative pattern-changing approaches.

Despite the surfeit of literature on the two subjects, there is still some confusion in equating social enterprises (organizations) with social entrepreneurs (individuals). Not all social enterprises are run by

social entrepreneurs (only those that are in the category of pattern-changing), and not all social entrepreneurs run social enterprises (in fact, few do).

But there is no question that social entrepreneurs are role models for the rest of us. Ashoka believes that ordinary citizens from all walks of life can be inspired and instructed by these role models to become “changemakers” and that, in time to come, the wider world will be transformed by the “empathetic ethics of the citizen sector.”¹⁰

Capacity Builders

Even as NPOs and social entrepreneurs directly help their beneficiaries, there is a group of intermediary organizations that seeks to help these helpers. Called capacity builders, they help, as the name suggests, build the capacity of the social sector.

The role of and need for intermediaries may not always be well appreciated. The fact is that all ecosystems need intermediaries to facilitate the core activities and oil the wheels of the marketplace.

A good analogy is the public commercial market. Think of NPOs as public listed companies. They need funds from their investors—the donors. But for donors to know who to invest their limited funds in, they require independent analysts (the watchers) to evaluate and rate the charities. Instead of donating directly, they could actually do so through grantmakers, the equivalent of fund managers in the public markets. Just as the commercial companies service each other, there are NPOs that are service providers to other NPOs. There would also be the equivalent of promoters—the organizations and networks (e.g. the security traders association)—that seek to grow and develop the marketplace or aspects of it.

The range of intermediary organizations needed in the social sector can thus be grouped as watchers, promoters, service providers, and grantmakers.

Watchers facilitate informed giving¹¹ by providing relevant information about NPOs so that donors and other stakeholders can make better choices. The well-known ones are broad-based rating agencies such as GuideStar, Charity Navigator, and Charity Watch; these provide performance ratings, mainly based on financial analysis, that are similar to the Standard & Poor’s of the commercial world. Other watchers are more specific to the activities they are monitoring; examples include MAPLight.org (political funding) and NGOWatch (NPO impact on public policy). Watchers tend to emanate from the US and, thus, their

measurement systems reflect the cultural preferences of the Western world.¹²

Promoters seek to grow and develop the sector, or a specific segment within the sector. They could be associations of NPOs coming together, or independent NPOs established for that purpose. An example of an association promoter is the National Council for Voluntary Organizations, which comprises 5,700 organizational members representing more than half of the nonprofit sector's workforce in the United Kingdom. Its mission is to provide the voice and support for a vibrant voluntary and community sector in the UK. An example of an independent NPO is the Institute for Philanthropy, which was established to increase effective philanthropy in the UK and internationally.¹³

Service providers provide services to charities in areas that can be generic to any organization (e.g. premises) or specific to the nonprofit sector (e.g. consulting). The range of services includes strategic advice (e.g. Bridgespan), training (e.g. Social Service Training Institute), professional development (e.g. Compass Point), human capital matching (e.g. BoardnetUSA), brokering (e.g. Charity Choice Goodwill Gallery), and technical services (e.g. Hackers for Charity). Most of these service providers are NPOs themselves. There are also many regular commercial service providers who provide their services to charities at discounted rates. For example, Computer Troubleshooters, billed as the world's largest computer service franchise, has a Charity Service Program that provides discounted or donated computer services to charities.¹⁴

Grantmakers traditionally comprise foundations (e.g. The Rockefeller Foundation) and funds (e.g. United Way).¹⁵ They take money from donors, big and small, and give it out as grants to the charities. They typically do so through a rigorous process that ensures the money is given for the right purpose and is properly used to achieve the desired result.

Among the grantmakers, a new class called venture philanthropists stands out. The roots of modern-day venture philanthropy lie in the successful tech-entrepreneurs of Silicon Valley employing their newly minted wealth to change the social world through the use of venture capital-like approaches. At the heart of venture philanthropy is a highly engaged partnership that offers development finance coupled with nonfinancial advice that NPOs and their ventures need in order to grow sustainably. The financing options provided by venture philanthropists are more familiar to Wall Street bankers than NPOs.¹⁶ The purpose of the financing—often for the capacity-building needs of the investee organizations—further distinguishes venture philanthropists from traditional foundations.

The venture philanthropy movement is small, but global and impactful. There are about 150 venture philanthropy funds in the US, Europe, and Asia. Joining the successful entrepreneur pioneers are now players from the private equity community, traditional foundations who are changing their grantmaking approaches, and even governments, all seeking to apply market principles to philanthropy for maximum social impact.¹⁷

Capacity builders thus seek to increase the social sector's impact by building up its capacity. Recent trends show a focus on increasing the impact of capacity builders themselves. These include efforts to incorporate new market-based approaches in their operational models, exploiting advances in information technology, managing the increasing information overload, and improving impact-based social interventions and measurements.¹⁸

Community

The community provides the underlying support for NPOs and their work by providing resources, especially money, time, and legitimacy. The last element, legitimacy, is seldom thought of, but some NPOs—in particular, charities—have learned the hard way that relevance to the community is critical to their survival.¹⁹

Within the community, there are several distinct groups of players: individuals, corporations, the media, and government. The media and government have multiple and complex roles in the ecosystem and are covered in the subsections below.

Historically, the role of individuals and corporations has been to give money (donations), time (volunteerism), and general support to the NPOs. In recent years, donors and volunteers have been increasingly asked to do more, and to be more informed and discerning amid calls for greater NPO accountability. The rising tide of the informed giving movement, coupled with the continuing need for funds and volunteers from the community, has led the nonprofit sector to develop strategies, practices, and skills for managing volunteers and donors.

Volunteer management involves the whole process of recruiting, inducting, developing, and retaining volunteers. It is like human resource management for paid staff, but is more complex given the fluid and dynamic process of volunteering. NPOs will do well to understand that the value of volunteerism goes beyond the manpower savings of volunteers to encompass a mutually beneficial engagement with the community. To effectively mobilize volunteers, NPOs also need to understand the nature

of the 21st century volunteer, who tends to be less committed, more demanding, and more cause-driven. Some NPOs have responded to this volunteer market reality by adopting an episodic volunteering model where volunteers can sign up for flexible time slots without necessarily being committed to a fixed volunteering schedule.²⁰

Donor management, on the other hand, is the systematic process of building relationships with existing and prospective donors to achieve impact giving. The key to effective donor management is understanding what donors want from NPOs: ethical behavior, meaningful and impactful programs, efficient and effective management, good communications, and appreciation. Emerging issues in donor management include the use of third party fundraisers and the privacy of donor information, while new opportunities for fundraising are arising with online giving and the new rich.²¹

For corporations, corporate giving is only one facet of what has come to be known as corporate social responsibility (CSR). Other aspects of CSR include environmental responsibility, good corporate governance, ethical behavior, and enlightened human resource practices. CSR suffers from the conviction by many corporate executives that their primary, indeed exclusive, accountability is to their shareholders and not other stakeholders. In such a "business is only about business" approach, CSR is only practiced when it makes business sense. The alternate view is that environmental, social, and governance (ESG) responsibilities are fundamental and, if necessary, CSR should be mandated through regulations. The field of CSR is evolving as governments, the corporate sector, and the nonprofit community seek to draw out a more compassionate form of capitalism and discourage what may be called "brute capitalism." In particular, the focus on providing ESG reporting to the investment community and the call to quantify nonfinancial CSR variables holds great promise for institutionalizing CSR into corporations.²²

Media

The power of the media lies in its disproportionate influence over its audience. In this regard, the media needs to be responsible in its multiple roles of news communicator, advocate, watcher, and participant in the social ecosystem.

As news communicator, the media is generally expected to keep the public informed on the happenings and issues within the social sector. Hopefully, as advocate, it will promote the work of NPOs and the nonprofit sector. There has been discomfort in the nonprofit sector

about the media's role as a watchdog, or even a bloodhound at times, as it exposes the wrongdoings—perceived or real—of charities. There is a further question about whether media organizations, with their partisan interests, should be a participant in the process to use their influence to shape public opinion other than in an objective manner.

The emergence of alternative media (online news, blogs, and social media) can be both a challenge and a boon to NPOs. Alternative media provides new delivery channels, requires brevity of content, allows user-created content, and creates new leveraged opportunities for viral marketing, crowd-sourcing, and new ways to raise fund.²³

Government

The government is a unique player in the ecosystem. It has multiple and, sometimes, conflicting roles and functions: regulator (covered in the next subsection), funder, promoter, and participant.

Governments are a major funder of the social sector; on average, they contribute about 35 percent of the sector's revenue through grants and contracts to NPOs. Governments can promote the social sector through initiatives and platforms that enhance the viability and capacity of NPOs and the social sector. As participant or player, governments can directly provide the social services that some in the nonprofit sector may consider their domain.

How each government actually carries out these functions depends heavily on its history and relationship with the social sector. Governments can take three attitudes toward the social sector: as friend, filler, or foe.

Government as friend will actively build the capacity of the social sector and treat NPOs as partners in providing social services while promoting the sector's growth and capacity. It will fund NPOs while restraining itself from being a direct provider of social services, and its regulations are the most enabling for the sector's growth.

Government, in treating the social sector as filler, exercises its prerogative over which services it wishes to provide, leaving the social sector to fill the gap. It may provide supplementary funding for those social services it is not directly funding. In other words, its promotion of the social sector is narrower.

Government as foe sees its primary function as watchdog over the social sector—and vice versa. Here, the government tends to be a major player in social service provision and seeks to rein in the sector through heavy regulation. It pays little attention to promoting the sector and funds NPOs only to the extent they are subservient.

The approaches taken by governments across the world have evolved through time, circumstances, and ideological leanings. There are times when “filler” and “foe” relationships are appropriate, although “friend” seems to be what most enlightened governments now seek. After all, both governments and the social sector have the same ultimate objective: the well-being of citizens.

Therefore, enlightened governments, though wielding immense power and authority, should seek to harness the power of the nonprofit sector through an affirmative approach that recognizes the mutuality of objectives. Such an affirmative government is marked by a whole-of-government and citizen-centric approach to decisions and interactions, an agenda of social inclusion for citizen empowerment, and collaborative governance of the community and its constituents.²⁴

Regulator

Some level of order and order-keeping is always necessary in any ecosystem, and as befits its (top) position in the ecosystem diagram, the regulator is an important player in the social world.

The reason is simple: While NPOs are legally owned by select individuals or organizations, the community from which they draw their resources and support is the moral and true owner. The regulator ensures that NPOs, especially charities, operate for the public benefit and not private advantage, and are accountable to the community.

The regulatory function is often seen as a role played by the government. In practice, charities in most jurisdictions are faced with multiple regulators: those that govern their legal structure, the tax authorities, one or more charity-specific regulators, and other government bodies. Certain jurisdictions employ the commission model, a key feature of which is independence from the government, although independence is never absolute. The Charity Commission for England and Wales is a leading example of this model.

Charity regulations ensure that charities exist for genuine charitable purposes and behave themselves, so that there is public confidence in charities. The law, however, usually plays catch-up with reality and situations as they unfold. In the last decade, charity reforms have taken place in many jurisdictions around the world in response to the changing needs of the social sector and demands by the community for greater accountability. Some of these reforms have gone back to basics to look at the role of the regulator, its functions, and its approaches.

Meanwhile, charity regulators continue to grapple with the demands of a fast-changing social sector. Increasing public service delivery by charities has also raised questions about how charities can retain their independence when they are receiving most of their funding from the government. Social enterprises and the like are pushing regulators to create new legal forms to accommodate these hybrid social–business organizations. Regulators are also under pressure to prevent charities from being a conduit for international terrorism financing, especially as they begin to work across borders to support growing global philanthropy in a global economy.²⁵

Change Enablers

Figure 1.1 shows neat and well-demarcated compartments housing the different players of the social ecosystem. A more representative depiction would have been an animated video that shows the dynamism of interactions as players push and influence each other within each component and across components of the ecosystem. Indeed, the shape and the nature of the ecosystem will continue to morph even as it is being discussed and understood.

That “change is the only constant” is a truism of our age. But what is also increasingly recognized is that the speed of change is accelerating. So it has been with respect to the transitions that the social ecosystem and its players are experiencing.

Several key factors have enabled and driven the changes in the social sector in the last two decades:

- Culture
- Leadership
- Technology
- Social finance.

Culture

Culture is the set of ideas, beliefs, and customs that a community has evolved over time. It provides that community with its identity, a socially cohesive bond, as well as a special control over the standards and behavior of its people.

The culture of the social sector may be easier to understand by comparing it with the other two sectors. In simplified terms, the main

value driver in the private sector is the love of money; in the public sector, it is the love of power; and in the social sector, it is simply love (for our fellow man).

The prevailing culture of the social ecosystem is thus this notion of “doing good.” The basic intent of social purpose organizations is to do good for beneficiaries, to change the world for the better. Since the focus is on helping others and improving society, good feelings often result for all the participants in this common mission.

Flowing from this culture of compassion are practices and values that have come to be associated with the relative shortcomings of the social sector compared to its sister sectors. These include, for example, a penchant for handouts, a lack of accountability, and a lack of pace and drive.

Donations and grants are the staple diet of a social sector that prides itself on doing what it does with minimal money. Its needs are satisfied by the actions of generous donors. Unlike the commercial world, with its focus on competition and self-interest, there is not that sense of the survival of the fittest in the social sector. Yet, it should exist; both competition and collaboration are integral to any ecosystem.

Enclosed within this cocoon of doing good and feeling good, corporate practices of good governance, organizational effectiveness, and high performance tend to be eschewed by NPO boards and staff because such concepts come from a world with a largely different culture.²⁶

The importance of culture from a change perspective is its impact on the participants’ behaviors. In most human endeavors and organizations, culture often accounts for strong resistance to change. Such resistance may perhaps be less so for NPOs because the sector itself is about changing the larger world and so, it is less hampered by monolithic organizations and rigid practices.

Even so, changing the culture of a community, let alone the culture of the entire social sector, is widely recognized as a mammoth and uncertain task. The good news is that noticeable changes have seeped in, among them a push for less donor dependence, greater accountability, and higher performance on the part of social organizations. Interestingly, these changes, as will be described later in this chapter, are the result of the influences of the private and public sectors.²⁷

Leadership

It is leaders that drive change, leaders that drive excellent organizations, and leaders that will drive a vibrant social sector. In his studies of enduring “great” organizations, Jim Collins concludes that the best possible impact

on organizations and society is achieved by having enough “of the right people on the bus, especially the right bus drivers.”²⁸

The last few years have seen a debate about whether there are enough “bus drivers,” or what is known as the “leadership deficit” of the social sector. A 2006 report by the Bridgespan Group identified the need for some 640,000 new senior managers for the US nonprofit sector, an increase of 2.4 times the current pool, within a decade.²⁹ This led Collins to conclude that the number one constraint on the effective growth of the nonprofit sector will be the ability to attract, retain, and develop enough of the right leaders.³⁰

Proposed solutions to the leadership deficit include increasing capacity and capability through new sourcing models (e.g. idealistic youths and sector-shifters), understanding and catering to the generational shifts, and providing educational and developmental support to NPOs.³¹

What is significant is that the forces of globalization, innovation, and technology are allowing much greater leverage than before for social change. And many leaders are emerging from within, as well as from the fringe of the social sector. Chief among these are the social entrepreneurs engaged in pattern change, and the business leaders who are crossing over with their approach of problem-solving philanthropy.³²

Technology

Today, technology is probably the most powerful driver of change, especially disruptive transformational change; but while the social world has benefited from the use of technology, it has generally lagged behind in its adoption compared to the other sectors.

Four clusters of technology have the greatest potential to transform the social world: environmental technologies—in particular, clean energy (solar power, wind power, and hydro power) and clean water; health and medical technologies, which have significantly improved mortality rates and the quality of human living; robotics, which help the disabled and aged to function at an optimal level of physical, mental, and social well-being; and infocomm technologies—the combination of computing, information technology, and communication technologies—which have enabled the information age and an interconnected globalized world.

Unfortunately, technology also has its ugly side, and can create social injustices even as it fixes them. At the end of the day, technology is but a tool that must be properly harnessed for the social good. To maximize its value, the application of technology must be integrated with

considerations of organizational strategy, the operational processes, and people management.³³

Social Finance

Money makes the world go round. It is no different in the social world, although NPOs generally make do with what little they have. With the greater ambitions of the sector and the social problems that need to be addressed, financial resources are more critical than ever.

Traditionally, the financing needs of NPOs have been provided through a mix of “free” money by way of donations, grants, and sponsorship; revenue from the provision of products; and commercial loans where possible and appropriate. In recent years, new creative ways and vehicles have emerged to fund, and even to seek the financial sustainability of, NPOs and their ventures.

Many of these new financial options—such as program-related investments, social bonds, and quasi-equity—are a combination of grants, debt, and equity instruments that have been adapted from the financial industry but offered at near, or below, market rates to NPOs.

To assure financial sustainability, some NPOs have, as mentioned, set up social enterprises. These vehicles have more financial options for their capital and operating needs, as they generate revenue and thus allow capital to be returned to lenders and investors. The growth of the social enterprise movement has led governments to create new legal structures such as the Community Interest Company in the UK, and the Low-profit Limited Liability Company in the US, to accommodate the needs of these hybrid social-business organizations.

The sources of these new financing options range from traditional foundations that are exploring new ways to be effective with their grants, to venture philanthropists who, with their business background and creativity, seek to change the way the social world impacts the world at large. A new class of social investors is also willing to receive a lower than market return on their investments, in order to support their social causes. Even regular financial institutions and companies have been drawn in to support the packaging of these new financial instruments.

On the horizon are several financial innovations. Social stock exchanges—pioneered in Brazil—which can lead to secondary social markets, are growing in popularity.³⁴ Technology-enabled platforms for aggregated giving such as Kiva,³⁵ and the aggregation of long-term, growth capital by the likes of the Edna McConnel Clark Foundation, will increase

the level of philanthropic resources.³⁶ Socially responsible investing and impact investment products have transitioned, from being of interest to only a select few, into the mainstream. Investors and investees are coming under pressure to account for their work, and new performance metrics are being developed to ensure this.

All in all, the field of social finance has changed the social capital markets for more impactful investment and sustainable change.³⁷

Macro-Trends

As the forces of culture, leadership, technology, and finance impact the different players of the social ecosystem, the players impact each other as well. Collectively, this has created a much larger transition: the transformation of the social ecosystem. Lester Salamon calls it a “veritable global associational revolution,”³⁸ John Elkington talks of an emerging “new economic order,”³⁹ while Bill Drayton sees the citizen sector as “the most vital, fast-growing sector because it’s become entrepreneurial and competitive.”⁴⁰

Taken together, these shifts suggest three macro-trends⁴¹ for the social ecosystem as a whole:

- The rise of global civil society and its attendant issues
- The acceleration of social change through innovation
- The fusion of ideas, models, and practices of the social and private sectors.

Global Civil Society

Civil society is on the rise globally. There is widespread agreement on this point even though there is not a great deal of clarity about how big civil society has become.

The Johns Hopkins Comparative Nonprofit Sector Project, which looks at the scale of nonprofit activity across the world, shows an aggregated US\$1.9 trillion in annual operating expenditure, 48.4 million full-time equivalent jobs, and about 4.6 percent of the economically active population for the nonprofit sectors in 40 countries.⁴² In relative terms, the study indicates that if the nonprofit sector was a country, it would be the fifth largest in the world. It also found that the average annual growth of the nonprofit sector is nearly double the growth of the total economies of five major countries.

Estimates of the total number of NPOs worldwide range from 3 million to 10 million.⁴³ Most operate within national borders. However, increasing numbers are operating across borders. The likes of Médecins Sans Frontières, Oxfam, and World Wildlife Fund have made their mark and are growing in strength and influence globally.⁴⁴ The Union of International Associations (UIA) has more than 21,400 active international NPOs on its register, up from 15,100 a decade earlier.⁴⁵

NPOs worldwide are networking and working on common agendas. The UIA reports that in 2008, over 11,000 international meetings were held across the globe.⁴⁶ One of the most prominent meetings is the World Social Forum, a rival convention to the annual World Economic Forum in Davos,⁴⁷ which takes on different formats each year. At its height, over 150,000 participants from 135 countries participated in 2,500 activities at one location. Other global forums are also being established for specific segments of the nonprofit world, such as social entrepreneurship (World Skoll Forum), social investments (Social Capital Markets), and volunteers (International Association for Volunteer Effort World Volunteer Conference).⁴⁸

As the global civil society grows in number and strength, it is flexing its muscles. In 1998, global civil society actors working in unison successfully killed the Multilateral Agreement on Investment, a draft agreement negotiated by the Organization for Economic Co-operation and Development countries.⁴⁹ The international campaign was celebrated as the first-ever successful mass-activism campaign to utilize the internet to gather information and communicate among activists.

Multinational companies have often been the target of international NPO activity. Campaigning against Nike sweatshops, PepsiCo's venture in military-controlled Myanmar, and Nestlé's marketing of breast milk substitutes are examples of civil society players taking on powerful corporate conglomerates and forcing changes to business decisions which the NPOs consider detrimental to society at large.⁵⁰ Meanwhile, NPOs such as CorpWatch investigate and expose corporate violations of human rights, environmental damage, fraud, and corruption around the world.⁵¹

Notwithstanding its growing base and power to improve the world, global civil society is not without its own set of problems. It has always faced, and will continue to face, the challenges of limited resources while working against the status quo and vested interests. It often finds itself having to depend on governments and enterprises for funding and support even as it seeks to change them.

What's more, some of the issues that global civil society faces—the rich/poor divide, motivation, and accountability—are, ironically, the same issues it champions against the state and enterprises in society at large.

The much-championed rich/poor divide issue also besets the NPO world. International NPOs are overwhelmingly concentrated in the developed world and exercise their power over local NPOs and the developing world. These NPOs have been variously accused of compensating themselves well with aid funds, poaching talent from the developing countries, and serving the “imperialistic agendas” of the developed world.⁵²

The motivation for civil society should be generosity and altruism. Charity scandals and cases of NPO misconduct have led to the questioning of their values and agendas. Added to this, businesses and governments have sought to impose their values and approaches on the NPOs.⁵³

While civil society has been vociferous in its push for accountability by governments and companies, it has, in turn, been accused of not practicing what it preaches. The generally smaller size and voluntary nature of NPOs and their work often mean less structure, organization, and discipline compared to governments and companies. Questions have arisen over the effectiveness, transparency, and value of their work.⁵⁴ In recent years, voices of concern regarding NPO accountability have grown louder. In 2004, for example, 1NGOWatch was established to highlight “issues of transparency and accountability in the operations of NPOs and international organizations.”⁵⁵ In a sense, NGOWatch mocks the “watch-style” NPOs⁵⁶ that monitor the actions of corporations and governments.⁵⁷

Social Innovation

Innovation can accelerate change. In fact, its power to scale change is such that many businesses and governments have pursued innovation as a primary means of attaining their next level of growth.

The social sector has also generated and implemented many world-changing “new ideas that meet unmet social needs.”⁵⁸ These include distance learning, fair trade, citizen ecological movements, microfinance, and human rights advocacy.⁵⁹

More significantly, social innovation has become a mini-industry of sorts within the social sector. Organizations such as the Young Foundation⁶⁰ and the Lien Centre for Social Innovation are dedicated to fostering the cause of social innovation. The industry is nascent but vibrant with players coming together in networks. The Social Innovation Exchange fosters mutual learning alongside joint initiatives such as a Global Academy for Social Innovation.⁶¹ As the industry develops, we

are also seeing the creation of dedicated social innovation incubators that provide funding, mentoring, and hands-on implementation support for new ideas. Also emerging are “social Silicon Valleys” where related institutions involved in social innovation are co-located.⁶²

The interest created by the social innovation industry has led governments and grantmakers to provide large-scale funding and to create initiatives and programs that contribute to the industry and foster social innovations. Innovation tends to occur at the intersection of disciplines and sectors. The participation of the private and public sectors in social innovation will see the development of more, and better, ideas for social change. Systemic change—the ultimate goal of social innovation—is usually also dependent on collaboration and changes in all sectors of the economy.

Thus, inasmuch as social innovation is about accelerating social change, these developments in the social innovation industry and increasing cross-sector collaborations are leading to the acceleration of social innovation. In other words, what we are seeing is the acceleration of the accelerator of social change.⁶³

Fusion

The three interdependent sectors of the economy—the public, private, and social sectors—have traditionally coexisted but functioned quite separately, each with its own purpose, basis, and culture. Of late, they have become increasingly fused, particularly between the social and private sectors.

This fusion is taking place at several levels.

At a basic level, it takes the form of the copying and adaptation of ideas, models, and practices, primarily from the corporate world to the nonprofit world. Since the dawn of foundations and professional grantmaking, NPOs have increasingly become more attuned to the need for transparency, accountability, and measurable outcomes.

In recent years, successful businessmen-turned-philanthropists such as Bill Gates, Jeff Skoll, and Mario Morino have pushed the envelope on the use of business and market approaches in the social world.⁶⁴ The term “philanthrocapitalism,” first coined by author Matthew Bishop to describe this phenomenon,⁶⁵ is now used to loosely cover a gamut of models and approaches including social enterprises, venture philanthropy, and new forms of social finance.

Perhaps a more subtle aspect of this sector fusion is the cross-pollination of thinking that is seeping into, and slowly altering, the

cultures of the social and market economies. Certainly, it is accepted that the social economy is not always efficient, and that the adoption of business principles can lead to increased accountability and reduce waste. It is also recognized that a modicum of enlightened self-interest can create the incentive structures needed to increase the sector's performance.

For the market economy, the campaigning by social activists for compassion for the poor, the disadvantaged, and the environment has resonated. A new and growing demographic of the consumer market has been identified as LOHAS (Lifestyles of Health and Sustainability) customers. Even as businesses debate the basis and merits of CSR, its rate of acceptance and uptake is growing. Hopefully, the financial crisis of late 2008 has increased the willingness of corporate leaders to do well by doing good. Their reflections will help them understand that their long-term interests lie in a balanced, enlightened approach toward all stakeholders. In turn, capitalism is reshaped, and for the better.

A report by Volans⁶⁶ concludes that the paradigm shift toward a more equitable and sustainable future is already underway in the larger world. It points out that a new generation of innovators, entrepreneurs, and investors is accelerating the changes for delivering scalable sustainable solutions to the world. The report identifies 50 pioneers of this "Phoenix Economy," a mix that includes not only outstanding social purpose organizations, but also mainstream commercial companies and even government bodies. More significantly, the report collates a set of concerted actions that governments, business leaders, and educators can take to rapidly achieve this "new economic order."

The highest level of fusion can be achieved by the integration of the social and market economies. A key focus of the social economy has been the poor and needy at the "bottom of the pyramid."⁶⁷ This group represents, in global terms, about 2.7 billion people who survive on less than US\$2 per day.⁶⁸ Yet, this socio-economic group has largely been ignored by big businesses because it is perceived to not be able to afford even the basic necessities, while depending on handouts from governments and donors. However, microfinance, pioneered by Grameen Bank in the late 1970s, has shown that adapting the right business model for bottom-of-the-pyramid customers can, in fact, make serving the poor a viable business.⁶⁹ Today, microfinance is a vibrant industry that economically empowers many in the developing world who would otherwise have been excluded from mainstream financial services. The model is now even being adapted for developed countries.⁷⁰

In the past few years, a growing group of academics, market practitioners, and social entrepreneurs has actively pursued “inclusive capitalism” whereby organizations sell goods and services to low-income people while embracing poverty alleviation strategies to improve their nutrition, health care, education, employment, or environment.⁷¹ Muhammad Yunus of Grameen Bank, for example, has created a joint-venture social enterprise with the multibillion-dollar commercial yogurt maker, Groupe Danone.⁷² The mission of Grameen Danone Foods is to bring affordable nutrition to malnourished children in Bangladesh using fortified yogurt.

Ashoka is also taking a proactive and scaled approach to similar social-business opportunities. Its Hybrid Value Chain model⁷³ leverages the Ashoka network to bring together players from both the social and enterprise sectors to collaborate on new products as well as new industries that can serve low-income populations on an unprecedented scale. For example, Ashoka brokered a commercial partnership between Amanco, a leading multinational water system company, and two of its Ashoka Fellows who work with small farmers in Mexico. The 35 million small-holder farmers in Mexico earn less than US\$2 per day, but they can double or triple their income with irrigation technology. Before Ashoka came onto the scene, only 12 percent of agricultural land was irrigated. Amanco reengineered its products and business model to produce affordable irrigation technology to create a new and profitable market for itself. The NPOs involved were the key market enablers who promoted and mobilized the farmers. They earned a commission on sales that covered their operational expenses while helping to advance the NPOs’ social programs.⁷⁴

Forward the Ecosystem of Change

In summary, the social ecosystem framework can be a useful tool for shaping the changes in the social sector. Only by first understanding the players, the change enablers, and the trends in the social ecosystem, and then influencing the role, motivations, and behavior of the different players, can policy makers, sector leaders, and indeed all of us, seek to move this ecosystem forward.

As noted earlier, the social ecosystem is uniquely positioned as the catalyst of change for the state and enterprise ecosystems. Its role is to change the wider world for the well-being of all living on this planet.

Yet, even as players in the social ecosystem seek to change the world at large, they must realize that they need first to cope with the change drivers and trends occurring in their own sector. In other words, the ecosystem of change has to change itself for the better—at the same time as it goes about its mission of changing the rest of the world.

Endnotes

- 1 This chapter seeks to be both an overview of the social ecosystem as well as a high-level summary of the other chapters in the book. As such, many of the key issues and trends of the individual components are drawn largely from the relevant subsequent chapters. In order to provide a seamless read, I have not always identified the authors of the individual chapters in the main text. Instead, I have sought to do so via commentaries and references in the endnotes. It is also useful to note that the book map shown in Chapter 0, “Introduction: Navigating the social ecosystem,” provides an easy way to see how the individual chapter topics map into the ecosystem framework and how the book is organized.
- 2 These unmet needs are elaborated in Chapter 2, “Unmet Social Needs: Scanning the world’s social issues,” by Tan Chi Chiu.
- 3 The different definitions of “charity” and their implications are explored in Chapter 3, “Charity Definition: Different kinds of kindness,” by Sharifah Mohamed.
- 4 For a discussion on the various labels, see “Difference Between NGO and Non-Profit Organizations,” DifferenceBetween.net, www.differencebetween.net/business/difference-between-ngo-and-non-profit-organizations.
- 5 The US Internal Revenue Code (IRC) describes more than 30 types of tax-exempt organizations, including charitable organizations, social welfare organizations, labor unions, trade associations, fraternal societies, and political organizations. The largest category is known as “charitable organizations,” defined under section 501(c)(3), and they include charities, religious organizations, hospitals, and educational institutions. Every 501(c)(3) organization is classified as either a “public charity” or a “private foundation.” Public charities have broad public support and tend to provide charitable services directly to the intended beneficiaries. Private foundations often are tightly controlled, receive significant portions of their funds from a small number of donors or a single source, and make grants to other organizations, rather than directly carry out charitable activities.
- 6 Depending upon the tax jurisdictions, the tax exemption for the organization and tax exemption/deduction for its donors can be combined or separated. For example, in Singapore and many Commonwealth countries, a Registered Charity has income tax exemption on its surpluses, but it has to be separately recognized as an Institution of a Public Character (IPC) for it to provide tax deduction receipts to its donors. Some organizations are Registered Charities but not IPCs, some are IPCs and not Registered Charities, and some are both. In the US, a 501(c)(3) entity has tax exemption for itself and for its donors.
- 7 Grameen Bank, www.grameen-info.org; Cabbages & Condoms, www.pda.or.th/restaurant/; *The Big Issue*, www.bigissue.com.

- 8 The subject of social enterprises and their challenges is covered in Chapter 5, "Social Enterprises: Fulfilling the promise of social enterprise," by Jon Huggett.
- 9 www.ashoka.org.
- 10 Social entrepreneurship is further covered in Chapter 6, "Social Entrepreneurship: Of pattern changers and changemakers," by Chris Cusano.
- 11 The subject of informed giving is further explained in the subsection below on "Community" and is also covered more extensively in Chapter 10, "Donor Management: Closing the funding gap," by Paulette Maehara.
- 12 Guidestar, www.guidestar.org; Charity Navigator, www.charitynavigator.org; American Institute of Philanthropy's Charity Watch, www.charitywatch.org; MAPLight.org, www.maplight.org; NGOWatch, www.globalgovernancewatch.org/ngo_watch/.
- 13 National Council for Voluntary Organizations, www.ncvo-vol.org.uk; Institute for Philanthropy, www.instituteforphilanthropy.org.uk.
- 14 The Bridgespan Group, www.bridgespangroup.org; Social Service Training Institute, www.ssti.org.sg; Compass Point, www.compasspoint.org; BoardnetUSA, www.boardnetusa.org; Charity Choice Goodwill Gallery, www.goodwillgallery.co.uk; Hackers for Charity, www.hackersforcharity.org; Computer Troubleshooters, www.computertroubleshooters.org.
- 15 Rockefeller Foundation, www.rockefellerfoundation.org; United Way, www.unitedway.org/worldwide/ and www.liveunited.org.
- 16 The new forms of social finance employed by venture philanthropists are covered further in the subsection below on "Social Finance," under the main section "Change Enablers."
- 17 Grantmakers and foundations are described further in Chapter 8, "Philanthropy: Powering philanthropic passions," by Thomas Menkhoff. Venture philanthropy is more fully covered in Chapter 9, "Venture Philanthropy: Venturing into entrepreneurial philanthropy," by Rob John.
- 18 The subject of capacity builders is more fully explored in Chapter 7, "Capacity Builders: Making value visible" by Sara Olsen.
- 19 Usually, this issue comes to the fore in the wake of a scandal and these charities, no matter how well endowed and resourced, can find that they are unable to function properly when the public support for them and their mission diminishes or disappears.
- 20 The subject of volunteers and volunteer management is further covered in Chapter 11, "Volunteerism: Matching the supply and demand of volunteers," by Laurence Lien.
- 21 Donor management and fundraising is further covered in Chapter 10, "Donor management: Closing the funding gap," by Paulette Maehara.
- 22 CSR is further covered in Chapter 12, "CSR: Toward moral capitalism," by Stephen Young.
- 23 The subject of media is explored further in Chapter 13, "Media: Amplifying the social beat," by Alan Webber.
- 24 The functions, relationships, and vision of an affirmative government are further covered in Chapter 14, "Government: Affirmative government for social good," by Peter Shergold.

- 25 The subject of regulation and the regulator is covered in Chapter 15, "Regulator: Love, law, and the regulator," by Stephen Lloyd.
- 26 The culture of compassion in the social sector and the attendant consequences on pay, pace, and performance are dealt with more fully in Chapter 4, "Charities: No charity for charities," by Gerard Ee.
- 27 See the subsection below on "Fusion" under the main section "Macro-trends."
- 28 Jim Collins is the bestselling co-author of *Built to Last: Successful habits of visionary companies* (New York: HarperBusiness, 2004) and author of *Good to Great: Why some companies make the leap and others don't* (New York: HarperCollins, 2001). He has written an accompanying monograph to the latter, *Good to Great and the Social Sectors: Why business thinking is not the answer*.
- 29 Tom Tierney, "The Leadership Deficit," *Stanford Social Innovation Review*, Summer 2006.
- 30 Jim Collins, "The Who Thing," *The Nonprofit Sector's Leadership Deficit: Commentaries* (Boston: The Bridgespan Group, March 2006).
- 31 Frances Kunreuther and Patrick Corvington, *Next Shift: Beyond the nonprofit leadership crisis* (Baltimore, MD: Annie E. Casey Foundation, 2007). Also, several of the commentaries in *The Nonprofit Sector's Leadership Deficit: Commentaries* (Boston: The Bridgespan Group, March 2006) highlight various solutions.
- 32 The subject of culture and leadership is further explored in Chapter 16, "Culture and Leadership: Transformative leaders wanted," by Maximilian Martin.
- 33 The subject of technology is covered in Chapter 17, "Technology: Rebooting technology for society," by Robert Chew.
- 34 Other social stock exchanges either already exist or are being planned in South Africa, Portugal, Canada, London, and Kenya. Brazil: Social and Environmental Stock Exchange, www.bovespasocial.org.br/insitucional/home.aspx; South Africa: Social Investment Exchange, www.sasix.co.za; Portugal: Social Stock Exchange, www.gulbenkian.pt/section154artId2022langId2.html; Canada: Green Stock Exchange, www.greensx.com; London: Social Stock Exchange, <http://rockpa.org/impactinvesting/profiles/social-stock-exchange/>; Kenya: The Kenya Social Investment Exchange, www.ksix.or.ke.
- 35 Kiva (www.kiva.org) facilitates micro-lending by individuals to small businesses via the internet.
- 36 Other groups raising growth capital include New Profit Inc., Sea Change, the Nonprofit Finance Fund and Growth Philanthropy Network. For the Edna McConnell Clark Foundation's Capital Aggregation Project, see www.emcf.org/how/growthcapitalpilot/index.htm.
- 37 The subject of new forms of social finance is covered more fully in Chapter 18, "Social Finance: Financing change, changing finance," by Jed Emerson.
- 38 Lester M. Salamon, S. Wojciech Sokolowski and Associates, *Global Civil Society: Dimensions of the nonprofit sector, Volume Two* (Bloomfield, CT: Kumarian Press, 2004).
- 39 John Elkington, Alejandro Litovsky, and Charmian Love, *The Phoenix Economy: 50 pioneers in the business of social innovation* (London: Volans Ventures, 2009).

- 40 "Interview between Bill Drayton and Michael Febek," on the occasion of the Essl Social Prize award ceremony at the Weiner Hofburg, May 4, 2010, www.esslsozialpreis.at/uploads/media/Interview_Drayton-Fembek_engl.pdf.
- 41 The significant trends impacting the various players of the social ecosystem as well as the change enablers have been briefly summarized in the earlier sections and will be described in further detail in the subsequent related chapters of this book. These three "macro-trends" seek to abstract the higher-order, system-wide changes occurring across the social ecosystem.
- 42 The data cited in this paragraph is from a 2008 presentation made by Lester Salamon based on the Johns Hopkins Comparative Nonprofit Sector Project, a study of nonprofit activity across some 46 countries. Note that the data does not always refer to the 46 countries due to limitation of the data in some countries. The aggregate data to depict the scale of activity is for 40 countries, and the comparison of average annual growth rates is for 5 countries (US, Japan, Canada, Belgium, and Czech Republic). Current information and data on the Johns Hopkins study are available online at www.ccss.jhu.edu/index.php?section=content&view=9&sub=3. The latest book summarizing the results of the study is: Lester M. Salamon, S. Wojciech Sokolowski and Associates, *Global Civil Society: Dimensions of the nonprofit sector, Volume Two* (Bloomfield, CT: Kumarian Press, 2004). Volume One (published in 1999) and Volume Two of the ongoing study cover separate countries.
- 43 Estimates of the number of worldwide civil society organizations (CSOs) have ranged from 3 to 10 million.
 - (1) The President of the Center for Alternative Development, Nicanor Perlas, estimates in "Civil Society—The third global power," *Info3*, 2001, that there are over 3 million NGOs.
 - (2) There are 8 million .org registrations in the Public Interest Registry, not taking into account the number of .net and .edu registrations which could be CSOs; we should also bear in mind that there will be .org registrations that are not purely CSOs. See, www.pir.org/news/pr/2010/25years.
 - (3) Author Dr. Timothy Schwartz's estimate of 10 million CSOs is based on data from Société Générale de Surveillance, as indicated in his blog entry: "How to save the NGO sector from itself," http://open.salon.com/blog/timotuck/2010/03/10/part_i_how_to_save_the_ngo_sector_from_itself#_edn15.
- 44 Médecins Sans Frontières, www.msf.org; Oxfam, www.oxfam.org; World Wildlife Fund, www.wwf.org.
- 45 Union of International Associations, www.uia.be. Data is based on the year 2007/08 and is available at www.lse.ac.uk/Depts/global/yearbook07-8.htm.
- 46 Joel Fischer, "Press release: UIA International Meeting Statistics for the year 2008," by Union of International Associations, June 2009, www.uia.be/sites/uia.be/files/documents/statistics/press/press09.pdf.
- 47 www.forumsocialmundial.org.br.
- 48 World Skoll Forum, www.skollforum.com; Social Capital Markets, or SOCAP, www.socialcapitalmarkets.net; IAVE World Volunteer Conference, www.iave.org.
- 49 Nicanor Perlas, "Civil Society—The third global power," *Info3*, 2001; Stephen Kobrin, "The MAI and the Clash of Globalizations," *Foreign Policy*, Fall 1998.

- 50 Nike sweatshop: <http://depts.washington.edu/ccce/polcommcampaigns/Nike.htm>, www.globalexchange.org/campaigns/sweatshops/nike; Pepsi venture in Myanmar: www.thirdworldtraveler.com/Boycotts/Hx_PepsiBurmaBoy.html; Nestlé baby milk boycott: www.babymilkaction.org/pages/boycott.html.
- 51 www.corpwatch.org.
- 52 References on the rich/poor divide (some authors allude to a north/south divide) and NGO imperialism: Alejandro Bendaria, *NGOs and Social Movements: A north/south divide? (Civil Society and Social Movements Programme Paper Number 22)* (UN Research Institute for Social Development, June 2006); James Petras, "NGOs: In the service of imperialism," *Journal of Contemporary Asia*, 29(4), 1999, www.neue-einheit.com/english/ngos.htm; Joseph Mudingu, "How Genuine are NGOs?" *New Times*, August 7, 2006, www.globalpolicy.org/component/content/article/176/31491.html.
- 53 See discussion in the section "Fusion" below regarding philanthrocapitalism and the impact of business values and approaches on NPOs. The readings on NGO imperialism (see prior endnote) discussed how Western governments use NGOs to effect their agendas in the developing world.
- 54 References on accountability: Jem Bendell, *Debating NGO Accountability* (UN Non-Governmental Liaison, August 2006); "Civil Society Accountability: 'Who guards the guardians?'" a speech by Kumi Naidoo, CEO of Civicus at the United Nations on April 3, 2003, www.gdrc.org/ngo/accountability/ngo-accountability.pdf; Jon Entine, "Why 'Progressives' Oppose NGO Transparency," *Ethical Corporation Magazine*, August 2003.
- 55 www.ngowatch.org. NGOWatch was launched by the American Enterprise Institute for Public Policy and the Federalist Society for Law and Public Policy Studies, two influential and well-funded think tanks serving the US administration. See Jim Lobe, "Bringing the War Home: Right wing think tank turns wrath on NGOs," *Foreign Policy in Focus*, June 13, 2003, for background on the formation of NGOWatch.
- 56 Examples of such watch groups are www.wombwatch.org, www.judicialwatch.org, www.governmentwatch.org, www.corpwatch.org, and www.transnationale.org.
- 57 Global civil society and its issues are covered more fully in Chapter 19, "Global Civil Society: Rallying for real change," by Kumi Naidoo.
- 58 "New ideas that meet unmet social needs" is the Young Foundation's broad definition of social innovation. See Geoff Mulgan with Simon Tucker, Rushanara Ali, and Ben Sanders, *Social Innovation: What it is, why it matters and how it can be accelerated* (Oxford: Saïd Business School, 2007).
- 59 The world-changing social innovations identified here and several more are listed in Geoff Mulgan with Simon Tucker, Rushanara Ali, and Ben Sanders, *Social Innovation: What it is, why it matters and how it can be accelerated* (Oxford: Saïd Business School, 2007).
- 60 www.youngfoundation.org.
- 61 SIX, socialinnovationexchange.org.
- 62 Incubators include Social Fusion, <http://socialfusion.org/about.html>; CAN Mezzanine, www.can-online.org.uk; The Hub, www.the-hub.net; and Launchpad, www.launchpad.youngfoundation.org. The first social Silicon Valley is the Social Innovation Park in Bilbao, Spain. See also Allison Benjamin, "Small is Powerful," *The Guardian*, January 7, 2009; Gorka Espiau, *The New Social Silicon Valley* (DenokInn, 2010), www.euclidnetwork.eu/data/files/resources/the_social_innovation_park.pdf.

- 63 Social innovation is further described in Chapter 20, "Social Innovation: Stepping on the accelerator of social change," by Geoff Mulgan.
- 64 Bill Gates: Bill & Melinda Gates Foundation at www.gatesfoundation.org; Carol Loomis, "The Global Force Called the Gates Foundation," *Fortune*, June 25, 2006; "Crafting partnerships for vaccinations and healthcare—The Bill & Melinda Gates Foundation," *Global Giving Matters*, December 2003–January 2004 feature, www.synergos.org/globalgivingmatters/features/0401gates.htm. Jeff Skoll: Skoll Foundation at www.skollfoundation.org; Tom Watson, "Skoll at Oxford: A changing time for philanthropy," on *Philanthropy*, April 2, 2007 at www.onphilanthropy.com. Mario Morino: Venture Philanthropy Partners at www.vpppartners.org; "Venture Philanthropy: Leveraging compassion with capacity," an address by Mario Morino for the Northern Virginia Technology Council, March 2001, www.efooting.org/NewSite/documents/MorinoInstitute03.08.01.pdf.
- 65 Matthew Bishop and Michael Green, *Philanthrocapitalism* (New York: Bloomsbury Press, 2008), www.philanthrocapitalism.net.
- 66 John Elkington, Alejandro Litovsky, and Charmian Love, *The Phoenix Economy: 50 pioneers in the business of social innovation* (London: Volans Ventures, London, 2009). This report is covered in Chapter 21, "The Phoenix Economy: Agenda for a sustainable future," by John Elkington.
- 67 The term "BOP" has been popularized by authors such as C. K. Prahalad, *The Fortune at the Bottom of the Pyramid* (Upper Saddle River, NJ: Wharton School Publishing, 2005) and Stuart L. Hart, *Capitalism at the Crossroads: The unlimited business opportunities in solving the world's most difficult problems* (Upper Saddle River, NJ: Wharton School Publishing, 2005).
- 68 www.globalissues.org/article/26/poverty-facts-and-stats.
- 69 The model of microcredit pioneered by Muhammad Yunus, founder of Grameen Bank and recipient of the 2006 Nobel Peace Prize, is as follows: a group of five villagers is loaned a very small sum of money and the whole group is denied credit if one person defaults. See www.grameen-info.org/bank/GBGlance.htm.
- 70 Microfinance references: Microfinance Gateway, www.microfinancegateway.org/p/site/m/; Julian Evans, "Microfinance's Midlife Crisis," *Wall Street Journal*, March 1, 2010; Nimal Fernando, *Microfinance Industry: Some changes and continuities* (Manila: Asian Development Bank, May 2007); *Industry Insight: MicroFinance* (Hyderabad: Cygnus, September 2008).
- 71 While the term "inclusive capitalism" has been used earlier, it was popularized in recent times by C. K. Prahalad and Allen Hammond, the Vice President of Special Projects and Innovation at the World Resources Institute, an environmental think tank. See Allen Hammond and C. K. Prahalad, "Selling to the Poor," *Foreign Policy*, May 1, 2004.
- 72 Reaz Ahmad, "Grameen Teams up with Groupe Danone to Set up Food Plant," *The Daily Star*, 5(636), March 13, 2006; "Grameen Danone Foods Launched," *Grameen Dialogue*, April 2006, www.grameen-info.org/dialogue/dialogue63/regularfl2.html.
- 73 www.ashoka.org/hvc.
- 74 Valeria Budinich et al., *Hybrid Value Chains: Social innovations and development of the small farmer irrigation market in Mexico* (Arlington, VA: Ashoka, 2009).

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