

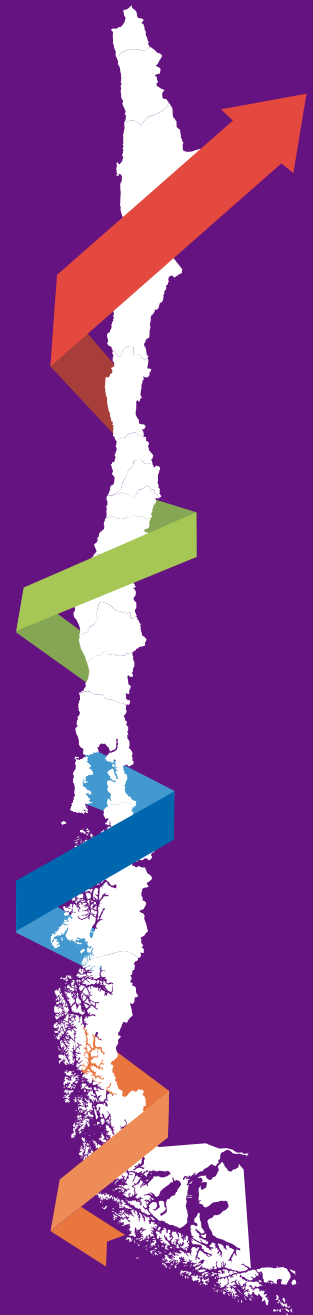
RESEARCH REPORT

THE STRUCTURE

AND DYNAMICS OF SOCIAL

ENTREPRENEURSHIP IN CHILE

2016



## ***The Structure and Dynamics of Social Entrepreneurship in Chile***

Project co-funded by Corfo

Special Projects to Support the Entrepreneurship Ecosystem 15PES-44402

International Property Registry

Registration No. A-269842

Santiago - Chile

ISBN: 978-956-7961-99-3

All information related to the project in Chile is available at [www.iisocial.udd.cl](http://www.iisocial.udd.cl)

Cover: Antonia Larraín

Design: Antonia Larraín

Printed in Chile by The Print Center

RESEARCH REPORT

**THE STRUCTURE  
AND DYNAMICS OF SOCIAL  
ENTREPRENEURSHIP IN CHILE  
2016**

**Pablo Muñoz  
Jonathan Kimmitt  
Tomás Serey  
Loreto Velázquez  
Clare Poolman**

## **Executive summary**

The research into the Structure and Dynamics of Social Entrepreneurship in Chile has made an in-depth exploration of the key processes and mechanisms through which social enterprises and socially-oriented start-ups create inclusion and social innovation, as well as the contexts in which social enterprises thrive.

The study has been motivated by the high growth of social entrepreneurship in Chile in recent years, calling for action around the creation of social and economic impact in the formation of start-ups, capturing public attention and attracting a significant number of organizations and institutions of various kinds, which have come together around the core idea of proposing solutions to be considered in their public and private programs and plans. The incorporation of social and environmental practices has contributed to legitimacy, market value, and the improvement of these companies' operating structures. This augments not only their capacity to create value, but also their capacity to adapt and recover in situations of crisis and social pressures.

The analysis was carried out with a sample of 340 social entrepreneurs. This group included founders (40%), managers (20%), directors (29%), investors (8%), and other actors (3%), all actively involved in the emergence and operation of social entrepreneurship.

The main areas which the businesses of those surveyed focus on are: Education, which represents 43%, entrepreneurship support and self-employment, which together come to 51%, health, which constitutes 22%, and poverty, amounting to 20%.


This first study reveals that social enterprises run their operations so as to solve more than one social issue, that is to say, they tackle problems from various angles. This poses a challenge in that it demands understanding of the various causes which shape the context they work in, and in turn makes the tools for measuring the real impact of their programmes and initiatives more complicated.

The corporate structures most used by social entrepreneurs are: Joint-Stock Companies at 18.9%, Limited Liability Companies at 18.6%, and Type 1 Charities (Foundations) at 12.7%. Thus Private Interest Companies come to 44.4% in contrast with the Third Sector Organisations, which only represent 34.7%. Of the total surveyed, 20.9% of start-ups are not yet legally constituted.

Another relevant finding is that significant correlations between the location of social businesses and their main clients are not observed. The beneficiaries of less than 50% of the businesses that launch and maintain their main operating base in the Metropolitan Region are also in that region. In terms of mobility, the social enterprise emerges and is established in the same region as it is founded in, only 3.8% change region.

When we explore the contribution of different stakeholders to the achievement of social and commercial objectives, the local community is recognised as one of the three most influential and common actors in the realisation of both objectives. This indicates that there is an interdependence with the particular local circumstances, which tends to make a social enterprise align its specific nature with its context. Thus it is not possible to make generalisations or universal rules which can be replicated in other contexts.

Regarding the human capital working with social enterprises, it appears that the capacity of early-stage social entrepreneurship to act as a source of employment generation is limited. 30% of social enterprises have no employees and 45% employ between 1 and 5 people. Volunteer participation works in the same way, with 28.7% receiving supporting from only 1-5 people. One of the key characteristics of social entrepreneurship is the commitment of those they work with, with whom there is usually a strong connection on values. These individuals value the work of the social enterprise and are prepared, at certain stages of their careers, to sacrifice the potential benefits that a more



traditional business could offer. The results indicate that 64% of social enterprises are very satisfied with employee commitment, a percentage that amounts to 52% when it comes to the organisation's volunteers. The satisfaction level falls significantly when it comes to evaluating the quantity of volunteers available to work. As such, the results also reveal low levels of ease for the social enterprise to find trained volunteers. Only 25% consider that it is "very easy" to find volunteers who share the business' values.

Firstly, this can be explained by the employment benefits and compensation that they offer those who work with them. Delivering flexible working, offered in 67% of cases, is not enough to recruit and retain labour, given that 65% of financial rewards are lower than or equal to those offered by the labour market. When other types of compensation are analysed, the results are a little more encouraging as they bring to light that 42% of the compensation provided by social employers are less than or at the same level as the market. This invites a search for new business models that are capable of generating greater financial and social value, based on higher involvement of employees and volunteers, that can become more attractive than the private sector. To the extent that social entrepreneurship grows, it becomes necessary to consider more seriously that this is not about creating "socially friendly" businesses, in which traditional business logic "should" work, rather it is a different way of creating and delivering social wellbeing, which requires a suitable kind of organisational form and work model. Secondly, it is possible to identify the lack of experience and training in critical areas for the development of social enterprises; only 55% of the surveyed businesses say they have had formal training on social entrepreneurship and 27% of them, on environmental management. Similarly, in terms of average number of years of work experience, sales and marketing come to 2.93 years, for international development or aid it is 1.42 years and in public administration it is 1.78 years.

Regarding social innovation, the research measured perceptions of the novelty of products and services offered to the local, national and international market, and reviewed differentiation in product, production, costs and distribution as well as the capacity of the business to detect and serve new social needs and new markets. What social entrepreneurship offers is primarily access to new products and services for a group of people or segment of clients with specific needs. The new segments do not represent a sufficient critical mass to enable innovation around costs, and there is no evidence to indicate that within social entrepreneurship the forecasted costs will fall in the coming years. In fact, 67.26% consider offering attractive and novel products to be "very important" for the competitiveness of the business, in contrast with 23.21% who see maintaining low prices as "very important". This is related to the way in which businesses compete in the market, as 81.7% consider that the way in which they make their products or deliver their services is different to the way in which their competitors have operated in the market. Another aspect that deserves to be highlighted is that 56% state that the social component of the business influences the purchasing decisions of our clients, and in turn, 68% indicate that the business would be less profitable if they took away the social aspect. That is to say, social enterprises mainly compete to be the one to deliver greater aggregate value, rather than to be the most economic option. The social component of the business complements the value proposition, allowing them to set a higher price compared to a product with the same characteristics.

With respect to the competition, 47% identify a traditional for-profit business as their main competitor, which contributes to maintaining low prices being the least utilised strategy for social enterprises.

Altogether, the basic conditions are in place for social entrepreneurship to be cultivated, however, progress towards the formalisation of more direct interventions is needed - such as the promotion of a market structure with a wider range of intermediaries and more sophisticated investment tools. In the United Kingdom, "Social Impact Bonds" have been created, designed to support the delivery of public interest services, such that the financing is contingent on the achievement of results. Investors pay for the project from the start, then payments are confirmed depending on the results achieved by the project. In contrast, currently the funding options used by social entrepreneurs begin to fall significantly after the business' first 6 months; the initial stage that is mainly covered by own capital, friends and family and seed capital. Only 18% of start-ups receive investment from 24 months on.

Given that social entrepreneurship is born out of the commitment to solve a problem, the incentive for traditional investors is low, since the promise of financial return becomes a secondary objective. In other words, it is a challenge to improve understanding around problems and who is trying to solve them, recognising the public role that social entrepreneurs play.

As a general conclusion regarding the remaining challenges for the development of the social economy, it can be indicated that social enterprises' success should be evaluated with respect to the social and/or environmental impact that they generate, although less than half of those surveyed state that they continuously measure their impact. A positive factor is that 59% of those surveyed state that the responsibility for measuring the impact of their operation actually falls to them. Among those businesses who present themselves as "strongly agreeing" with the fact that their business continually evaluates its impact, a lack of understanding and clarity regarding what measurement tools are and how to use them can be observed. We classify measurement tools using three categories: international standard (14.7%), internally developed "ad-hoc" (40.2%) and general measurement tools (38.2%). Upon reviewing the reasons for which businesses utilise impact measurement, it is interesting to note that the majority of social enterprises understand measurement as a continuous improvement tool, rather than simply a way of gaining legitimacy as an emerging sector. In this way, apparent deficiencies in terms of the quality of tools used are a consequence of the context and youth of the sector.



## Index

1.	INTRODUCTION	12
2.	CONCEPTUAL FRAMEWORK AND METHODOLOGICAL APPROACH	16
2.1.	Social entrepreneurship: global and local context	17
2.2.	Sample and data collection	19
3.	EMERGENCE, MOBILITY AND GEOGRAPHICAL CONNECTION	22
3.1.	Social problems and business ideas	23
	<b>Balloon Latam: promoting entrepreneurship in rural communities</b>	<b>25</b>
	<b>Puntaje Nacional.cl: closing the educational gap</b>	<b>29</b>
3.2.	Formalisation of social entrepreneurship	30
3.3.	Distribution, mobility and territory	32
	<b>Centro Tabancura: breaking the cycle of drug addiction</b>	<b>36</b>
4.	ORGANISING FOR PROBLEM-SOLVING	40
4.1.	Organisational structure: employment and voluntary work	41
4.2.	Values-based connection and commitment	41
4.3.	Labour supply in view of the market	43
	<b>Mingamos: A technological platform that manages volunteers' work with NGOs</b>	<b>46</b>
4.4.	Human capital	48
	<b>Mingamos: Entrepreneur team and journey</b>	<b>50</b>
5.	COMPETITIVENESS AND VALUE CREATION	52
5.1.	Social innovation	53
5.2.	Market, competition and competitiveness	55
	<b>Cooperativa Ispirare: a social enterprise in the service of sustainability</b>	<b>57</b>
6.	FUNDING AND INVESTMENT IN SOCIAL ENTREPRENEURSHIP	62
6.1.	Financing social entrepreneurship	63
6.2.	Encouraging investment: in what, how and why to invest	65
6.3.	Beyond funding: collaborating on wellbeing provision	68
	<b>Puntaje Nacional: Collaborative business model</b>	<b>68</b>
7.	PROFITABILITY, IMPACT AND MEASUREMENT	72
7.1.	Sources of revenue and markets	73
	<b>Cooperativa Ispirare: Forecasts</b>	<b>74</b>
7.2.	Revenue, diversity and profitability	75
7.3.	Rethinking the business model	77
	<b>Balloon Latam: business model</b>	<b>78</b>
7.4.	Impact and measurement	78
	<b>Puntaje Nacional: Impact Measurement</b>	<b>80</b>
	<b>Balloon Latam: Impact on people</b>	<b>82</b>
	FOOTNOTES FOR SOCIAL ENTREPRENEURSHIP REPORT	84
	AUTHORS	85
	ABOUT THE INSTITUTIONS	86
	ACKNOWLEDGMENT	88



## Index of figures

Figure 2-1	Lifetime of social enterprises in the sample group	20
Figure 3-1	Emergence of social entrepreneurship	23
Figure 3-2	Social entrepreneurship: areas of work	24
Figure 3-3	Quantity of social entrepreneurship focus areas	27
Figure 3-4	Organisational constitution by legal form	31
Figure 3-5	Distribution of legal forms	31
Figure 3-6	Legal business formalisation: Distribution by length of time legally constituted	32
Figure 3-7	National distribution of businesses and beneficiaries	33
Figure 3-8	Location and mobility	33
Figure 3-9	Stakeholders and business objectives: degree of influence	34
Figure 3-10	Stakeholders and business objectives: degree of influence	34
Figure 4-1	Quantity of employees and volunteers.	41
Figure 4-2	Commitment, quality and quantity of associates	42
Figure 4-3	Commitment, quality and quantity of associates	42
Figure 4-4	Level of ease of finding and recruiting associates	43
Figure 4-5	Work benefits	44
Figure 4-6	Compensation compared to the market	44
Figure 4-7	Formal training and previous experience	48
Figure 4-8	Years of work experience	49
Figure 4-9	Level of education of the social entrepreneur	49
Figure 5-1	Scope of social innovation	53
Figure 5-2	Innovation in the social enterprise: disaggregated by area	54
Figure 5-3	Expectations for the coming years	54
Figure 5-4	Main clients by sector	55
Figure 5-5	Main competitors of social entrepreneurship	55
Figure 5-6	Strategies for remaining competitive	56
Figure 5-7	Main obstacles to social entrepreneurship	56
Figure 6-1	Sources of investment	63
Figure 6-2	Investment by stage in the entrepreneurship process	64
Figure 6-3	Evolution of investment instances	65
Figure 6-4	Recurring problems in the entrepreneurship process	66
Figure 6-5	Principal sources of support for the entrepreneurship process	67
Figure 7-1	Sources of revenue	73
Figure 7-2	Social component and performance	74
Figure 7-3	Revenue and the social enterprise	75
Figure 7-4	Profitability and the social enterprise	76
Figure 7-5	Quantity of revenue sources	77
Figure 7-6	Impact measurement and social entrepreneurship	79
Figure 7-7	Impact and social entrepreneurship	79
Figure 7-8	Type of measurement tools	80
Figure 7-9	Main reasons for measuring impact	81







1 • Introduction

## 1. Introduction

The study on the Structure and Dynamics of Social Entrepreneurship in Chile 15PES-4402, undertaken in 2016 by the Universidad de Desarrollo together with researchers from the University of Leeds and Newcastle in the United Kingdom, is part of Special Projects co-funding line of Corfo (Production Development Corporation of the Chilean government).

This type of entrepreneurship has grown systematically and continuously in Chile in recent years, contributing not only to economic growth but also to social equality, environmental protection and, indirectly, to the achievement of higher levels of stability. This type of activity has engaged a significant number of young people and public and private actors in restructuring the core of the social economy.

The growth has come from not only from a higher concentration of activity, but also from high participation in third sector activities, civil action, private investment and education institutions' support. Many actors have joined forces to support and nurture this sector. This situation is unprecedented and assuredly requires closer attention.

Traditionally, emerging phenomena are observed through the exhaustive study of success cases, in which the details of how and why certain individuals pursue business opportunities with social and economic components are narrated in detail before attempting to infer key factors which explain greater or lesser performance.

Despite the relevance of these stories, however much they inspire new activity and help to account for their own complexity, they are not sufficient to inform the development of public policies on social entrepreneurship. Insight into the structure, dynamics and impact of social entrepreneurship, as well as its relationship with national and regional institutions is almost absent.

This project seeks to resolve this issue. Through nationwide surveys and in-depth surveys with entrepreneurs and experts, it has been possible to collect and systematise detailed information on these businesses' emergence, structure and organisation, market orientation, focus, relationships, income, social value creation and connection with the institutional environment. Although there is a great quantity of information available regarding the structure and dynamics of traditional entrepreneurship, social entrepreneurship is different in the sense that it has the potential to combat social and economic inequalities. This information will not only enable the in-depth understanding of the structure, diversity and impact of social entrepreneurship in Chile, but also help to inform decisions on public policy and how non-governmental organisations can promote this activity.

In this way, the study was developed around four overall objectives:

- To discover and deeply understand the structure and diversity of social entrepreneurship in Chile.
- To explore in depth the emergence, market orientation, relationships, revenue, social value creation and connection with the institutional environment of social businesses.
- To analyse the specific and aggregate impact of social entrepreneurship in terms of solving concrete problems, as well as in terms of the economy and social change.
- To identify areas of opportunity which enable decision-making on public policy and recommendations on how to improve levels of entrepreneurial activity with social purpose.



The study directly contributes to the improvement of the national entrepreneurship ecosystem in that it will enable a better understanding of the key processes and mechanisms through which social enterprises and socially-oriented start-ups create social innovation and inclusion, as well as the contexts in which social enterprises thrive. The information produced enables not only an in-depth knowledge of the structure, diversity and impact of social entrepreneurship in Chile, but also helps to inform decision-making on public policy and on how non-governmental organisations can promote this activity.

The report is structured in the following manner: Firstly, the conceptual framework and methodology used in the study are described, detailing the process of putting together the sample as well as the tools, data collection and analysis. Secondly, a descriptive analysis of the structure and dynamics of social entrepreneurship in Chile is presented. Key findings which the study has brought to light are summarised for each topic of interest, and, through five case studies, the complexity of the social challenges which entrepreneurs have undertaken to solve is illustrated.







## 2.

Conceptual framework and  
methodological approach



## 2.1. Social entrepreneurship: global and local context

Social entrepreneurship refers to organisations with a social purpose that use market mechanisms to create value. They focus on creating businesses to serve the disadvantaged sectors of society, which make use of inclusive innovation to solve problems and generate social change. This involves the development and implementation of new ideas that bring about opportunities to maximise the social and economic wellbeing of these social groups.

Social entrepreneurship challenges the traditional concept of a business, as it considers social and environmental change to be its business objective, and financial results as being the means to achieve this objective, rather than as the main goal. This surpasses the search for facilities to create public value, offering innovative market solutions to social and environmental problems.

More and better social enterprises have the potential to significantly influence the level of wellbeing in vulnerable sectors. Fortunately, this type of entrepreneurship has grown dramatically in Chile in recent years, inspiring young people to move towards creating social and economic impact when coordinating their start-ups, gaining public interest and involving a significant number of organisations and institutions of various types, who have come together around the core idea of proposing solutions that are capable of improving people's quality of life. This joint effort translates into a contribution to more sustainable development, greater social equality and environmental awareness and, indirectly, to greater levels of stability. From international evidence on the impact of social entrepreneurship:

- The contribution of social enterprises in the United Kingdom is equivalent to 1.5% of the GDP of the country (based on the formal definition of social enterprise, BIS).
- Positive contribution to employment. These businesses employ approximately 800,000 people and support the labour market by operating in more disadvantaged areas, giving opportunities to marginalised sectors (United Kingdom).
- The innovative business models that emerge from the necessity to find a solution to socio-environmental problems give rise to the construction of new markets and market segments, responding to the needs of vulnerable sectors as well as to consumers' demands for socially and environmentally responsible products.
- The labour turnover rate in this type of business is lower and some of them show lower accident rates (Canada).
- The incorporation of social and environmental practices contributes to legitimacy, market recognition and the improvement of the operational structure of these businesses. This increases not only their capacity to create value but also their capacity to recuperate when faced with crisis situations and social pressures (Canada).

Social enterprises have been growing in number and importance which, together with the new certification processes, has meant that their impact on the economy has grown in relevance and that more and more people are working together to widen their reach, and in some cases to transform the business arena, too. This has led to high levels of third sector activity, not only between social enterprises, but also between civil society organisations that seek to support and nurture this sector. This situation is unprecedented and requires further attention.

The entrepreneurship ecosystem in Chile has increased in intensity and maturity, delivering coverage and connecting a significant portion of entrepreneurial activity, above all with a focus on dynamic and high-impact start-ups. With this stage of maturity already reached, there is a need to better understand the way the system works and to make progress towards involving and deeply understanding areas that are not currently covered. Social entrepreneurship is one of these areas that requires further attention.

In recent years, the public sector has taken proactive steps to create ecosystems that enable the emergence of more and better socially-oriented start-ups. There are legal projects to give appropriate support and recognition to entrepreneurship and social enterprises under discussion. In the same way, university centres and private businesses have taken leadership in the promotion of this type of entrepreneurship. Supporting this segment adequately requires precise information about its structure, dynamics, impact and interaction with institutions.

The efforts to support this type of entrepreneurship have been growing, as evidenced by the SSAF Social, launched by CORFO in 2015. One of the first initiatives of its kind, the SSAF focuses on delivering resources (80% of the total of the SSAF-S Fund Project, with an upper limit of \$96,000,000) to finance activities to support social innovation start-ups. UDD Ventures from the Universidad del Desarrollo, a principal actor in this cause, was one of the winning institutions.

This type of initiative definitely creates public-private institutional working and engagement from civil society. Nonetheless, the credibility and trustworthiness of instruments based on limited and idiosyncratic information is reduced, and the potential to forecast results and impact on the ecosystem is restricted.

The information upon which these initiatives have been built is based on an exhaustive review of successful cases, in which the how and the why of individuals pursuing business opportunities with social and economic components has been narrated in detail. Despite the relevance of these stories, given how much they inspire new activity and demonstrate their complexity, they are not sufficient to inform policy and practice. Even though we have a large quantity of information regarding the structure and dynamics of traditional entrepreneurship, social entrepreneurship is different because of its potential to combat social and economic inequality. Currently, understanding of its structure, impact and relationship with institutions on national and regional levels is almost inexistent.

## 2.2. Sample and data collection

The selection of the samples for the quantitative and qualitative studies was carried out in stages, before and after the utilisation of the main tool. In order to build a sample population for the first part of the study and ensure access to the desired sample, four types of sources were used: accelerators, incubators and university programmes; community or NGO programs; business associations; and previous studies. Additionally, social entrepreneurs were contacted who belonged to previous sample groups of studies such as the Global Entrepreneurship Monitor 2009 and 2015. This is particularly relevant given that the Global Entrepreneurship Monitor study in Chile has regional teams, which enabled nationwide coverage to be achieved. Once the quantitative phase was completed, a sub-sample was selected to participate in the in-depth interviews.

In this work, two definitions of social entrepreneurship have been employed. The first definition is wide and takes social entrepreneurship to be any business activity with a social purpose which utilises market mechanisms to resolve social and environmental problems. In line with this definition, a total of 584 individuals from across the entire country participated in the study. This sample group was refined according to three criteria: i. Longevity of the social business: Only businesses ten years old or less were included; ii. The participant was actively involved in the management of the business (actively involved here is taken to mean regularly supporting or advising on the daily activities of the organisation, rather than providing funding or occasionally supporting operations); and iii. Availability and reliability of data: Only those participants who completed at least 70% of the research tool were included.

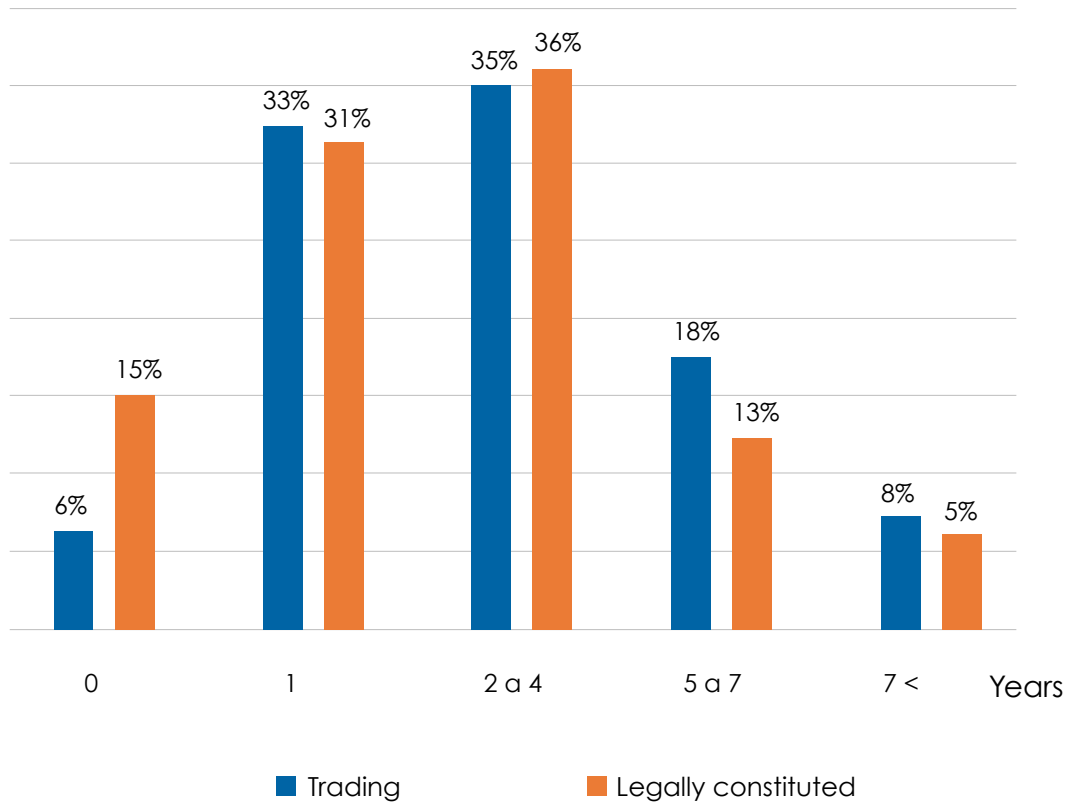
These three criteria were applied to the initial sample group of 584 participants. After reviewing and refining the data collected, the analysis was carried out on a sample group of 340 social entrepreneurs. This selection included founders (40%), directors (20%), investors (8%) and other actors (3%), all actively involved in the emergence and operation of social entrepreneurship.

A narrower definition was also included in the tool. This establishes social entrepreneurship as any early stage business activity, with 4 years or less of operation, whose business objectives are primarily social ones. In these start-ups, the profits are usually reinvested in the social purpose of the business or in the community, instead of maximising the economic return of the shareholders or owners. This narrow definition creates a sample group of 268 early stage social entrepreneurs whose businesses not only have a social mission and seek to solve social and/or environmental issues, but also set out a decision-making framework determining the distribution and beneficiaries of any surpluses. This sub-segment opens up interesting areas of research for future studies.

Working with both definitions enabled the composition and distribution analysis of the sample group, and subsequently comparison of the results with international research.

As can be observed in Figure 2, 60% of the sample is in the range of 1-4 for longevity both in terms of operating commercially and being legally constituted. The average for the group is 3.11 and 2.47 years for commercial activity and legal constitution respectively. Less than 15% of the sample group is still in the emerging stage, with 8% in the pre-commercialisation stage. The sample group is also heterogeneous in terms of the legal form it takes and whether it has been legally constituted. 12 legal formations are represented in the study (Figure 3-4), which together represent 79% of the sample group. 21% of the businesses surveyed are not yet legally constituted.

**Figure 2-1 Lifetime of social enterprises in the sample group**



The principal information gathering was undertaken with the use of a questionnaire made up of closed questions to social entrepreneurs in Chile. The questionnaire was inspired by the experience of the United Kingdom in their efforts to study the composition of the third sector. The study, "UK Survey for Third Sector Organizations" was developed by OTS and validated by communities and local government in consultation with Ipsos MORI and other relevant stakeholders.

The questionnaire used in the present study consists of 54 questions in 7 sections: social enterprise, social objectives and challenges, impact, human capital, business and commercial strategy, funding and revenue, and social entrepreneur.

In addition, semi-structured interviews were carried out with 70 social entrepreneurs from across Chile. The interview was carried out by journalists between the months of May and July, based on a guide of 19 questions on 5 themes of interest: history of the entrepreneur, identity, resources, institutions and impact.







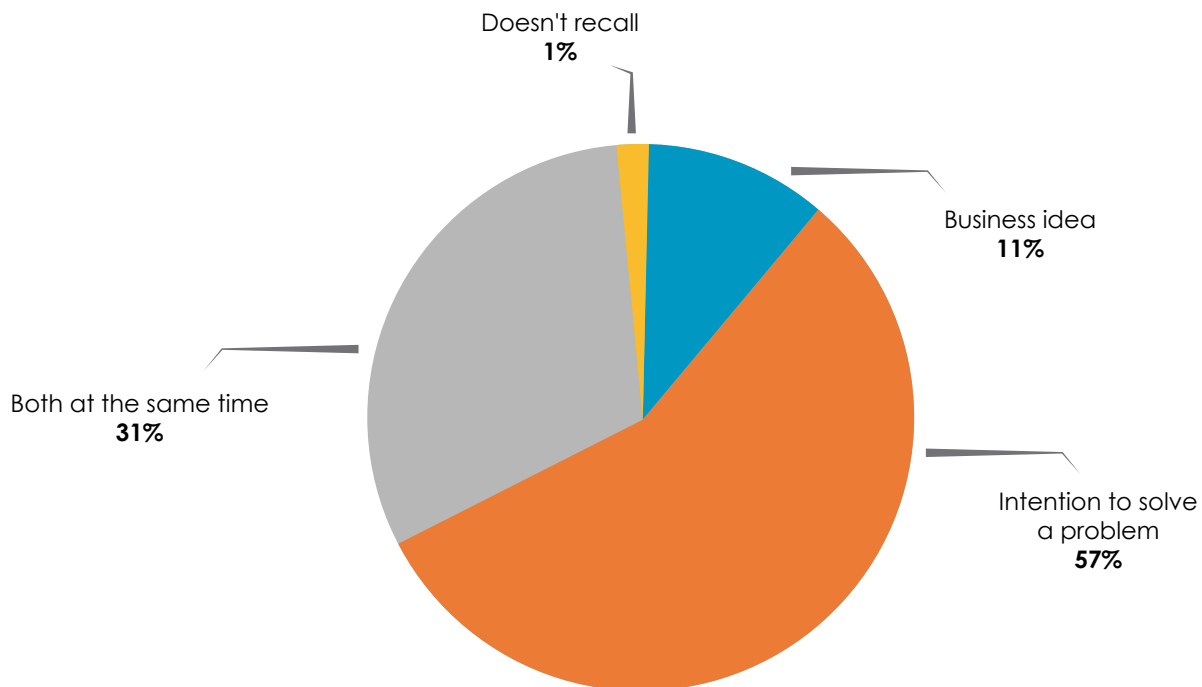
### 3. Emergence, mobility and geographical connection

### 3.1. Social problems and business ideas

With the goal of solving latent social problems, social entrepreneurship and the inclusive innovations that are being developed are being widely considered as key targets for the improvement of local development and growth. In this lies the importance of developing better social business models and recommendations for pro-social entrepreneurship public policies. Social entrepreneurship is a process of creating business solutions focused on solving problems and social change. This involves the development and implementation of new ideas which leverage opportunities that promote social and economic wellbeing in the most vulnerable sectors of society.

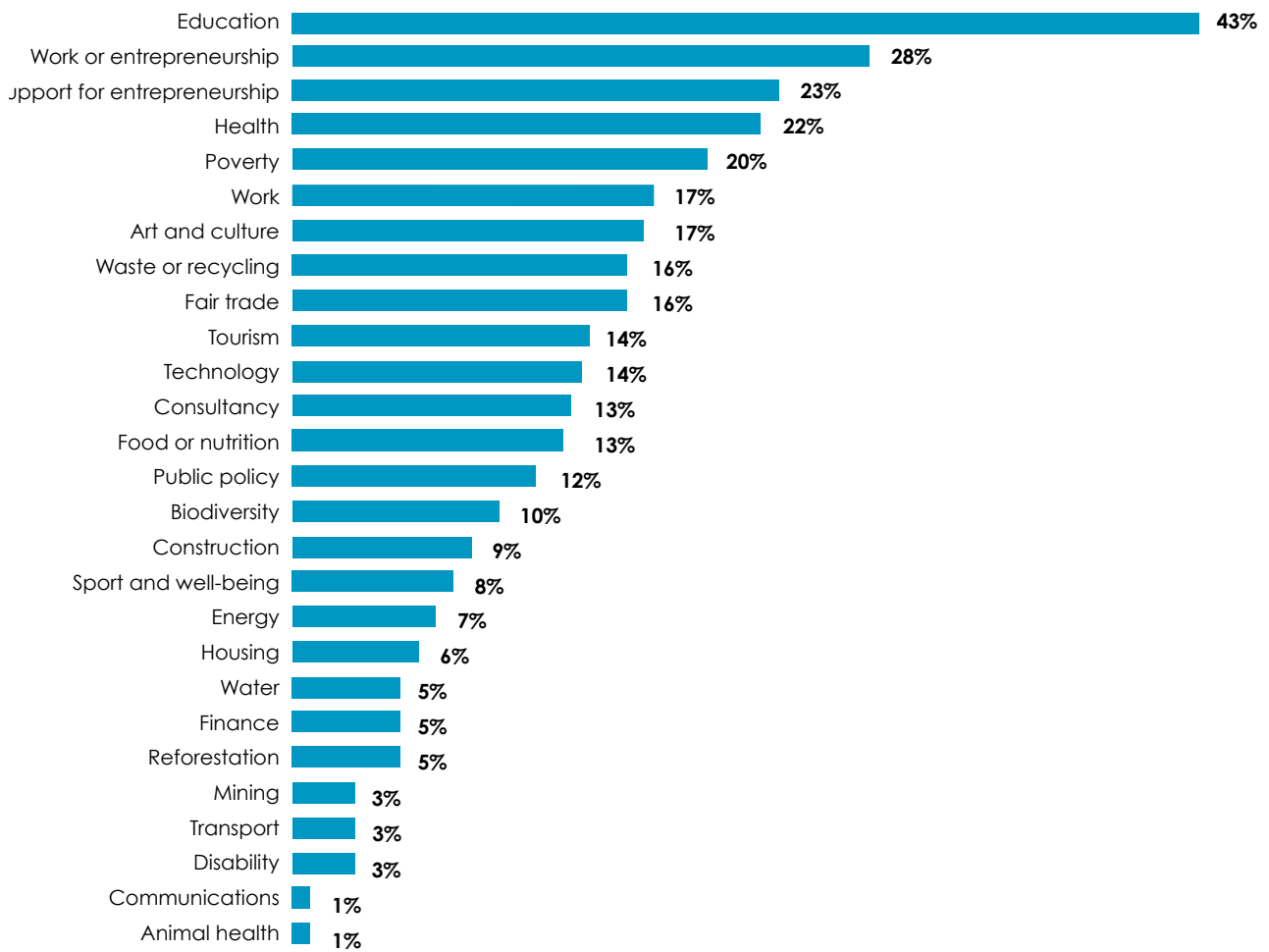
In this sense, as shown in Figure 3-1, much of the social entrepreneurial initiative is motivated and driven by the intention to solve social problems (57%), rather than simply by a business idea with potential for social impact (11%).

Figure 3-1 Emergence of social entrepreneurship



The overall goal of social entrepreneurship is to improve the social and economic wellbeing of marginalised members of society. Ultimately, it concerns an entrepreneurial response to the fact that many public policy interventions, with limited resources, have not been able to generate the expected social and economic development. In this way, social entrepreneurship tends to be more sensitive and to work on the more recurrent problems in a given context. Social entrepreneurship in Chile mainly focuses on education, entrepreneurship/self-employment (directly or in support of the latter), health and poverty (see Figure 3-2).

**Figure 3-2 Social entrepreneurship: areas of work**





## **Balloon Latam: Promoting entrepreneurship in rural communities**



- ***Combating poverty and inequality by involving the people affected by the problem in the solution was Emprediem's premise when they created the programme Balloon Latam. The initiative coordinates the work of young people who come from other countries and who pay to learn innovation methodologies and tools, which they then pass on to rural entrepreneurs in various locations, meanwhile getting to know their destination and leaving a positive impact there.***

Collaborative working and value generation is at the core of Balloon, Emprediem's biggest and most impactful project. Emprediem is a business dedicated to the management and democratisation of social innovation, created in October 2011. It seeks to resolve the lack of access to tools and methodologies for entrepreneurship, innovation and sustainability through various projects aimed at entrepreneurs, businesses and universities. In this way their work is carried out according to the 'House of Brands' method - their different social innovation initiatives operate independently but with the same purpose -

In the case of Balloon Latam, it is an 11-month programme (6 months of destination coordination, five weeks working in the field and 4 months of follow up) which aims to foster and develop entrepreneurship in communities through the sharing of innovation methodologies and tools. Today Balloon is present in Chile, Argentina, Mexico, Ghana, Kenya, Uganda and the Philippines. To date, 345 young people from 52 countries have been through the programme.

The model consists of young professionals from other countries paying to receive an intensive course on innovation and entrepreneurship, in order to subsequently pass on this knowledge to rural entrepreneurs, “giving them the opportunity to strengthen their projects in a co-creation dynamic, meanwhile discovering the destination in a new way and leaving a positive impact there”.

Sebastian Salinas, Director of Emprediem Latam, notes that the underlying purpose of the initiative is “to train agents of change for the world”.

***“Through the means we provide, more people can work to resolve the most pressing global issues. And, at the same time, it is very important that entrepreneurs are enabled to free themselves from their work circumstances - subsistence - through the tools and experiences”, he asserts.***

The name Balloon, ‘globo’ in Spanish, evokes “the community that we generate which for us is like the air”. People working collaboratively together, he says, “is what will give the balloon lift off”.

Among the influences that determined Sebastián Salinas’ path as a social entrepreneur and eventually culminated in the creation of Emprediem, he himself highlights his school, Dunalastair, and the Universidad Adolfo Ibáñez (Adolfo Ibañez University) where he studied Social Sciences with distinction in Business Management: “I was always connected with activities in the social sphere. I never did the type of volunteering like going to build houses, rather, I was involved as an evangelist. What is more, I was always involved in the Student Council and matters related to entrepreneurship, which left a lasting mark on me.

In 2010, Salinas participated in Fundación Chile and Endeavor’s entrepreneurship programme, Jump Start. He worked with young people who were in 10th and 11th grade at the public school Liceo Piedra Azul in Puerto Montt.

***“Some of the teachers said that many of the children were not suited to factory work, that they were good for nothing, or that they would end up as delinquents or drug addicts. Working with them, empowering them and giving them the necessary tools, I realised that when you give them a chance, they can change things. When I saw them developing their entrepreneurial projects and driving them forward with such passion I felt moved and said to myself: this is what I want to dedicate my life to”, he explains.***

With this level of awareness, in October 2011 he travelled to Kenya together with two English people who were working in an orphanage belonging to one of their mothers. The premise that he shared with them as a poverty eradication solution did not involve a handout mentality in any way. “The people were necessarily part of the problem, but also had to take responsibility for the solution themselves”, he proposed, and maintains up until today.

They realised, he explains, that one path was that of entrepreneurship, and therefore they decided to pilot the model working with 100 young Kenyan entrepreneurs, before going on to invest in the best project of that generation. “It was an incredible experience for us; we asked ourselves, ‘why don’t we do this on a bigger scale, all around the globe?’ Surely there must be other young people like us interested in experiencing this”. And so the first Balloon programme was born, and Sebastian became the co-founder of Balloon Kenya.

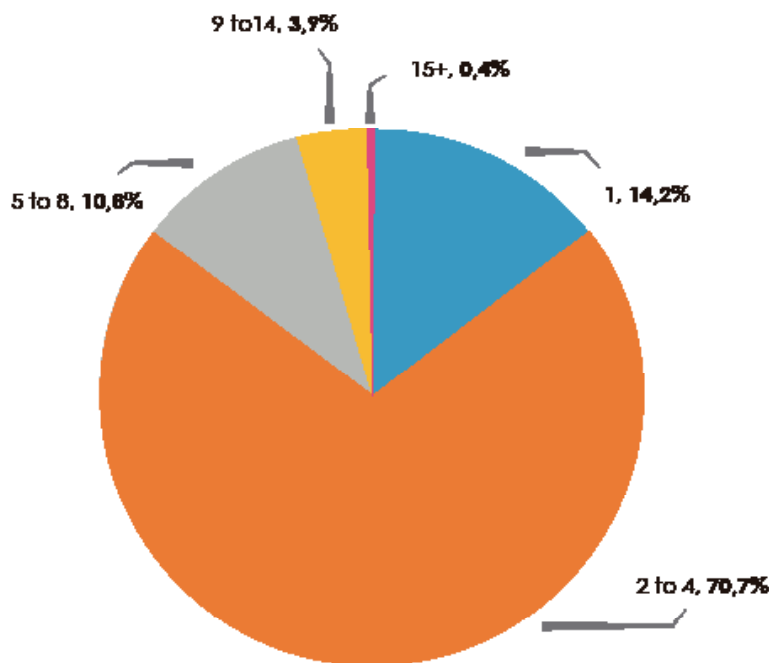
He returned from his trip with high expectations that the model would be a success and would be well-received in Chile. However, reality was completely the reverse. And it was not a case of being rejected once, rather, he received fourteen negative responses when applying to various public funds between 2012 and 2013. Amongst them were Fosis, Corfo, Socialab and Start Up Chile. None of this made him give up on his project.

***“It was very hard, because nobody believed that somebody would pay to come and work with Chilean communities. There were fourteen application processes each three months long, and in the end, nothing came of it. I became indebted to the credit facilities and asked the bank for money”, he explains.***

But the matter was turned around, he says, with the change of administration. At that point they won funding for the first time and since then they have not paused for breath. Today they are labelled a Social Enterprise Success Story.

In line with Figure 3-3, Balloon seeks to resolve three fundamental problems. With respect to the entrepreneurs, they fight poverty. In rural areas, technical knowledge of tools for entrepreneurship, management, administration and differentiation are almost non-existent. There is a subsistence economy; they do not know how to nurture what they are best at. Then when it comes to the young people of this generation, the “millennials”, who want to work in an area which really has meaning for them, here Balloon’s intention is to train agents of change for the world with this transformative experience. And finally, concerning the destination, what they do is to bring the community together around a common objective. In other words, they create spaces for conversations between the business and tourism associations, businesses, and municipalities with a view to attracting more tourists.

**Figure 3-3 Quantity of social entrepreneurship focus areas**



As demonstrated by the case of Balloon, and others included in this report, there are many different areas that affect problem-solving. A large proportion of social enterprises, as seen in Figure 3-3, focus on more than one social problem, leveraging the services of a secondary area in order to resolve the problems of the primary one. Arts and culture, which are not normally emphasised as an area of concern or as a social issue, benefit from high coverage as a result of how much they are utilised in the effort to solve problems in education. In a similar way, education and entrepreneurship work together so as to reduce poverty. This represents a dual challenge for social entrepreneurship, in that it requires in-depth knowledge not only of the specific problem for which a solution is being sought, but also of the social mechanisms that work together alongside the problem in focus.

The latter constitutes a key challenge for social entrepreneurship training programmes, in which knowledge is required not only about the process of creating businesses with a purpose, but also about the social complexity of the problems that they are trying to resolve. It also invites reflection on the places that usually promote social entrepreneurship. Institutions dedicated to the creation, scaling and management of businesses may not actually be the most suitable places to develop this type of entrepreneurship, at least not on their own, given the narrow and pragmatic traditional logic they use to observe, analyse and resolve problems. This could be useful when it comes to promoting traditional entrepreneurship, but perhaps insufficient to enable understanding of the determining factors and the dynamics of the situations in which they work or appreciation of the impacts and consequences of their actions.

## **PuntajeNacional.cl: Closing the educational gap**



- ***Students who want to take the PSU, the university entrance exam, and achieve a good result no longer have any excuses. The free online educational platform, PuntajeNacional.cl, enables them to access first-class content aligned to DEMRE, the Department for Educational Registration, Evaluation and Monitoring. The success this national business has won means that it can now count on the backing of the Ministry of Education, it is present in Colombia, and is projected to expand to four countries in the region.***

With a mission of reducing the educational, social and economic inequality of the country and “evening the playing field”, the business Open Green Road S.A. and its main project, PuntajeNacional.cl, were born.

It is a free online educational program which contains the necessary resources - like videos, tests, content guides, exercises and live classes - targeted at the school community's different learning styles for the various subjects and levels of secondary education, but fundamentally geared towards preparation for the PSU.

Their main beneficiaries are the pupils, of whatever age (including senior citizens) who wish to take the test and study the associated materials. It is relevant to highlight that the content is kept in line with each year's PSU and the DEMRE.

PuntajeNacional.cl emerged as an idea in 2009 when students Fabián Martínez and Sebastián Arancibia were completing their Business Administration studies at the University of Chile while involved in community activities at Hogar Español. At this school, which receives vulnerable children, they were able to sense the weaknesses of public education at the same time as becoming aware of the differences in terms of access to content. There they became motivated to design a tool which would help young people preparing for the PSU.

According to Fabián, now the business' Director of Spin Offs, at the beginning it was conceived of as a board game, with dice and counters, but soon they realised that it was "hardly scalable" and that the unit cost was very high. On this basis they turned towards an online platform. "Besides, with the digitalisation of education, you can access everyone equally", he explains.

Puntaje Nacional is one of the cases in which the conviction to solve a problem and create social value was the driving force behind getting a business idea off the ground.

Fabián Martínez, then 22 years old, made Puntaje Nacional his academic thesis. Even though he didn't have work experience, he sought advice and put together a solid team. He notes that the support of his thesis tutor was decisive, as was knowing Sebastián's father, Ariel Arancibia, who was so committed to the project that he put at Puntaje Nacional's disposal hours of his own business' engineer time for the development of the platform. Today Ariel is part of OGR's board and is one of the founding partners. In addition, Fabián and Sebastián were joined by founding partners Diego Martínez and Francisco Val.

***"We were really firm about it, we never evaluated anything, we launched and that was that. I think that was key, when you have an idea, we didn't do any prior evaluation, we simply developed the platform we believed was the best and the truth is that that worked out well for us. In addition, we had first-class engineering, that was fundamental", asserts Fabián***

Since the majority of the partners were business-orientated, he confesses, they always had business vision and the conviction that they had to keep the service offered by the business free of charge.

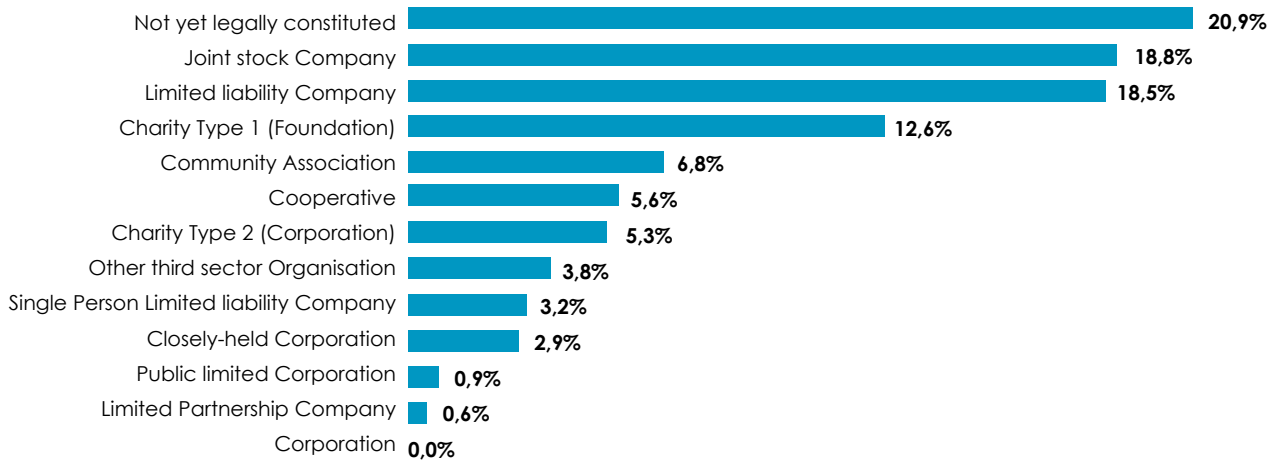
In addition to the PuntajeNacional.cl programme, they complement young people's training with Financial Education workshops and a School Entrepreneurship competition. The way in which social enterprises approach problems is more complex than in traditional entrepreneurship. As can be seen in the Open Green Road S.A. case, at the same time as they work to reduce educational inequality, they work to develop entrepreneurial skills and pass on tools for responsible entrepreneurship.

### **3.2. Formalisation of social entrepreneurship**

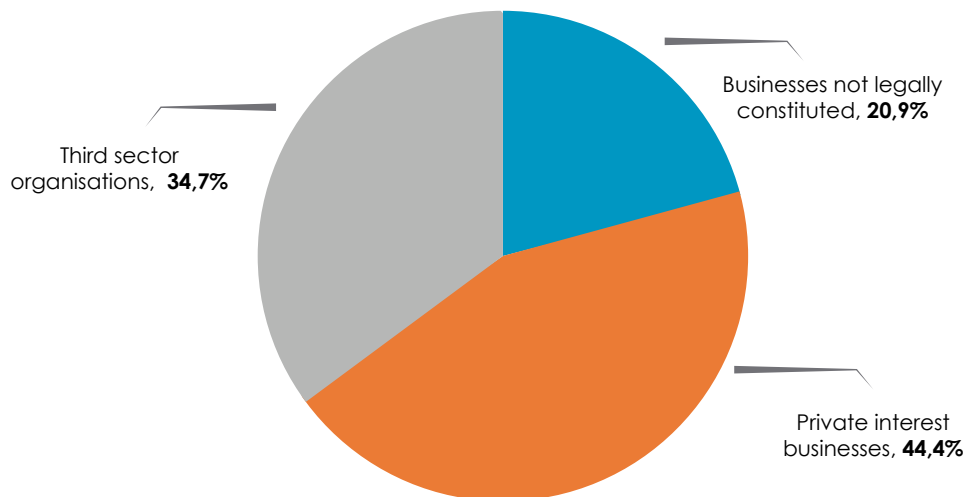
As can be observed in the previous figures and reflections, these actors try to reduce social inequalities by developing new goods, services, production methods, supply systems, or organisational structures, and introducing them into the markets in less favourable conditions. Given their nature and in the absence of a legal structure to protect them, these organisational structures can assume a great variety of corporate forms, from charitable foundations to open private interest companies (Figure 3-4).

With an arbitrary separation, we can see that the percentage of private interest companies is marginally higher than that of public interest ones belonging to the third sector. This is largely driven by a new generation of social enterprises that understand the market potential of this new actor in the economy, and the needs of NGOs and more traditional charitable foundations that require operational models which allow more stable income generation and less dependency on donations, memberships and public funds.

**Figure 3-4 Organisational constitution by legal form**



**Figure 3-5 Distribution of legal forms**



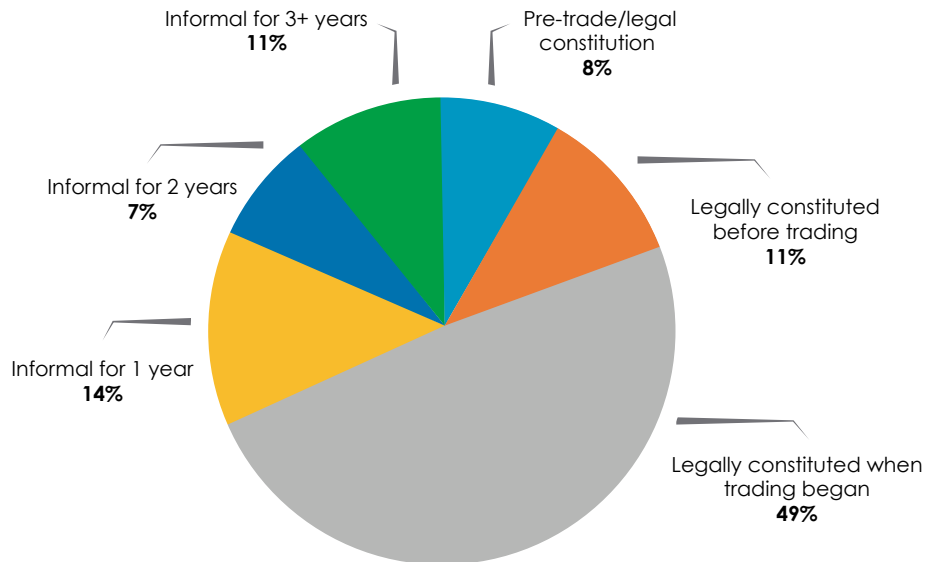
*Empresas no legalizadas, de interés privado y tercer sector*

Entrepreneurship is a creative process in which in response to perceived opportunities, abstract ideas are born, evolve and adapt as they advance and are tested in the market. With maturity, the entrepreneur grows in confidence and envisages the idea materialising into a formal business. This process takes around 3 years, in which the start-up eventually transforms into a business and the entrepreneur into a manager. As such, it is not surprising that 21% of those surveyed state that they have not yet legally constituted their business and that 8% indicate that they are still in an emerging stage prior to commercialisation and legal constitution.

What does stand out, and it is observed with greater frequency among start-ups born of necessity and with the self-employed, is the high percentage of entrepreneurs who remain informal for two or more years and, in contrast, the quantity of businesses that only register when they start trading (49%) or even beforehand (11%). This can be in large part a response to management practices they have learnt or perceptions of what a business needs to function and become viable in the market. However, there are still 32% of entrepreneurs who keep trading informally for one or more years after the commercialisation of their products or services.



**Figure 3-6 Legal business formalisation: Distribution by length of time legally constituted**



Legally constituting a business is increasingly simple and accessible, but it assumes having a minimum knowledge base or conviction about the viability of what is in the process of being formed. This can give rise to two distinct groups of social entrepreneurs. There is one group made up of 60% of entrepreneurs who have knowledge, support and confidence, and who become legally constituted when they start trading or beforehand, and another group composing 32% of entrepreneurs, who lack the necessary knowledge, support or confidence to take the next step.

The argument here is not that the first group is better or has advantages over the second, however much entrepreneurship often requires the flexibility that informality delivers. It is simply a case of reflecting on the makeup of the process and the evident separation between these two groups, which is fundamental from a public policy perspective. Recognising each of these groups' existence and their underlying needs and motivations calls into question the support mechanisms for social entrepreneurship, which often incentivise formalisation at the emerging stage as a way to become established and legitimate, and this in a de-contextualised manner, without awareness of the need for flexibility and the potential benefits of remaining informal.

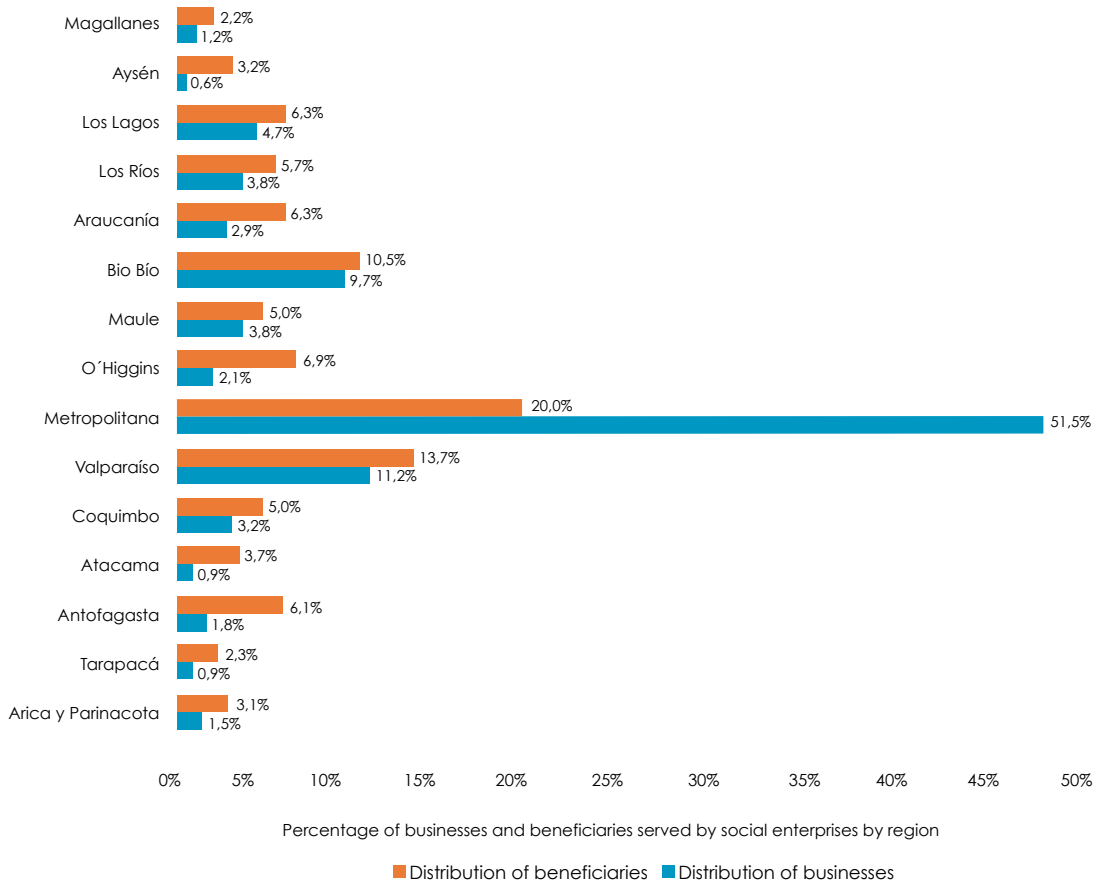
### **3.3. Distribution, mobility and territory**

Social entrepreneurship, just like the population, is highly centralised, with 50.4% located in the Metropolitan Region of Santiago (MR), followed by Valparaíso and Bío Bío. Nonetheless, a different distribution can be observed with respect to the location of the beneficiaries of these same businesses, for example, only 20% of the groups served by social enterprises are located in the Metropolitan Region. Significant correlations between the location of businesses and their main clients are not observed. The beneficiaries of less than 50% of the businesses that launch and maintain their main operating base in the MR are also in that region. Only 3% of these businesses move their operational base to the location of their beneficiaries (See Figure 3-7).

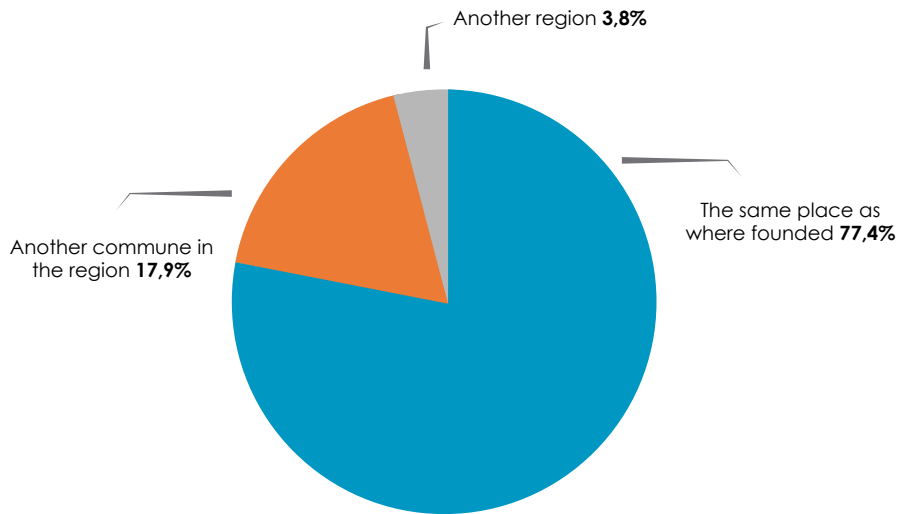
In contrast, the majority of the businesses that emerge and maintain their main operating base in regions outside the MR serve local beneficiaries. Of the 165 social enterprises located outside the Metropolitan Region, only six state that they have moved their operations between regions. In contrast to those who move from the MR to other regions, these six businesses move for more strategic (not social) reasons, for example, to be close to clients, to improve access to finance and to improve access to primary materials or inputs.



**Figure 3-7 National distribution of businesses and beneficiaries**



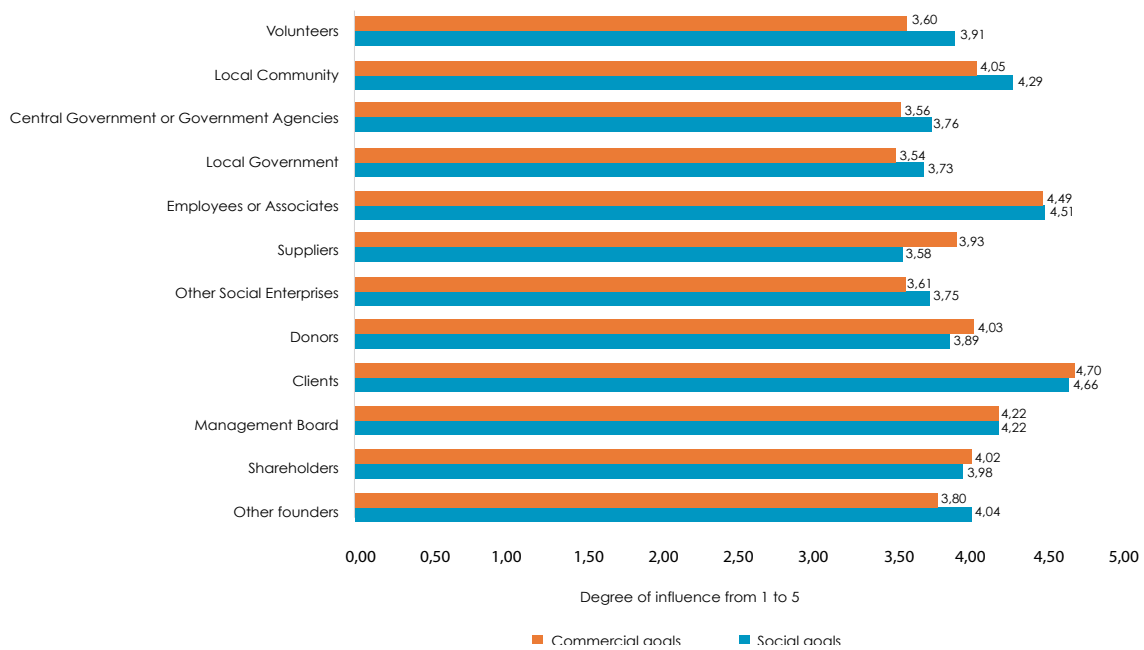
**Figure 3-8 Location and mobility**



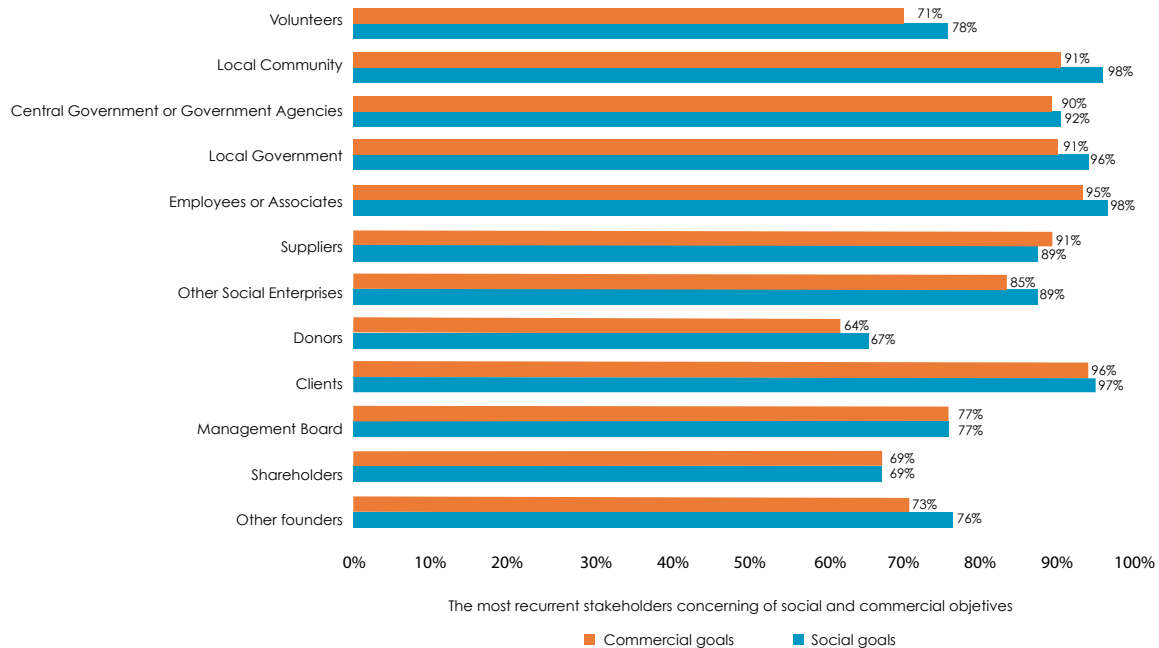
In terms of mobility, social enterprises are founded and established in the same region. Only 3.8% change regions. Of those that relocate within a region, the vast majority are looking for a better location for their employees (30%) and seeking to be closer to their local beneficiaries (30%).

As mentioned earlier, a high percentage of social entrepreneurs are motivated and driven by the intention of solving social problems (57%). Considering that the vast majority of social entrepreneurs' beneficiaries are in the non-metropolitan regions (those that are founded there do not relocate), it is possible to infer that there is a close relationship between the social enterprise, the local issue, and the territory.

**Figure 3-9 Stakeholders and business objectives: degree of influence**



**Figure 3-10 Stakeholders and business objectives: degree of influence**



The above reinforces one of the principle findings on which research on social entrepreneurship has focused to date; the local community has been established as the driving force and the ultimate beneficiary of the value created by these entrepreneurs. In this way, it is not surprising to find in both social entrepreneurship research and practice, terms such as community development, community empowerment, and sustainable local development; wellbeing in human communities or community outreach. It is certainly a practice which acts and focuses on social objectives of particular communities in disadvantaged circumstances. Figure 3-9 and Figure 3-10 also provide support for this idea, in which the local community is recognised as one of the three most influential and recurring actors concerning the fulfilment of not only the social objectives but also the commercial ones.

Therefore, there is deep integration between the entrepreneur, their business and the respective community, and an interdependence with the specific local circumstances, which tends to make social entrepreneurship inseparable from its context, despite the attempts of a large quantity of initiatives to make them scale up without consideration of the territory. The observed connection is therefore emotional in nature, rather than strategic; social identity and the local circumstances play a more significant role than the strategic benefits of a given context. As such, local policies on promotion, support and ongoing backing (e.g. municipal programmes) may be more relevant than centralised ones. In fact, the evidence is consistent with these results, in as much as social entrepreneurs consider the power of local authorities a more relevant factor in terms of building trust. In this context, Sebastián Salinas, founder of Balloon Latam, indicates:

***Balloon's success in each of the communities in which we intervene is closely linked to the preparation done in advance of the arrival of the programme.***

***In the first stage, termed Diagnosis and Coordination of the area, relationships with the local institutions are established, the logistics are organised, fellows are selected, and up to around 140 local entrepreneurs are selected for every intervention. This phase takes six months.***

***It is fitting to highlight that the local destinations apply in order to be selected. Sebastián compares them to the Olympic Games. "When the Olympic Games are organised, countries submit applications for their cities to host them."***

***Balloon is a "very good" programme, says Salinas, but not for all communities. The team selects them one year in advance. "It is crucial to understand how the community functions, how the local leaders work, how you can generate bonds of trust. But the first and most important thing is to evaluate how to really contribute to the professional who will pay to come and work in this locality and the impact that they could leave in the community. It is not about coming here on holiday."***

Purpose, social mission and hybridisation are therefore not the only distinctive components of social entrepreneurship; there is also, perhaps more importantly, the stated connection with the context. This calls for promotion policies and support tools to be reconsidered, in terms of the logic that underpins the growth paths of social entrepreneurship. Based on this evidence, it is difficult to predetermine the success of the social enterprise if the tools utilised derive from traditional entrepreneurship, in which mobility, flexibility, and expansion to other markets are part of the central strategy. Local problems derived from specific circumstances require solutions with the same characteristics, highly integrated with that context. This can be achieved whether through in-depth knowledge of the local context via immersion programmes, as in the case of Balloon, or by facilitating the development of projects from the context itself, which is endogenous social entrepreneurship, as in the case presented below.

## **Centro Tabancura: Breaking the cycle of drug addiction**



- ***Located in Rancagua, this addiction rehabilitation centre intends to compensate society for the damage that the scourge of drugs does to individuals and families. Their strategy? To prevent, rehabilitate and reintegrate patients, re-establishing their dignity and fostering the creation of their own start-ups. The self-sustaining management model and the fully inclusive welcome they offer to all, regardless of their resources, are some of the distinctive aspects of Tabancura.***

Personal history was decisive in the creation of the social enterprise, Centro de Rehabilitación Tabancura (in English, "Tabancura Rehabilitation Centre") founded in 2009 by Angelo Bastía, who is also its Therapy Director.

The impact that drug addiction, from which he recovered, had on his life led him to throw himself fully into the search for a solution to help those going through the same problem but which would be accessible given their financial circumstances.

***"When I, with my family, started to seek help - ten years ago - I realised that there were two ways of being admitted to a centre: the one offered by the private sector, which was excessively expensive, and the other, state-provided option, which was free. But there were waiting lists for the option with no charge; one or two years could go by depending on which number on the list you were given", he explains.***

Today, he says, treatments continue to be excessively expensive; “in the order of \$350 million, \$400 million Chilean pesos”.

***“With a minimum monthly wage of \$257,500 pesos, with those amounts, it ends up impossible for a guy to put himself through rehabilitation privately”, he affirms emphatically.***

Having recuperated in a private centre and with the mission of creating an entity where money would not be a limiting factor for treatment, he decided to prepare himself for this great challenge. He studied a specialism in Rehabilitation and Addictions and subsequently, as a first step, worked in the very centre where he had gone for rehabilitation.

Once he had qualified, he founded Centro Tabancura in Rancagua, where they have all the necessary specialists on hand: psychiatrists, psychologists, social workers and rehabilitation specialists. The system with which it functions is primarily one of self-sustainability, combined with a very low monthly charge in keeping with what each family can afford, if it can pay at all. Rather than an enrolment fee, Bastía prefers to talk about a contribution.

***“We make empanadas ourselves on Saturdays; besides, the guys do woodcarving, we teach them to make Chilean country bread, pan amasado, amongst other things. Then we sell everything that we produce on Saturdays and people come here to buy directly from us. In that way we make the household expenses a little easier, on top of what the families contribute.***

He explains that even though there are also other centres where patients sell things, “they are constantly going about in the street and they don’t have so much therapy. Here therapy is primordial, then at the weekend we deal with how to raise the money to sustain ourselves.”

With respect to the differentiating aspects, besides self-sustainability, Angelo Bastía highlights the follow-up that they carry out for four years after the end of treatment. During this final period, the guys have to attend the centre every weekend. If they don’t turn up, according to Angelo, they visit them at their homes, as contact with the family “must be permanent”.

And this becomes even more important for Bastía, since he himself experienced the lack of follow-up. In his case it was not decisive, but it is actually fundamental to the relapses that can occur: “I finished the day that they said I was discharged, and from then on they never called me anymore, I never heard from my director again, beyond the couple of months that I worked there, but afterwards they never gave me follow-up as a patient again”.

Another distinctive factor, he adds, is the concern for social reintegration. “We make sure they reintegrate no matter what. The young people do not leave treatment if they do not have a job or they do not have a start-up. If the guy says I don’t have a job, but you know what, I am going to sell bread from my house, then we contact the families so that they adapt part of the house for them”.

The Centro de Rehabilitación Tabancura also bears the hallmark of a family in which everybody is an equal. As therapy director, Bastía is also resident in the centre. “There is much affection and welcoming acceptance. Ultimately we are all human beings, even if someone living on the streets comes here we have to pick them up and welcome them”.

He explains that with the problem of addictions the lack of affection is a determining factor. Addiction - he emphasises - destroys individuals and families. "The reason I was interested in creating a Centre of this nature, besides prevention, rehabilitation, and reintegration, was to compensate society for what one does as an addict. Our mission is to reintegrate young people into society again with dignity and to set up preventative bodies for tomorrow's society.

Angelo Bastía was always sensitive to the social sphere, according to his own description. This previously led him to work in a consultancy contracted by the Ministry of Health for eleven years.

***"One of my ambitions was to be a social worker. From a very young age I worked in the social sphere. At 18 years of age I was already president of a neighbourhood committee, so the social sphere has always inspired me. When I found myself in therapy I realised that my rehabilitation was pointing me towards continuing to work in addictions. I presented this to the Director and to my psychologist, but they stopped me moving forward at that time.***

Among the main challenges which I faced at the start was bureaucracy; "I feared that the project would be rejected, that they would put obstacles in my way in the form of regulations and that I would fail, because I had to be endorsed by the Ministry of Health". None of this came to pass.

When Angelo began operating, the financial resources came from contributions and donations from the family and the circle of friends and individuals that he knew. These were key to being able to rent and furnish the premises in which they were working. In addition, at the beginning there were professionals, a psychologist and a psychiatrist, who offered their services free of charge. Contributing alongside were activities like bingo and raffles, which were held with the help of the rehabilitated young people, "who remain extremely motivated and committed".

Concerning the public sector in general, he describes not having had much support: "we have had bad experiences, they do not fulfil what they promise to". Currently they have agreements with the Municipality of La Calera in the Fifth Region and Chimbarongo from the Sixth Region.

***"They help us with what they can and we give places to those people who are considered to have limited resources".***

The Centre has the capacity for 20 people. In its seven years of operation it has welcomed three hundred and fifteen patients. Of these, 70 people have not finished their treatment; 180 have been rehabilitated and 65 went back to using. Presently there are 18 in-patients and 10 in follow-up.

These metrics account for the entity's impact, which its director illustrates, saying: "The impact is also related to how satisfying it is to see how a guy was all drugged up and then you see him rehabilitated and with his own business".

They have still not managed to balance their social resources with the financial ones. In fact, between the years 2013 and 2015, they were on the verge of closing. Angelo Bastía remarks that they want to increase the places to 25 and establish an Agreement with the Servicio Nacional para la Prevención y Rehabilitación del Consumo de Drogas y Alcohol (SENDA, in English the National Service for the Prevention and Rehabilitation of the Consumption of Drugs and Alcohol), which they are working on now and are hoping to finalise next September. This will enable them to balance their accounts.

***"It would be very important for SENDA to pay five hundred thousand pesos per patient, which would enable us to function without financial problems and to continue to maintain homeless patients, thereby providing an option to the most vulnerable group", he indicates.***

Another of the plans Bastía has for the future is to open a site "further north".







4.

Organising for problem-solving

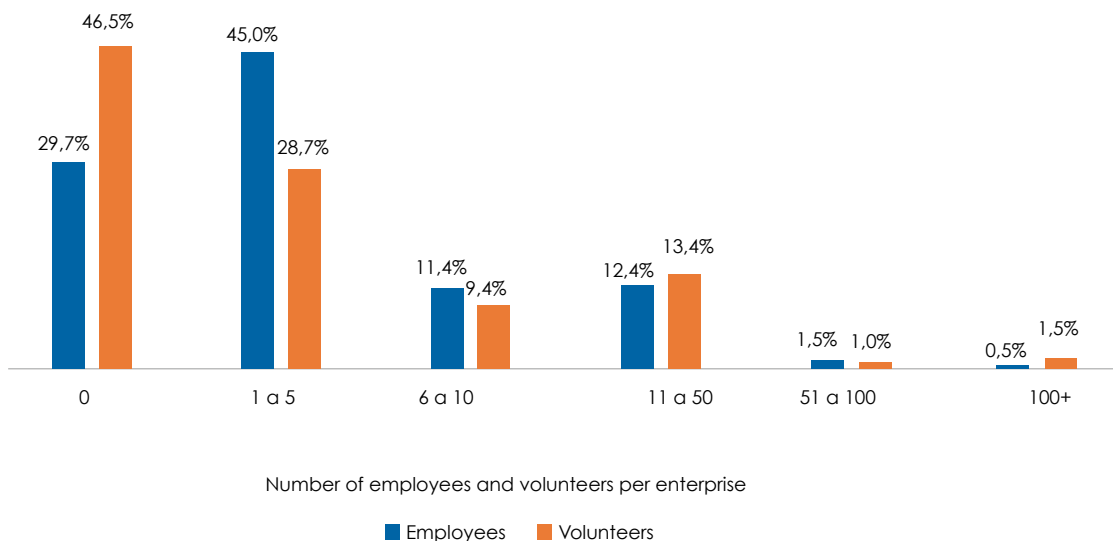


## 4.1. Organisational structure: employment and voluntary work

In line with entrepreneurship generally, early stage social entrepreneurship's capacity to act as an employment creation source is limited. 30% do not have employees and the vast majority of social enterprises (45%) employ 1-5 people. Given that the distribution for the quantity of volunteers is similar, the aforementioned employment generation capacity is not so much owing to a lack of value creation in the market, but rather owing to one of the essential characteristics of social entrepreneurship, highlighted in the previous section, which concerns ubiquity, rootedness in the territory, and also the distinctive growth of social entrepreneurship.

Growing the quantity of employees presupposes expansion or scaling up, requiring increased sales in the existing market or opening to new markets or market centres, which is difficult to conceive of in a business whose purpose develops in connection with a specific situation and, often, with a particular territory. Scaling up, in contrast to the case of traditional or purely commercial entrepreneurship, occurs to the extent that the social enterprise is able to familiarise itself with the distinctive characteristics of the context towards which it seeks to grow, and to adapt its business model in response to these distinctions, as the previous section reveals.

Figure 4-1 Quantity of employees<sup>13</sup> and volunteers<sup>14</sup>

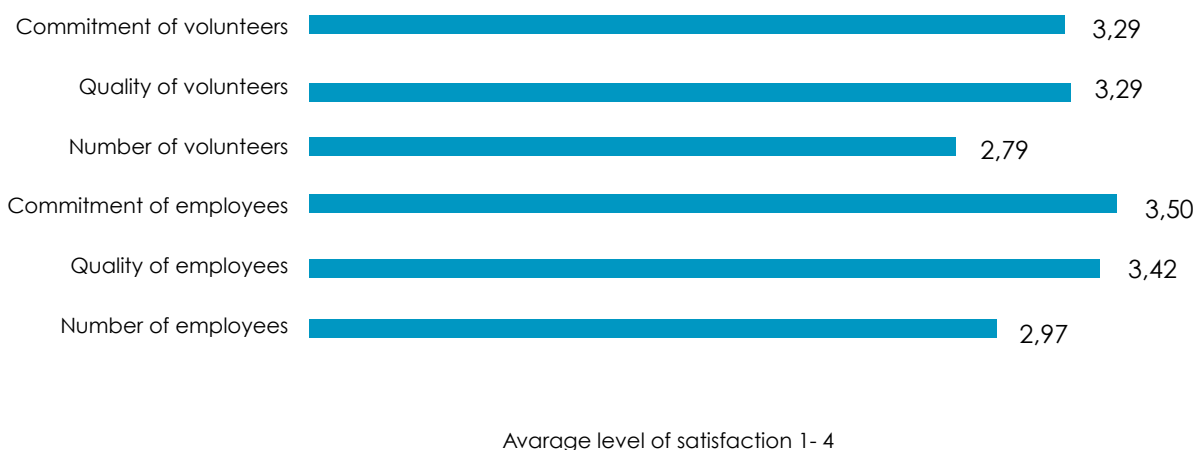


## 4.2. Values-based connection and commitment

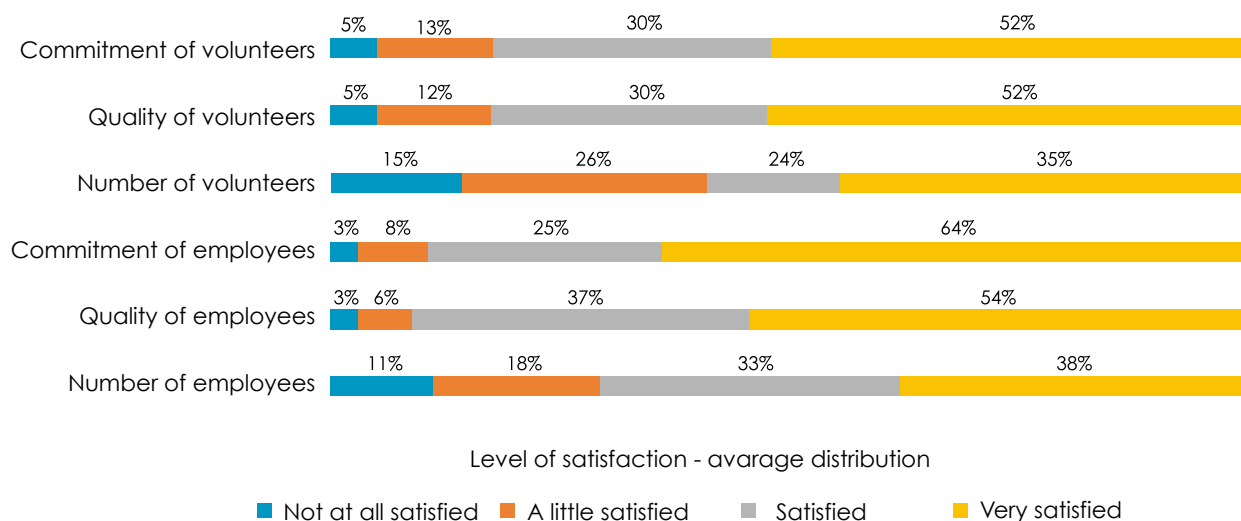
One of the central characteristics of social entrepreneurship is the commitment of those who work with them, with whom a strong connection based on values usually exists. These people value the work of the social enterprise and are prepared, at certain stages in their careers, to sacrifice the potential benefits that a more traditional business can deliver. This has given rise to social enterprises such as Pegas con Sentido ('Jobs with Meaning' in English) which responds to the need to bring together businesses that have a purpose and who are looking for individuals with a similar focus. Pegas con Sentido operates as an "expert consultant in the management of sustainable talent, which is essentially those professionals who are focused on triple impact and not just the salary at the end

of the month" (Nicolás Morales, Executive Director). These supporters, the business explains, not only evaluate their own capacities, what they could be paid for them and what interests them, but also what the world in which they could make a contribution needs. As such, it is not surprising that the social enterprise reaches high average levels of satisfaction upon evaluation of the commitment that associates, whether employees or volunteers, show to the work and value that the enterprise creates.

**Figure 4-2 Commitment, quality and quantity of associates**

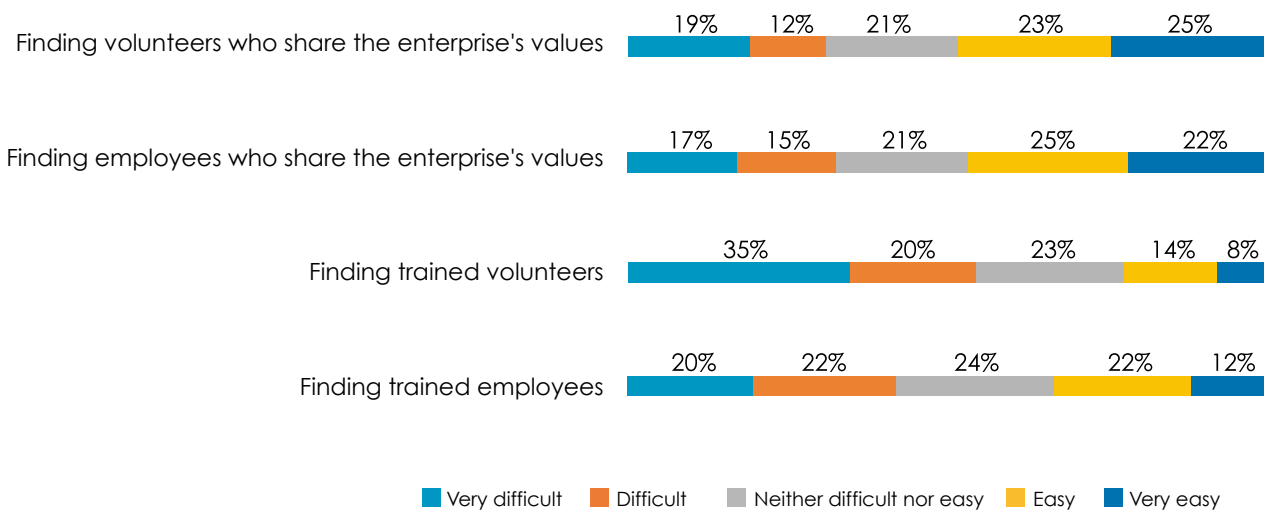


**Figure 4-3 Commitment, quality and quantity of associates**



While entrepreneurs show themselves to be satisfied with the quality and commitment of the volunteers, the level of satisfaction falls significantly when it comes to evaluating the quantity of volunteers available to work. Thus the results are low with respect to how easy it is for the social enterprise to find trained volunteers. The labour pool available to work and participate in the social enterprise is highly committed and self-selects these businesses because of their social engagement and similarity in terms of values, but the social employer does not find in this group the sufficient capacity to respond to the challenges they face. This could be related to the complexity of the problems about which in-depth knowledge is required, and to the specific hybrid nature of the social enterprise, which combines in one value proposition both public and private interests, and therefore a set of practices which combines the private sector's efficiency rationale with the public sector's wellbeing provision rationale.

**Figure 4-4 Level of ease of finding and recruiting associates**

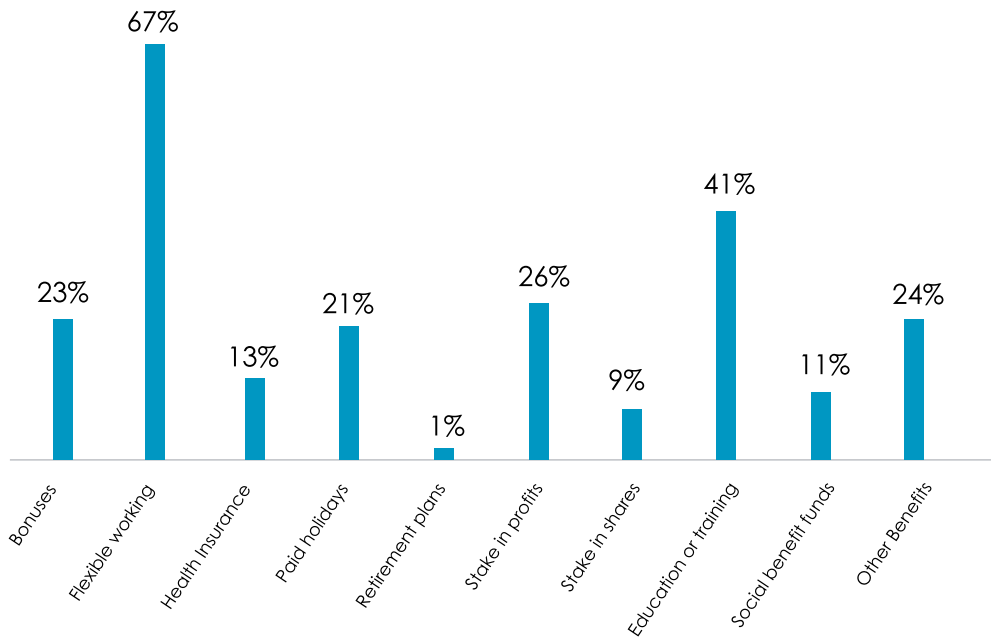


There are two possible explanations for this situation or, what is more likely, a combination of the two: quality of the labour supply and human capital.

### 4.3. Labour supply in view of the market

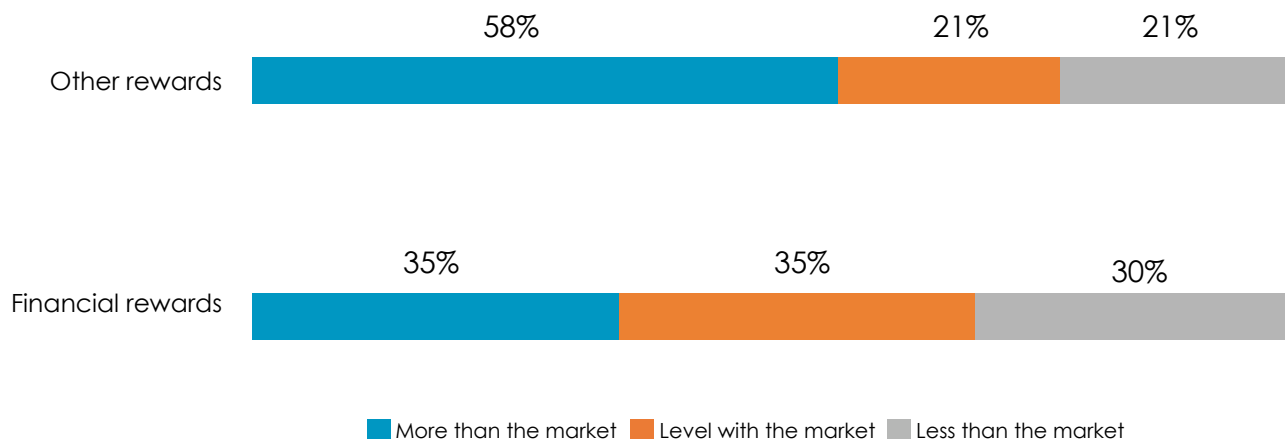
An initial explanation of the problem of searching for and recruiting people to work with is related to the rewards that the social enterprise can deliver, over and above values and the satisfaction of providing help or solving problems.

**Figure 4-5 Work benefits**



As shown in Figure 4-5 and Figure 4-6, work benefits, just as the financial compensation offered, are on average not only lower than what the market offers but also absent in the vast majority of the sector. Other compensation and benefits such as flexible working, which can be detrimental to the stability of the service, are the only ones utilised, and in some cases the only ones possible for the social enterprise. This acts as a disincentive when planning a professional career, to the point that values, commitment and the satisfaction of solving social problems are not enough to attract and retain trained associates.

**Figure 4-6 Compensation compared to the market**



The combination of commitment, quality and quantity of available associates, based on the benefits that these enterprises offer or are able to offer, is an invitation to rethink the business models with which they create value, which is ultimately what they attract and retain associates with. Professionalising the labour supply does not necessarily imply trying to imitate the practices or standards of the traditional private sector, but rather formalising distinctive labour practices that are relevant to the social enterprise. In this way, collective organisations, modern cooperatives (as in the case of Ispirare described further below) and other organisational structures which offer greater associate involvement (of both employees and volunteers) may turn out to be more attractive than the traditional structures, which concentrate the ownership and decision making in the entrepreneur team. In the same way, growth models based on replication, not scaling-up the business, may offer channels for involvement in which potential associates with local knowledge can semi-autonomously take the operation into a new location, bringing with them all the existing experience and “know how”.

Decisions like this one are not risk-free, given how much they require knowledge and tools which education and training in business management do not currently deliver. As social entrepreneurship grows, it becomes necessary to consider more seriously that this is not a case of creating socially friendly businesses, where the rationale of traditional entrepreneurship “should” work, but actually a different way of creating and delivering social wellbeing, which requires a type of organisational form and working model suited to it.

## **Mingamos:**

**A technological platform that manages volunteers' work with NGOs**



- ***One in every six people in the world currently does voluntary work, however, often their contribution is unknown and voluntary action goes unnoticed. With the mission of giving this sector visibility and in order to better coordinate the relationship between volunteers, NGOs and businesses, Mingamos was born, a technological platform which, in this way, aims to maximise the potential of volunteering culture in Latin America.***

The high turnover rate of volunteers who partner with different Non-Governmental Organisations (NGOs) and the difficulty in terms of coordination and organization were the main problems that H el ene Billaud and her partner, Iv an Campa a, identified that led to the creation of Mingamos. The business developed an online platform which allows time to be saved when organising activities with multiple contacts, and information about the progress status of work to be visualised. It has a mobile application for the volunteers which enables them to coordinate, report on their activities, motivate themselves as a team and receive recognition for their achievements. As such, project management agility increases and it integrates all those involved.

“We realised that technology could contribute to the systemisation of the process of this sort of work”, describes H el ene Billaud, co-founder of the start-up.

The principle beneficiaries of Mingamos are the volunteers and the NGOs. The business sells the system to NGOs, who gain in terms of efficiency, since thanks to the technology they devote less time to the coordination of volunteers. Besides, they have the basis with which to show indicators to their sponsors and partners, and as such they can focus much more on their mission.



The volunteers, for their part, can be recognised according to the work they carry out, because the Mingamos platform includes a voluntary work compensation and rating system.

Hélène explains how this measurement works: “For example, if the volunteer is going to carry out a construction activity in winter and they lead a team of ten people, the platform gives them the option of registering their activity, and in this way they will obtain badges which they can put on their CV. Through this system, businesses can then assess their experience as a volunteer and can recruit the appropriate people. Likewise, it provides a space for NGOs to thank volunteers for their support, recognising the experience that they have acquired”.

The purpose of Mingamos, Billaud concludes, is for no voluntary action to go unnoticed. “There are many anonymous volunteers in the world and their actions and results deserve to receive visibility”, she affirms.

She reflects, and adds:

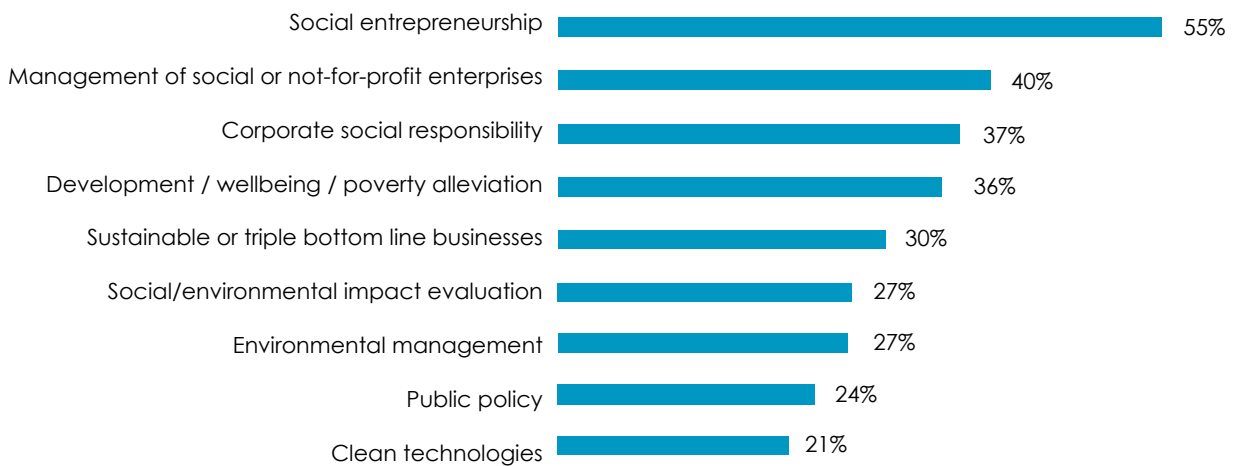
***“This is much more important nowadays when we see in the news that all the negative things going on are emphasised, but we forget that one in every six people worldwide undertakes voluntary work and contributes, in some way, towards a better society. We want this to be known and in this way more people will be able to join together easily and be part of the change.”***

The name Mingamos, which they gave the start-up, comes from the word Minga. Hélène clarifies that “it alludes to the collaborative work that neighbours do together to manage their community across the Andean region (Ecuador, Colombia, Peru, Bolivia) and a similar phenomenon exists in Chile, in Chiloe, where people come together to move their houses. Therefore, the idea of Mingamos is to work together to strengthen volunteering culture in Latin America.”

#### 4.4. Human capital

Secondly, education for entrepreneurship and the social enterprise is still emerging. Upon revision of the figures on social entrepreneurs' work experience and formal training, a significant difference can be observed, for example, in terms of the average number of years of work experience in sales and marketing (2.93) and international development/aid (1.42) or public administration (1.78), both fundamental to the understanding of the nature and logic behind social problems as well as the mechanisms for social wellbeing provision.

**Figure 4-7 Formal training and previous experience**



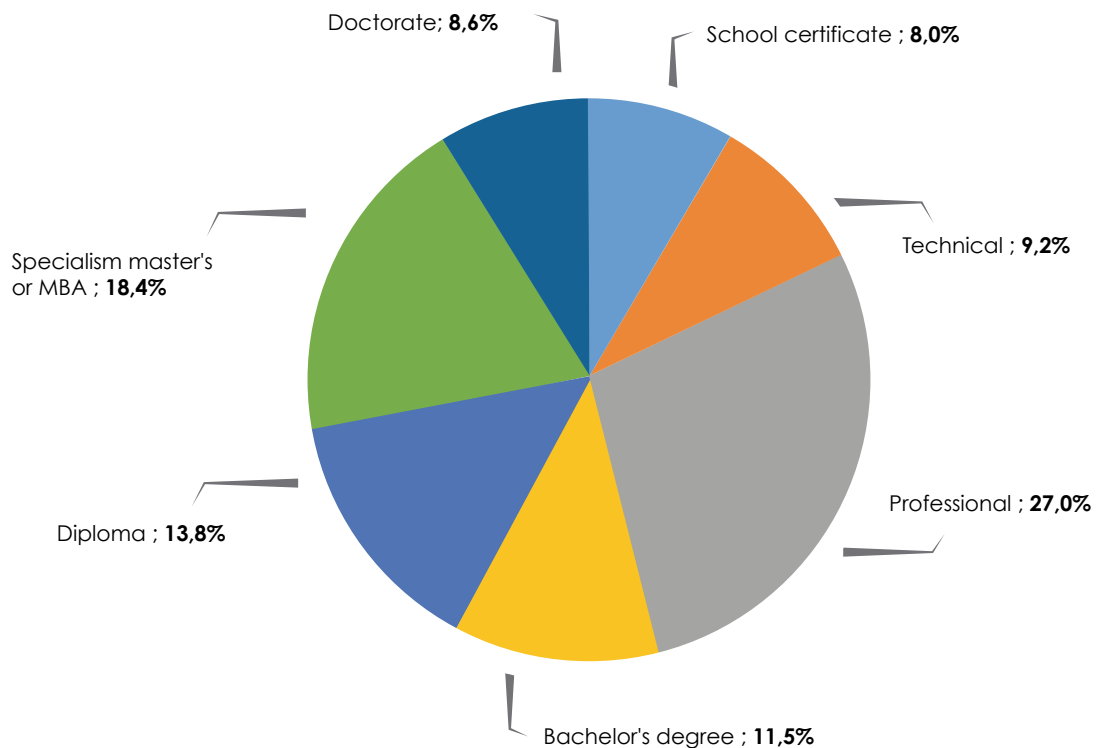
Out of the total of participants (non - exclusive)

It is certain that marketing does not offer the necessary foundational knowledge and experience for the development and management of a social enterprise. In the same way, only 55% of the surveyed businesses say that they have had formal training on social entrepreneurship, which is both a demand issue and a training supply issue. From there on, the figures fall to under 35% in critical areas such as development, poverty alleviation, impact evaluation and public policy (Figure 4-7 and Figure 4-8). This is despite the fact that the social entrepreneur and their associates tend to belong to groups with a high level of education (Figure 4-9).

**Figure 4-8 Years of work experience**



**Figure 4-9 Level of education of the social entrepreneur**



## **Mingamos: Entrepreneur team and journey**

French national, H el ene Billaud, completed a Bachelor degree in European Studies, Politics, Economics and Development at the University of Maastricht and a Master degree in Economics and business management at the Facultad Latinoamericana de Ciencias Sociales (the Latin American faculty of Social Sciences) in Ecuador. For four years she has been working on the design, promotion and co-ordination of support programmes for entrepreneurs and start-ups in Ecuador in the public and private sector. Among the activities that she has undertaken, her participation in Lean Start-up Machine Quito 2014 & 2015; Lean Start-up Machine Guayaquil 2014 and Three Days Start-up Quito 2014 & 2015 are highlighted. Additionally, she was the coach of the Start-up Weekend Women 2015 and she led "Buen Trip Hub", (Good Trip Hub), a co-working venue and hub for start-ups in Quito. Her specialism, according to her own description, is "talent scouting, making connections and ensuring success by building the necessary surrounding community".

In March 2015 she began working on the Mingamos project in Ecuador. She happened to cross paths with her partner in the Start-up Weekend Woman that took place in Guayaquil the preceding year, where both had been mentors. They were both similarly motivated by the idea and so they joined forces and combined expertise.

***"I had just done a previous project in which I had worked on a platform for finding volunteers and I had arrived at the same conclusion, that is to say, the point was not to find volunteers, but to connect them with the organisations. We had a one-week incubation in Argentina, where they helped us to lay out the project a little better because we were going round and round on an ideas level only, we needed to find a solution", she observes.***

Iv an Campa na, who besides being Co-Founder of Mingamos now also acts as their CTO, studied Management Information Engineering and Software Engineering at the Universidad T ecnica Federico Santa Mar a (the Federico Santa Mar a Technical University). He also works as Head of R&D, co-founder of DOMO Soluciones Web & Ti (a software development and online marketing agency) and is an active member of the Drupal open source content management community in Latin America.

They decided to apply to Start-Up Chile, since the country, in the estimations of Billaud and Sampa na, would allow them to grow more easily for their "financial stability". In December 2015 they were informed that they had been selected, and they joined up in the middle of February 2016.

In terms of achievements, Mingamos is in an early phase. Their product will be ready for commercialisation at the beginning of August this year. Since the launch of the business, different organisations have tried the platform, with 10 active projects currently underway and more than 200 volunteers involved.

As it is a technological product, they want to validate their proposal with a good base of organisations and, after that, focus on growth. Their intention is to scale across Latin America.

***"We have carried out tests in Chile, Argentina and Ecuador. In the latter we have worked with the public universities Polit ecnica Nacional and Polit ecnica del Litoral. We have also participated in skills-strengthening workshops in Ecuador and Chile", describes Billaud.***

Given that theirs is a software product, it has taken them more development time as they have had to adapt it to the context and culture of each country.

The challenges that the entrepreneurs have set themselves for the coming years in terms of growth aim at "being sustainable and generating a lasting impact in social organisations". For this, they highlight the fact that "what's important is to manage to align everyone's objectives and that everyone finds a common purpose".







5

• Competitiveness and value creation

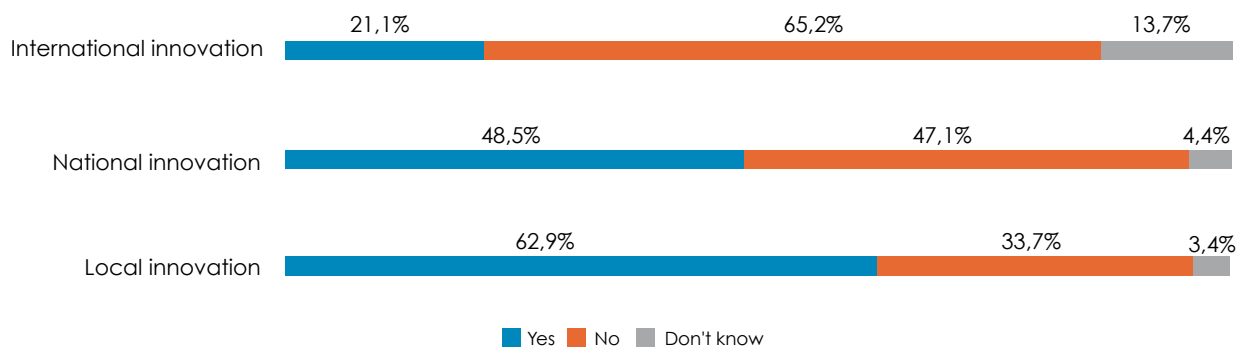


## 5.1. Social innovation

Social innovation, as desired result of social entrepreneurship, has traditionally been understood as the development and provision of original solutions aimed at resolving the deep needs of disadvantaged social groups. In this way it has been considered, on a public policy level as well as a research level, as a key mechanism for the alleviation of problems and the improvement of wellbeing among disadvantaged sectors of the population.

In this study we examine two aspects of social enterprises' innovation. Firstly, we evaluate the perceptions of the scope of the products or services offered by the enterprise, with respect to their level of originality within the local, national or international market (Figure 5-1). Secondly, we examine the level of innovation with respect to the market and the relevant competition of each of the enterprises, inquiring about differentiation in product, production, costs and distribution as well as the capacity of the enterprise to detect and serve new social needs and new markets (Figure 5-2).

**Figure 5-1 Scope of social innovation**



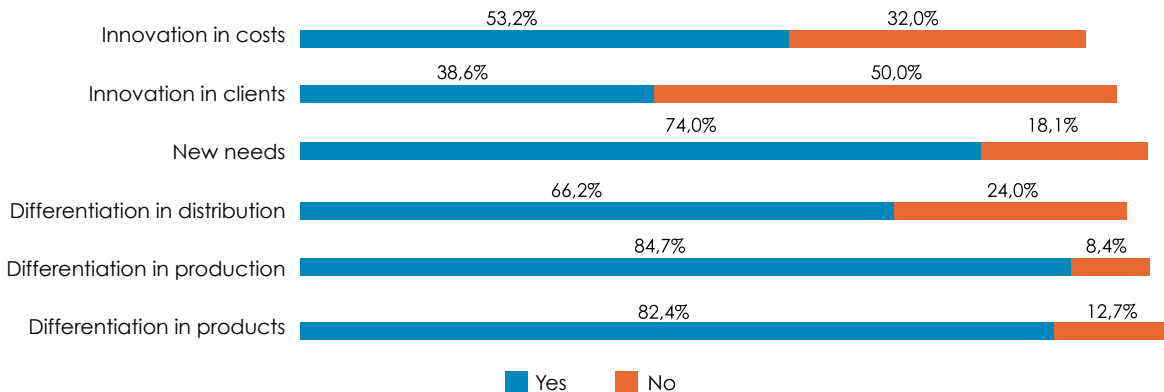
Market for which the products or services are innovative

The figures on scope (Figure 5-1), from our point of view, reinforce the ideas expressed in the previous section with respect to the connection and interdependence of the social enterprise with the place where it comes into being and its circumstances. As shown in Figure 5-2, what social entrepreneurship offers is primarily access to new products and services (different from those offered by their competitors) for groups of people with specific needs, that have not been satisfied in the past. They have still not reached a critical mass sufficient to innovate in terms of costs, and there is no evidence to indicate that the forecasted costs in social entrepreneurship will decrease in the coming year (Figure 5-3), even though the forecasts on growth in sales, social impact and client acquisition are high. Looking towards improving the quality of social entrepreneurship, it is important to think about whether the approach of efficiency and scaling-up to gain better returns and costs is the strategy to follow, and whether support programmes (public and private) aimed at productivity and productive linkages are, in their current state, the best alternatives. The way in which the social enterprise grows is distinctive because of the extent to which it seeks to solve problems and create change through business solutions with social impact, rather than to expand to new markets.

The low level of innovation with international impact does not imply an entrepreneurship deficient in creativity, but indicates models that are very well rooted in specific contexts. When asked about the place where the impact of the value and benefits that the enterprise generates through their

products or services is felt, only 30% indicate that they reach a high percentage of the national population, 45% indicate that they reach a high percentage of the regional population, and 24% are focused on specific communities in their region. Nonetheless, only 8% believe that their products or services are unable to expand to reach other communes in the region, other regions or even other countries.

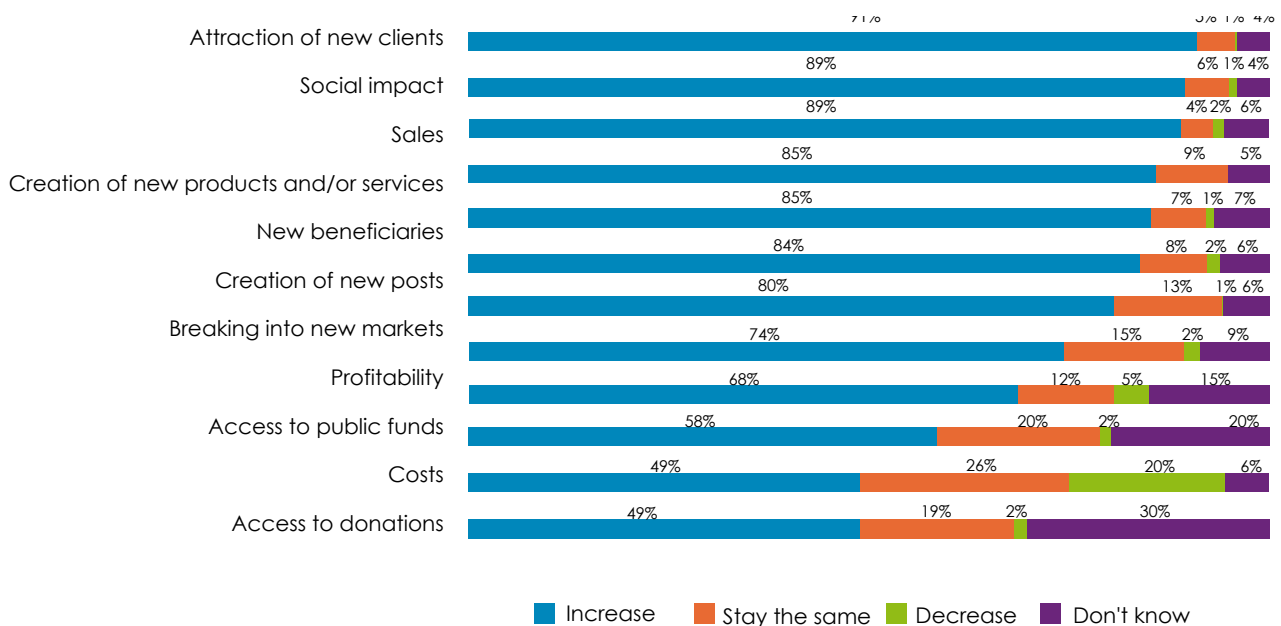
**Figure 5-2 Innovation in the social enterprise: disaggregated by area**



With respect to the market and competition

In view of this situation and the way that problems and solutions are place-sensitive, the authors consider the current focus of social innovation and entrepreneurship promotion to be perhaps not entirely appropriate, given the extent to which it seeks big ideas for big problems, and does not encourage the search for solutions that are sensitive to specific contexts. Just as with purely commercial entrepreneurship, the scope and commercial potential to scale up become central criteria in the evaluation of a social enterprise's value. This is not counterproductive in itself, but additional criteria must be incorporated that take into consideration the connection and interdependence of the social entrepreneur, their business and the territory with its circumstances, such as rootedness in the territory, social identity and problem-solving capacity.

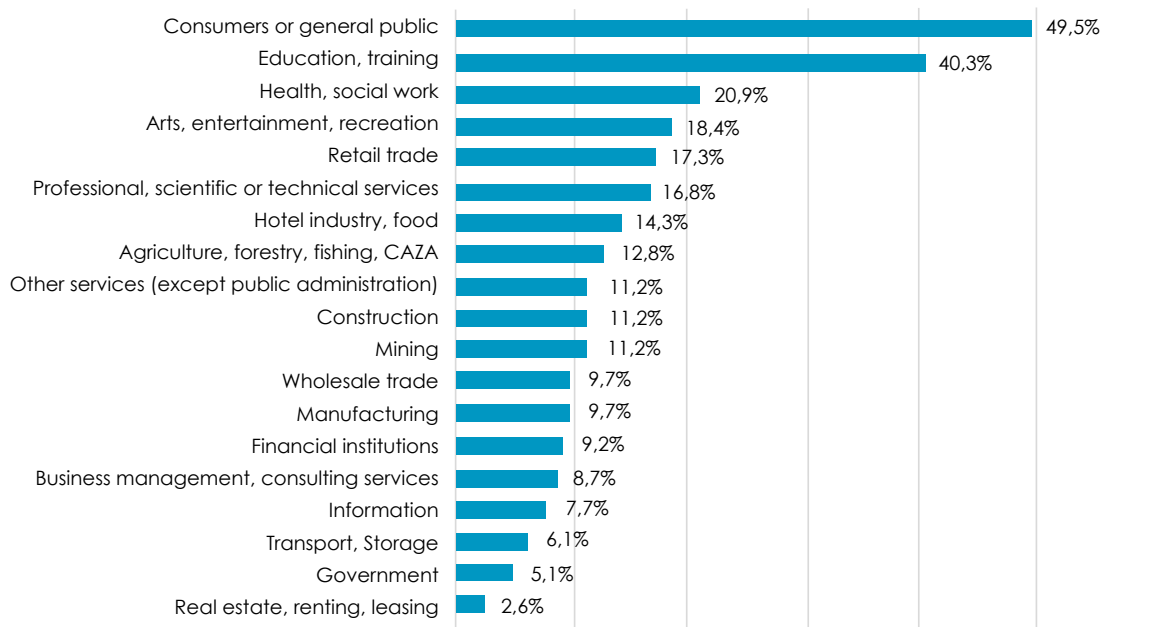
**Figure 5-3 Expectations for the coming years**



## 5.2. Market, competition and competitiveness

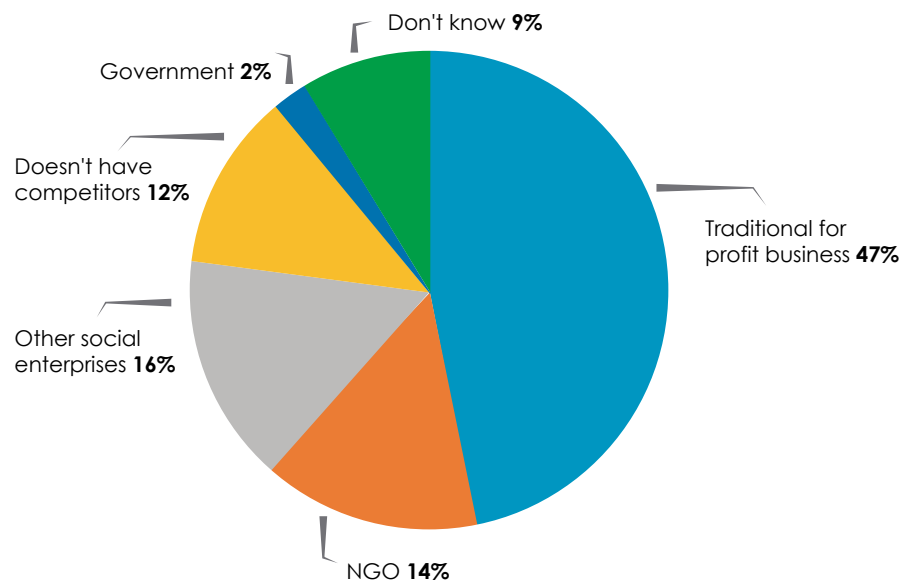
The figures below (5-4, 5-5, and 5-6) show an interesting and complex competitive landscape for social entrepreneurship. The value propositions and operations of a high percentage of social enterprises are put to the test in a market of general consumption competing with traditional for-profit businesses.

**Figure 5-4 Main clients by sector**

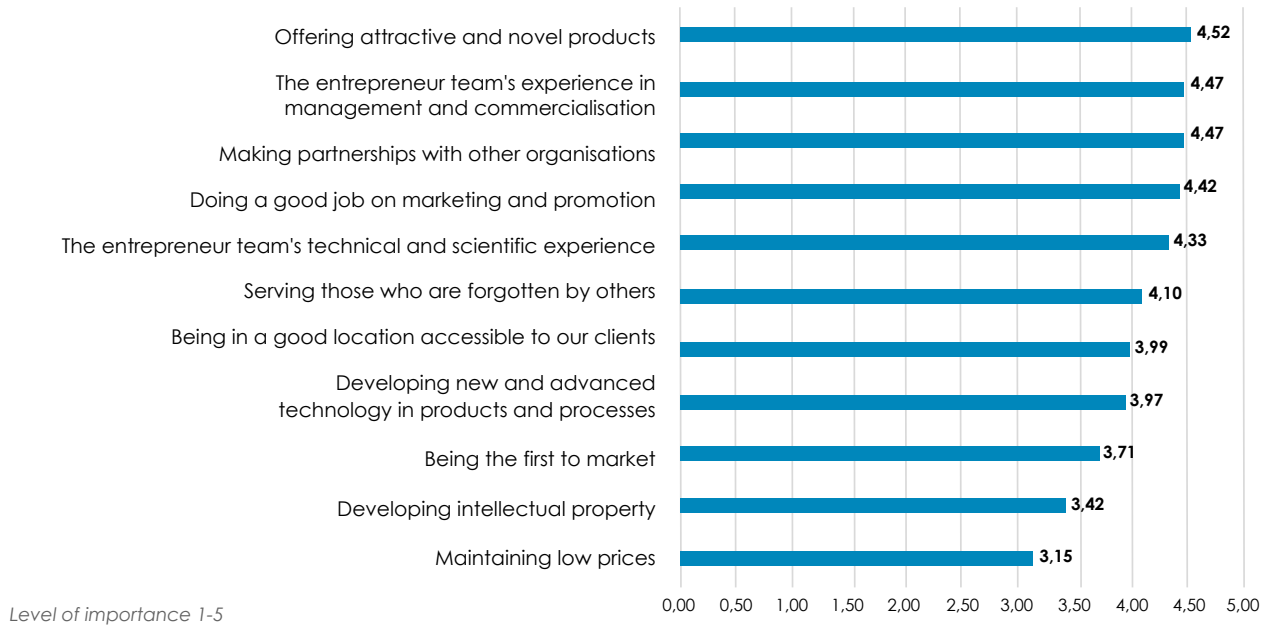


Given the particularity of their products and services, they do not see competing on prices as a relevant factor (Figure 5-7), for which reason maintaining low prices is not seen as a strategy to follow (Figure 5-6), but the great majority are part of a market which operates based on different logic - efficiency and return - which sees social impact as a by-product of operations, not as fundamental to the survival of the business.

**Figure 5-5 Main competitors of social entrepreneurship**



**Figure 5-6 Strategies for remaining competitive**



**Figure 5-7 Main obstacles to social entrepreneurship**



Participating in these markets has a dual effect. The first effect is potentially negative, given how much the social mission restricts the capacity of the social enterprise to react in the face of traditional businesses' competitive actions. This has given rise to measures to protect the social enterprise, which are reasonable up to a certain point given the social value that they create. The second effect, which we consider to be positive and more significant, is related to expected returns, beneficiary and client engagement, crisis response capacity and organisational flexibility of businesses with a social purpose. Concerning expected returns, these are usually lower and distributed between social and financial returns, which reduces the pressure of economic performance on the management of the business. As seen in Figure 7-2 and also in the international evidence, the social component has a positive impact on different aspects of the business, in particular, in the creation of partnerships and perceived benefits for the client. Growing markets, like LOHAS, prioritise these businesses. In a study of the retail sector, it was found that people have a greater propensity to buy an ethical product when values-based trading intensifies. Consumers are prepared to pay between 5-10% more for products from socially responsible companies, assuming that the functions of the product and its quality remain the same.

In the same way, there is evidence that establishes a positive relationship between socially orientated businesses and the creation of commitment. The same is found in this study. The social enterprise increases the commitment of employees; doing business ethically and going beyond the level of expected responsibilities expectations contributes to how committed employees feel. Their commitment as well as the commitment of clients allows businesses with a purpose to be better prepared to face and overcome crises and fluctuations in the economy. Finally, organisational flexibility and the flexible business models of social entrepreneurship deliver unique tools with which to compete in the aforementioned markets. As seen in this report's case studies and evidence, social entrepreneurship can accommodate diverse legal forms and accommodate a business model and value proposition in such a way as to be able to access various sources of income and funding, both public and private. At the same time as the social enterprise's limitations in terms of access to funding and profitability are debated, the authors consider it important to reveal and maximise the potential of this distinctive advantage of social entrepreneurship. This again requires a closer examination of the tools currently used to shape these enterprises.

### **Cooperativa Ispirare: A social enterprise in the service of sustainability**





- Ispirare was created in response to the challenge of impacting the sustainability of businesses through the development of different software engineering solutions specially designed for SMEs. The cooperative has offices in Chile, in Santiago and Valparaiso, and in future it expects to trade in all countries on the continent, beginning this year with the opening of offices in Toronto (Canada) and Medellin (Columbia).

Ispirare is a work cooperative dedicated to contributing to businesses' sustainability through software engineering solutions for society and for organisations that are implementing sustainability processes for human development, process efficiency, impact measurement, community engagement and SMART technologies.

As a social enterprise, their portfolio of solutions aims to contribute to "society transitioning to sustainability". Juan Olguín, Founder of the initiative and Sustainability Manager, adds observing "norms, international standards and good practices that are related to social enterprises and cooperatives" to this.

Among the information technology solutions that Ispirare develops, he highlights the production of the following systems: Development of SaaS solutions (Software as a Service), ERP Business Management Systems; lifelong learning systems, initiatives that contribute to biodiversity and human development; personnel training and performance evaluation systems; natural disaster and risk management systems; community engagement platforms; urban and rural land management and planning systems; dashboard (Management Information Systems) developments for data processing in the analysis of impact and SMART technologies and reports using SAP Business Object tools.

Ispirare also saves part of their revenue with the aim of generating a risk capital fund destined for triple impact enterprises (financial, social and/or environmental). The cooperative (which is part of the International Cooperative Alliance), together with strategic partners, is currently working on establishing and running the Asociación gremial de Sostenibilidad para la inclusión Tecnológica (ASIT, an industry Sustainability Association for Technological Inclusion).

The idea arose in 2007 in connection with the fact that SMEs or Empresas de Menor Tamaño (EMTs, smaller businesses) have difficulty accessing management software.

***"On the one hand, we saw that it was necessary to approach the group or segment of people who were creating businesses and needed management technologies because nowadays paying for ERPs with the support and service is an annual investment of about fifteen thousand dollars, and so we thought it was very important to create a technology designed for this segment which would be more accessible in price. We are trying to get a product with these characteristics and a price of around 30% in relationship to the market, which we hope to launch to the market in 2017", recalls Juan Olguín.***

The executive clarifies that ERPs, just like software engineering in general, are resources that constitute fundamental components for organisations to interact with the market, their associates, clients, providers and stakeholders; so that they are more efficient and competitive: "In particular the smaller businesses, EMTs, as they have digital competencies and skills deficits", he points out.

As such, software engineering becomes a key aspect of productivity growth, and public policies that favour the implementation of technology and innovation processes are required. Even though the

Sustainability Manager of Ispirare recognises that in Chile there has been progress in this respect, he indicates that there is still a long way to go in terms of this particular segment “that makes a significant contribution to creating more employment and income for families”.

## **Stages of development**

In the research stage, before beginning commercial operations, which lasted for the period 2007-2015, it became fundamental to the development of the business to know the market, to familiarise themselves with the work of personalities such as Muhammad Yunus with the Grameen Bank; to consult the literature and to establish links with specialists via social networks.

Among the models that they considered, they highlight the social businessman Oskar Schindler, “who saved many lives with his social enterprises in the Second World War, much earlier than when they started being talked about”.

The authors Howard Thomas Odum; C.K. Prahalad; Paul M Romer; Bovenberg A.I y Smulders, and Sary Levy-Carciente, Daniel Varnagy; among others, figure among the literature consulted.

Olguín also alludes to the “Economy of communion” businesses that put people at the centre of the business, and the many cases worldwide of cooperatives that manage to meet their economic objectives, “which all enterprises should have alongside sustainability objectives.”

Although the organisation was formally constituted in September 2015, its origin is based in professional know-how about Innovation and Development and about technologies that contribute to sustainability, and all the undertakings of its founders since the 90s. They formed a team with the shared challenge of creating “a culture around working towards building a better world”.

**“Human resources are fundamental, having good professionals, even more so when in Chile there are not good support resources or channels for social enterprises”, he asserts.**

Today, Ispirare’s management team is made up of its ultimate authority, which is the General Board of Partners, who entrust the role of management to an elected management board composed of a president, a vice-president and a secretary (Edgardo Lobos, Israel Vilches and Juan Zuñiga, respectively). The management board in turn delegates certain executive responsibilities to the general management team, run by Marta Zamora, in which Juan Jaime Olguín is in charge of Sustainability

Management, Víctor Jaime Anaya is responsible for R&D; Samael Vásquez leads Project Management; María Pastora Sandoval leads Communications and Administration is run by María Elena Filomeno. The management board, just like the Ispirare management, are accountable to the oversight committee (Ana María Epuleo, Loreto Ramírez, Francisca Zuñiga).

The total number of associates amounts to 25 people.

Thinking back to the beginning, Juan Jaime recalls some of the main difficulties that they had to face:

**“With the development agencies like Corfo, Sercotec (which supports small businesses and entrepreneurs), and Chile Compras (which administrates the Country’s public purchases system), on their end they always had difficulty understanding how it was possible to operate a business model with a clear social objective at the same time as making a profit”, he admits.**

It was in this context, as he describes it, that the Ministry of Economy recommended that they form a cooperative for the commercial development phase.

It is appropriate to clarify that, according to the definition of a cooperative, these are business organisations whose members benefit from the achievement of their goals. "It consists of an autonomous association of people who unite voluntarily around the goal of developing a business or economic activity, using a company for this. It is based on the principle of mutual support for the achievement of the general objectives of the ensemble of members and for the improvement of the conditions of all partners. The ownership of the business is joint in character, that is to say, the business belongs to all the members, all the partners govern it, and they are equal in terms of their rights, obligations, and decision-making power with one vote per partner. Decisions are taken in a fully democratic manner."

When communicating Ispirare's mission to its beneficiaries he says that being a cooperative has been an advantage to them due to the processes that they have to complete by law. In addition to the general meetings of partners that they are obliged to hold, they must also socialise the structural aspects and processes that they carry out. "In the law it is also highly encouraged for these organisations to educate their partners, beyond just communicating what they are doing to them".

In their eight months' lifespan they have been more focused on making deals than on measuring the impact achieved to-date, taking into account that for this purpose it is necessary to generate a series of data from at least a year of operation, in order to begin to produce comparison metrics from the second year of operation onwards. "In terms of software engineering, we are now constructing the indicators and the methodology that we will use to be able to make these measurements", indicates the Sustainability Manager.

Ispirare has developed a series of initiatives that seek to contribute to sustainability in collaborative settings. Among them is WBBW (We Build a Better World) Radio TV Internet, which operates from the premises of the Faculty of Economy and Business at the University of Chile, thanks to the sponsorship of their sustainability observatory. It is a space open to any organisation or person who would like to disseminate their sustainability initiatives. They also developed a platform to facilitate interaction between those developing initiatives that contribute to the biosphere (beekeeping projects, green spaces, energy efficiency, and vegetable gardens among others). This is called Pachamama Lab ('Mother Earth' Lab), and it is free to use as well as allowing the creation of a wide range of collaborative, interactive spaces (Crowdfunding, Crowd Learning, Crowdsourcing, among others).

As Ispirare seeks to become a global business, they also collaborate with the centre of Social Innovation of Toronto, Canada; the think-tank Innove from Colombia, the industry association UNAPYME; the Sustainability Association for Technological Inclusion, the International Alliance of cooperatives of the Americas, ACI; and the Ministry of the Economy of Chile.

***"Here in Chile we see that there is plenty of interest, but more guidance and education are needed in matters related to the contribution that social enterprises make, with the consultancy Triple Impacto, but we are collaborating with the association UNAPYME which unites more than one hundred thousand SMEs across the country. This is one of the most important trade associations in Chile, besides Conupia, Asexma and Sofofa. Thanks to the relationship that we are building, UNAPYME has just adopted sustainability as an institutional policy. So part of our work is also to contribute to these relationships and also to socialising the necessary technical knowledge to drive sustainability collectively."***







6

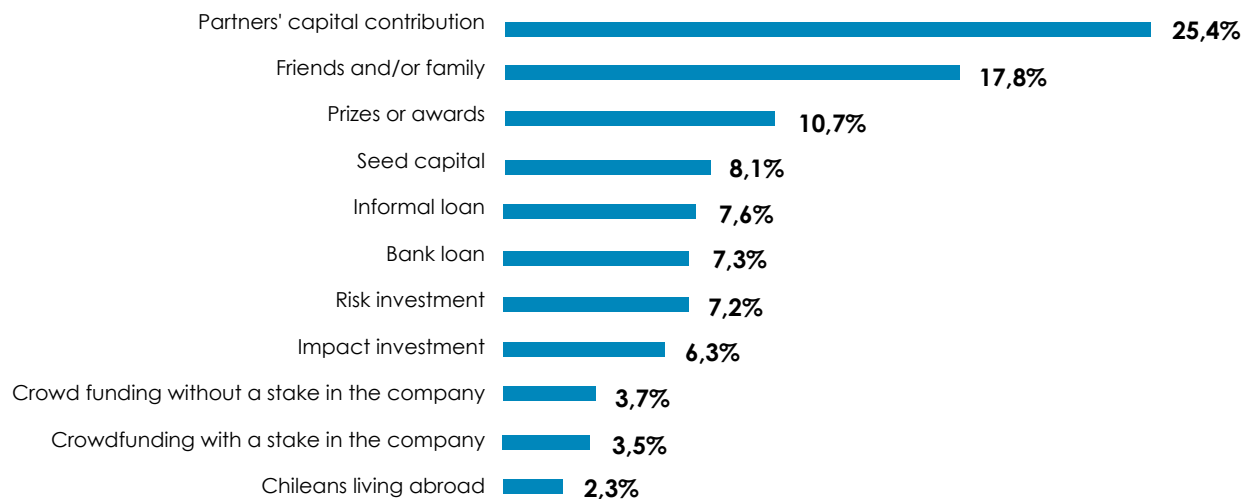
- Funding and investment in social entrepreneurship



## 6.1. Financing social entrepreneurship

Of the social enterprises surveyed, 89% have received investment. The sources are various, but nonetheless concentrated in their own investment (25.4%) and that of friends and family (17.8%). Access to or use of supposedly ideal tools for the support of this type of business is low in relative and absolute terms, with impact investment and crowdfunding (with and without participation) showing a penetration of 6.3% and 7.2% respectively out of all investment instances in the different stages of the enterprise.

**Figure 6-1 Sources of investment**



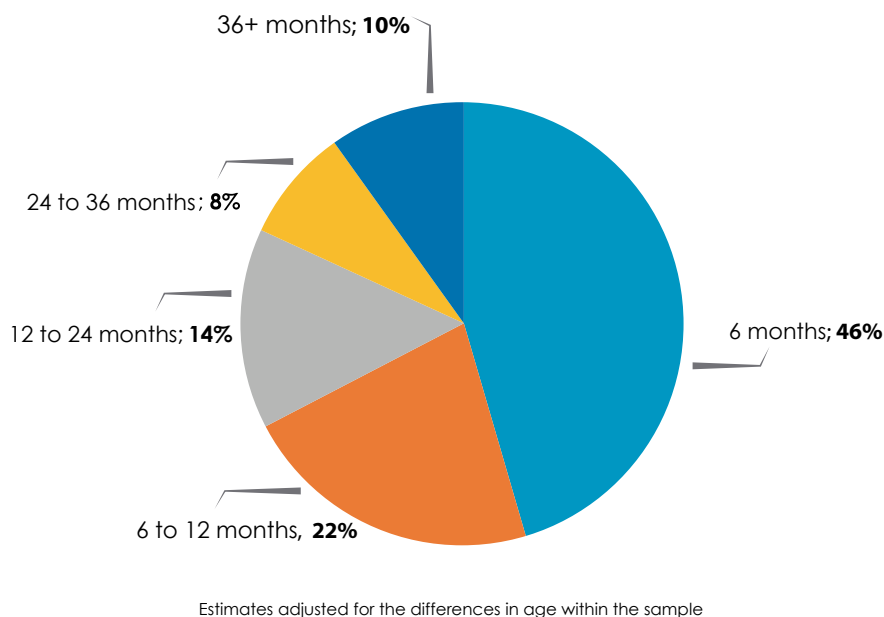
Duration of entrepreneurship process over the total investment instances

A sector which is active and growing doubtlessly requires a social investment market that is just as mobile. The still emerging impact investment, just like socially oriented flexible allocation subsidies, are certainly part of this market, but a greater diversity of intermediaries and sophistication in investment tools is needed. This should act as the third pillar alongside traditional investment and public funding. The idea should be advanced along the lines of a new class of social asset, for example, unblocking and attracting donations, developing programmes that use social impact bonds, turning charitable funds (which are usually merely consumed) into assets, open lines of investment based on pensions savings funds, and offering channels for philanthropy and "Green Venture capital", among other things. In contrast to previous reports, we consider that various relevant enabling factors are already in place, such as strong awareness and knowledge of social entrepreneurship, an active entrepreneurship ecosystem and initial openness of public services. What is needed is to make progress towards the formalisation of more direct types of intervention and the establishment of a more robust market structure.

With this, social entrepreneurs would be able to access a wider menu of funding and support options, and able to rely on investment products that are not only specialised in social entrepreneurship in general, but also adapted to each stage in the entrepreneurship process with its distinctive growth pattern. This becomes more relevant when Figure 6-2 and Figure 6-3 are observed, in which investment instances begin to fall significantly after six months; that initial stage which is mainly covered by own capital, that of friends and family, and seed funding. The question that this study is not capable

of responding to is whether it is that social entrepreneurship really does not manage to attract investment in subsequent stages, does not need it due to its local focus, or that the mechanisms to open up alternative options that entrepreneurs can demonstrate their support for and obtain necessary resources from do not exist. The factors behind the lack of investment certainly require further examination. What is certain is that social entrepreneurs demonstrate high expectations in terms of sales growth, social impact and client acquisition, essentially underpinned by reducing the core costs through cycles of continuous improvement that can generate greater organisational learning. We put particular emphasis on the need to make progress in this direction because of how much we consider it necessary (in contrast to previous reports which set out suggestions like a petition for public shares) to progress our understanding of how social entrepreneurship assembles strategies and practices that allow them to attract and capitalise on investment, and how these competencies and tools can be transferred.

**Figure 6-2 Investment by stage in the entrepreneurship process**

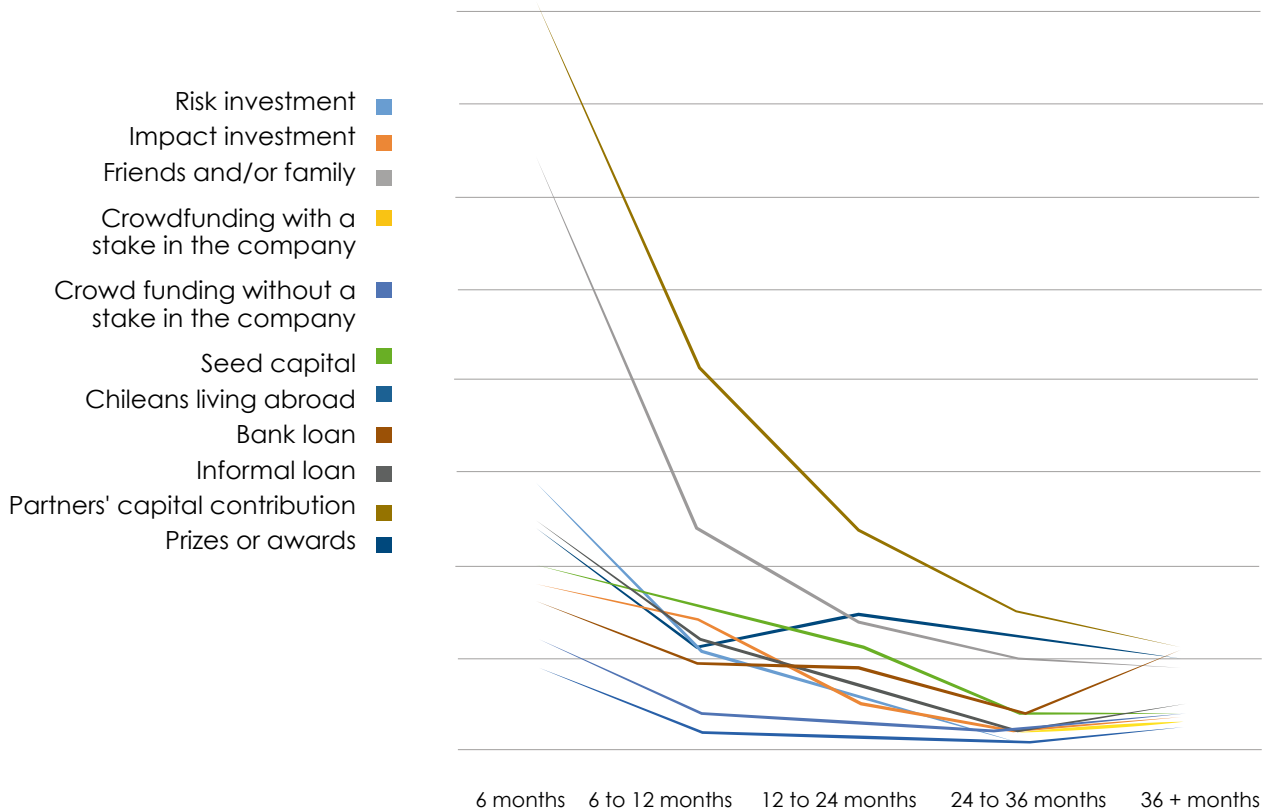


When the evolution of investment instances is examined more cautiously, it is interesting to observe the relevance of prizes and awards as a source of finance utilised from the first year. This is clearly related to the greater understanding and consciousness of social entrepreneurship's contribution and that these behaviours are valued and prized in the culture on account of their good intentions and potential impact, given that the impact evaluation tools used by entrepreneurs still do not manage to demonstrate their true impact.

Although recognition for social entrepreneurship is relevant to the success of the entire sector, the authors add a note of caution regarding the effect that this has on entrepreneurs and the returns on their initiatives. Just as there is a phenomenon of "addiction" to investing in start-ups, in which this becomes an end in itself, we believe it is possible that a similar bias for achieving social recognition is emerging, in which sustaining the narrative of the social enterprise becomes an end in itself, and the needs and performance of a business that should function as is are neglected (Figure 7-3).

Awards and prizes are relevant to the extent that they serve the purposes of the enterprise, not the entrepreneur. The behaviour of the entrepreneur is defined by cultural norms and expectations, from which their identity and their enterprise's identity is also constructed. In this way, those organisations and bodies that highlight the actions of social entrepreneurship should focus less on the inherent heroism of the entrepreneur and more on the real impact (social and economic) of the businesses that they and their teams manage to create.

**Figure 6-3 Evolution of investment instances**



## 6.2. Encouraging investment: in what, how and why to invest

In view of the above and of the fact that a large part of social entrepreneurship starts with a social issue not a business idea, it is fitting to pose the question; in what, how and why invest in social entrepreneurship? At this point it is clear that one does not invest in a business and its promised returns here, but in the promise or capacity that it has to take action on a given issue and to resolve or help to resolve that issue. Two of the most recurrent significant problems in social entrepreneurship are that there is a lack of understanding about what the social enterprise does and a lack of awareness among consumers about social issues.

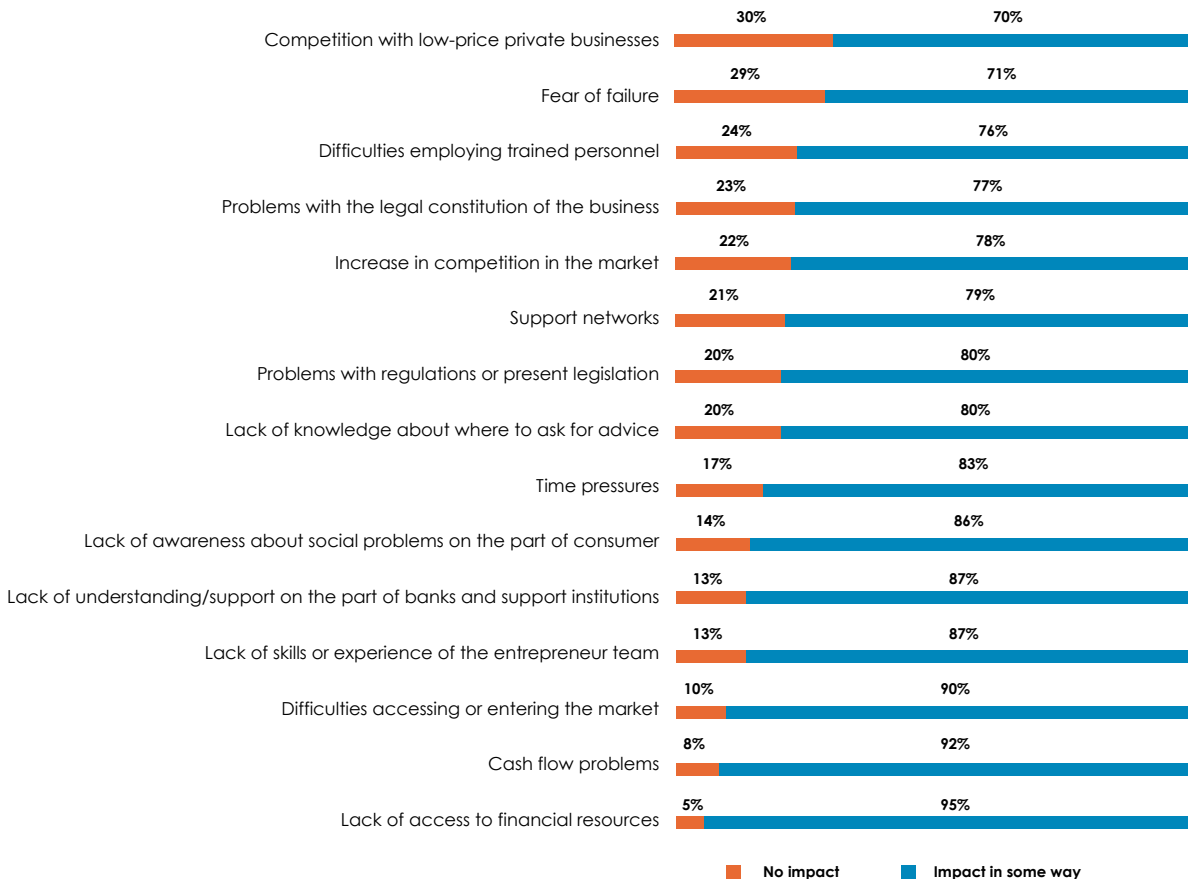
If there is a lack of understanding with respect to the issues and those trying to address them, and social entrepreneurship does not originate with a business idea (which is traditionally what attracts investment), then we are in a situation in which the necessary alignment of entrepreneurs interests with those of investors is not possible. Just as in other fields, when trying to build bridges (for example between research and practice) it is necessary to develop objects and language that allow systematic work to diminish the barriers between both fields.

The following comment from Min Pease, leader of the impact investment programme Echoing Green, illustrates this need:

*Investors often indicate that social entrepreneurs need more support, whether it is education, additional sources of finance, or a more robust proof of concept. These entrepreneurs' ambition and passion to create impact must be complemented by greater business and organisational systems capabilities. On the other hand, impact investors should be more transparent about their expectations and what it means to them "to be ready for investment".*

Co-developed boundary objects such as business models, strategic planning and impact evaluation or shared conceptual models, such as business and public management processes, are key to encouraging understanding and joint working between social entrepreneurs and investors. Clearly co-developed objects or artefacts can be placed in between the two communities and satisfy the information needs of each of them. In contrast to business logic and values (which are evidently dissimilar and abstract), the boundary objects are tangible and enable action. These objects do not seek or require complete understanding between parties, they simply encourage the temporary work necessary to arrive at agreements on objectives, management, and returns.

**Figure 6-4 Recurring problems in the entrepreneurship process**



Defining what to invest in and how to invest is relatively simple. The totality of the social investment market, including the private and public sectors as well as civil society, should invest in the capacity that social entrepreneurship has to act on a given issue and solve or help to solve it, which entails going from funding social entrepreneurship to funding the social impact of entrepreneurship. How it is to be done; together with the necessary diversification of the social investment market (which is self-evident at this point), it can be achieved through the co-development of objects, entities and ad-hoc language that facilitate episodic work between both types of actors.

Defining why is a little more complex, because it implies justifying the existence of social entrepreneurship when faced with alternative options. Given that the alternative to social entrepreneurship is not traditional entrepreneurship, but solutions delivered by other third sector actors or even directly by the public sector, is it necessary to situate social entrepreneurship in a context of state provision of wellbeing, rather than a market context.

Currently, 16% of social entrepreneurship's revenue is from the public sector (Figure 7-1). Expectations for the coming years are focused on acquiring new clients and growing in impact and sales (Figure 5-3), but the level of conviction about being able to grow in terms of access to public funds is significantly weaker. Perhaps this is guided by the understanding that the public sector is simply a source of funding, rather than a potential client or partner in the solution of social problems. Nonetheless, the public sector is considered to be one of the main sources of (non-financial) support for the entrepreneurship process (Figure 6-5).

### 6-5 Principal sources of support for the entrepreneurship process



The most significant sources of support and/ or advice

### **6.3. Beyond funding: Collaborating on wellbeing provision**

In the same way as we need to rethink the social investment market, it is necessary to reconsider the relationship between social entrepreneurship and the public sector, and the public sector with social entrepreneurship. Both work on the same problems and as part of the same sector.

Therefore, rather than replacing the public sector where it has failed (as purely commercial entrepreneurship usually does when it finds opportunities in market failures), social entrepreneurship should consider this actor as their natural ally in the provision of wellbeing. And from the other point of view, the public sector should (re)consider the role of social entrepreneurship and take it from a process of creating a socially-orientated business to a type of organisation that is capable of acting in parallel with them on wellbeing provision. Cases like Centro Tabancura and Puntaje Nacional, which are analysed in this report, are reflections of this new mentality, which should be embedded in the discourse and action of entrepreneurs as well as in that of the public sector. Together with applying for and providing start-up capital, the public sector and social entrepreneurship could progress towards the development of service contracts for social needs, whose payments would be conditional on genuine wellbeing provision. Public administration already has impact assessment and performance-based contract systems at its disposal for the potential roll-out of these tools. Nascent though this may be, it offers a foundation to build on in future. This not only compels social entrepreneurship to take responsibility for what it promises, but also makes tangible the return on investment that the country has contributed - through the public administration - to social entrepreneurship.

As such, the institutionalisation of social enterprises not only involves social recognition or legal form, which is still under discussion, but also recognition of their contribution to society and the reasons why they merit investment and support.

In the final analysis, social innovation is not the property of social entrepreneurship, and it tends to function better when it is shared by governments, non-governmental organisations, and socially-responsible businesses. That is to say, the value is to be found in the synergy that results from bringing together different actors who want to resolve a particular issue.

#### **Puntaje Nacional: Collaborative business model**

***“There is no social enterprise that can survive without being sustainable, if there is no business model behind it, and, on the other hand, there is no business that has a business model that does not contribute to society. I believe that the concept of social enterprises and which are not social is ill-defined. In general, entrepreneurs always set out missions that contribute value to society and this is what motivates their work.”***

Thus in Puntaje Nacional's business model, there are three sources of revenue: The service for schools; the development of software that allows teachers to obtain statistics and know where their students are making mistakes and how to help them. This costs between 200 and 400 US dollars, depending on the type of school, and means all students can use it. Then there is the revenue from advertising and, finally, from projects related to education and technology which are currently undertaken as Spin Offs.

With forty thousand users in the first year, it has experienced sustained and exponential growth since. Today the figure amounts to over 800 thousand registered users (in Chile and Colombia); with more than 20 million views of their educational videos which, in Martínez's view, makes them “one of the biggest educational communities in Latin America”. The network of schools that they work with is made up of 1200 schools in Chile, which are joined by 40 schools in Colombia, where they began operating in 2014.



José Manuel Castillo moved there and became the co-founder of OGR Colombia, having been in the role of commercial director of OGR Chile until that point. He now works as the Managing Director in Colombia.

The business has also been growing in human resource terms:

***“in the second year there were already four of us, in the third year, fourteen, in the fourth year, 28, in the fifth year we totalled 40 and last year it already got up to 60 of us in Chile alone. And in Colombia in the first year there was one person, and now there are eight of us.”***

To date, Puntaje Nacional has received various national and international distinctions: SME 2013 Award, Entrepreneur of the year category, Corfo; a national innovation award - Avonni Award 2013, Education category; I3 Latam Award as one of the top 10 social enterprises from the continent; Global Social Entrepreneurs Laureate Award which picks out 20 social entrepreneurs from across the globe. And then there is the Young Leaders Award, awarded by daily newspaper El Mercurio's Revista Ya supplement; and the Qué Veo (In English, 'What I see') Award, Websites category, from the Qué Veo Foundation .

Another aspect which proved to be decisive in the development and success of the project, in addition to technology, was knowledge of the industry. For Fabián Martínez, “as these issues are of a political nature”, it was indispensable and very useful that the information was public and easy to access.

***“We were able to make use of the national curriculum and become familiar with the obligatory content that they teach you in schools and also the DEMRE itself, which the PSU puts together. Based on that we were able to build the content”, he states.***

In addition to that information, they had to make an in-depth study of the market, its size, how much universities invest in advertising, and the number of schools and their contacts, since the latter would be one of their main clients.

The knowledge base and the network of schools, teachers, and students that they built up, when added to the enterprising and innovative spirit of the Team, led them to develop other projects such as “AprendoEmprendo.cl” and Financial Education workshops. The first is an entrepreneurship course for school which has the support of Corfo. Its mission is for the topics of innovation and entrepreneurship to be incorporated into school curricula. The Financial Education workshops make up a programme attended in person that is run in vulnerable schools. They go to the schools and teach various topics such as the correct use of a current account and appropriate forms of debt.

In terms of funding, they do not have private support; they fell back on Corfo's seed capital a couple of times “but no more [than that]”. For two years, they didn't pay themselves a salary.

***“We received various offers to buy us out from Copesa (La Tercera, a newspaper) and El Mercurio; we have had various approaches from private entities who wanted to buy. But they wanted to charge for the site and our conviction as a team was something else, we were absolutely convinced that our goal was to reduce educational inequality , for which we had to keep it free of charge. We turned them all away”, he admits.***

With respect to the entrepreneur team he affirms: “It is an amazing team, I am convinced that if we had done something else it would also have worked out for us. A key factor for projects' success is the founding team.

The success they had across the country enabled the entrepreneurs to open lots of doors, and among them those of the Ministry of Education: "Among other things, this is owing to the fact that we are one of the pioneers in Latin America in doing live classes via streaming. All the guys across the world, between five and nine in the evening, log on to see Puntaje Nacional's classes."

They have run various projects with the Ministry of Education, prominent among which is "Yo Estudio Responde" (in English, 'I study, they answer'), in which students all over Chile receive answers to their academic questions in real time via video. Today, these videos receive more than 6 million views.

***"Since we began we said the only partner we would like to have is the Government, the Ministry of Education, because it is the only one that has the same motives as we do. It was extraordinary news that the Ministry approached us, because we had always longed for that."***

Martínez indicates that, as an institution, the Ministry of Education means that teachers and schools take Puntaje Nacional more seriously.

The same thing happens to them with Corfo. With respect to the problems or disadvantages of the relationship with the public sector, he alludes to the bureaucracy and cost associated with changes of government. "Once again you have to make yourself known and demonstrate that what you are doing is really great".

Concerning the relationship that they have had with private actors, besides the resources and support that they receive, he highlights their agility and neutrality. "If you do things well, the business picks you without needing to ask permission from anyone. Another advantage is that they do not have political colours, the relationship is direct and the evaluation is much fairer."

Today, 25 universities work with PuntajeNacional.cl and Banco Estado, Chile's only public bank, sponsors Financial Education. In addition, the "AprendoEmprendo.cl" project is backed by a university and the Telefónica foundation.

They are also in close contact with other social enterprises. Puntaje Nacional has alliances with Enseña Chile, a third sector education organisation, providing services to their schools for free. They have collaborated with the foundation Desafío Levantemos Chile, Fundación Panal, and various education and socially-oriented organisations. They also mentor various social entrepreneurs and put on exhibitions in vulnerable schools. "The phenomenon around social entrepreneurship is huge. As we are all batting for the same team, the idea of collaboration is very powerful", he says.





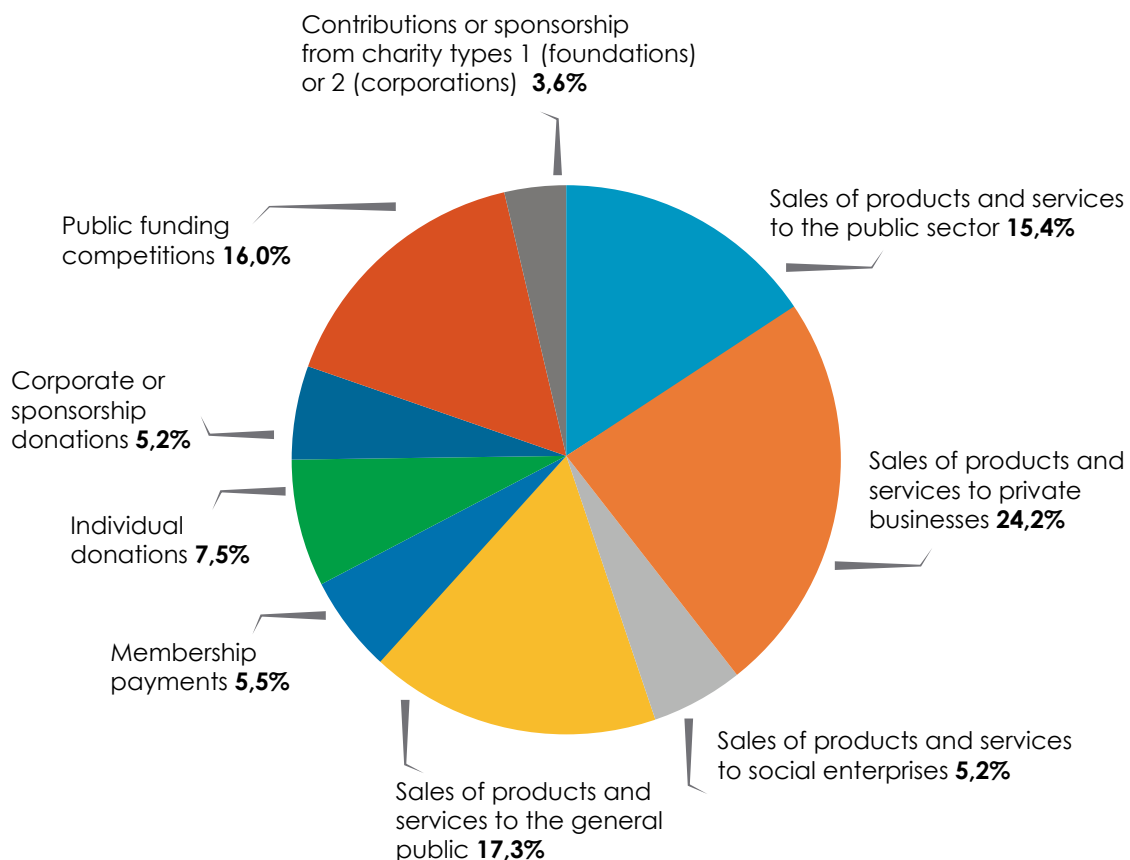
7

- Profitability, impact and measurement

## 7.1. Sources of revenue and markets

The way in which social entrepreneurship's revenue behaves is similar to its sources of financing; highly diversified (Figure 7-1). The sale of products and services to private businesses is, unsurprisingly, the main source of revenue. Nonetheless, upon observation it is striking that the main clients recognised by social enterprises are general consumers. Although Figure 5-4 disaggregates private and public clients by sector, the fact that half of social enterprises focus on general consumers, but do not yet generate revenue from them, points to a future opening up or reorientation of the social enterprise towards consumer markets. This is reinforced by the fact that one of the main obstacles to social entrepreneurship (Figure 6-4) is the lack of awareness of social issues on the part of consumers.

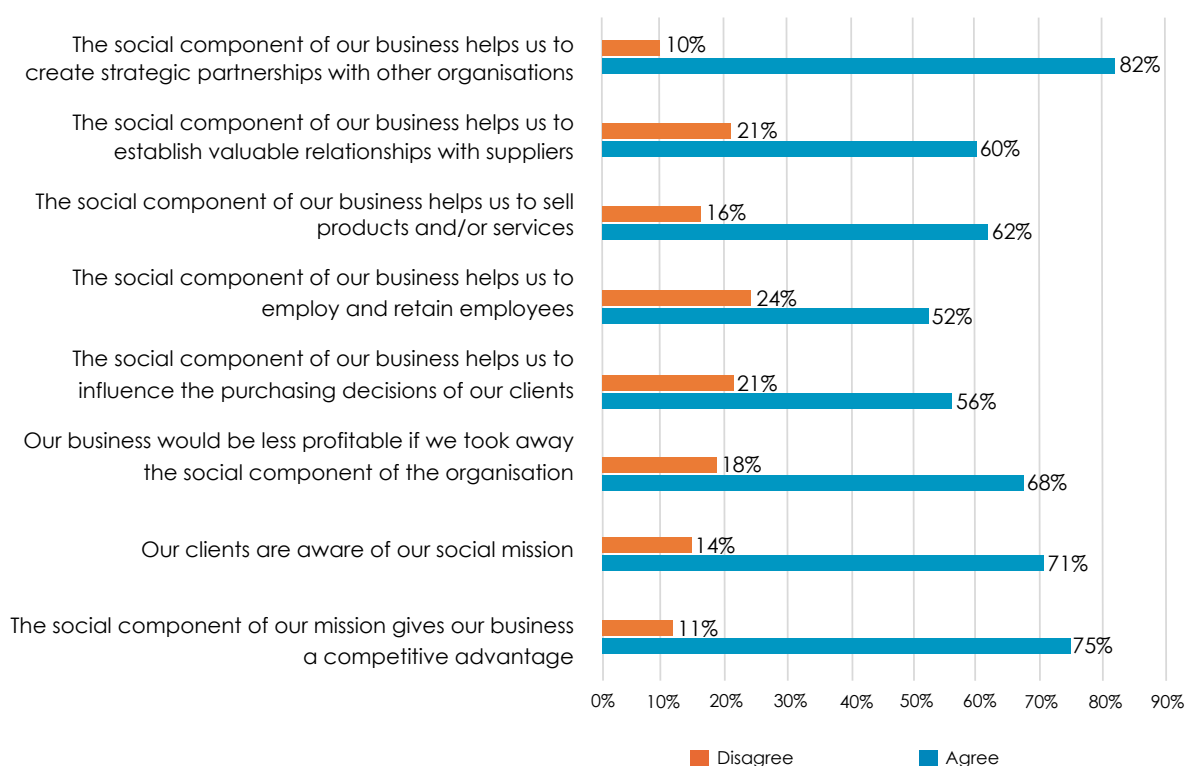
**Figure 7-1 Sources of revenue**



The actions taken in this regard by the network of social enterprises, Sistema B (in English, System B), towards the creation of a 'B market', just like those of associations that uphold the value of sustainable and/or ethical production, enable this necessary opening-up. Together with becoming part of the supply chain with an emphasis on efficiency and competitiveness, we also consider as relevant the integration of sustainability standards and co-production practices throughout the value chain, from producer to consumer. The same applies horizontally, across and between social enterprises. This is still nascent; even though the social component does help to form strategic partnerships with other organisations of the same nature (Figure 7-2), these still seem to remain at a social movement level rather than being commercial or production partnerships, as can be observed in the low instance (5.2%) of the social enterprise as a source of revenue.

In terms of the role of the public sector as a source of revenue (31.4% aggregate), it is interesting to observe that the public funding that is competed for - which does not involve transactions and consideration - is more significant than the sale of products and services. In keeping with the findings and arguments set out in the previous section, we consider it fundamental to advance in this direction; to reconsider the roles of both actors in wellbeing provision and to open up contractual mechanisms that enable the closer involvement of both, so as to simultaneously break up the growing dependency on start-up funds that has been observed. Social impact bonds certainly open up a funding and revenue alternative, but there is a wide variety of results-based contractual formats that could be used, in the hope that this market becomes operational.

**Figure 7-2 Social component and performance**



## Cooperativa Ispirare: Forecasts

When it comes to talking about financial resources, Juan Jaime Olgúin indicates that although they are important, they did not prove to be decisive in what they have managed to achieve to date. He links what they have achieved more to the clarity of their business proposition and the objectives they set out.

***“We did have some resources. Now we are more in a phase of growth, we have had a good reception and what is helping us is being able to work with communications resources. Dissemination is crucial to what we are doing now in order to reach more people and more places. I believe that if a social enterprise does not make itself known it is much harder for it to grow its operation over time.”***



In Olguín's opinion, more support is needed from specialised tools.

***“What we have encountered to date with the development agencies or with Corfo are funding lines for Smart City projects, but apart from that you have to look for other types of channels to find funding for the initiatives, products or services that social enterprises may develop.”***

The most important thing, he affirms, is to focus on sales and everything related to subsidies and public funds should be a second option. “It won't help you to strengthen yourself as a business. As for us, for now we have been well received and we are growing.”

***“This year we have a goal not to exceed 90 million Chilean pesos worth of operational costs and to reach sales of 200 million Chilean pesos. But at this point we are going into July (2016) and our cash flow is at approximately 300 thousand Chilean pesos per month and our operational costs are in the red, a liability, but that's normal because it is part of the creation of our operation as an engineering business.”***

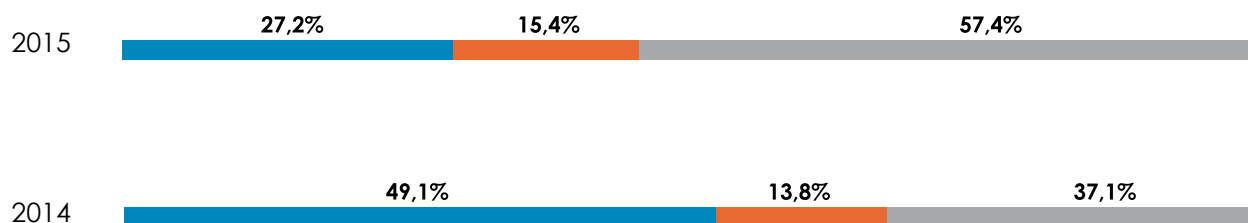
***“If we get up to 90 million worth of costs, our intention is to not exceed 270 million of costs in 2017, an arrangement which would fit with 600 million in revenue generation in 2017”, he confirms.***

For 2018 their revenue forecasts point to \$1.800 million, seeking to maintain costs in the same range as 2017. In order to achieve this cost/revenue structure, the operation is counting on trading in countries across the Americas, beginning this year with the opening of offices in Toronto, Canada, Medellin, Colombia, and in Chile, in Valparaiso and Santiago.

## 7.2. Revenue, diversity and profitability

In 2014 and 2015, 37% and 57% (respectively) of businesses surveyed acknowledge having generated revenue. Out of a total of 180 social enterprises that report having revenue, the average annual revenue is \$25 million in 2014 and \$18 million in 2015. This includes sales, donations and public funds and excludes investment, sales of shares and/or sales of part of the ownership of the business.

### 7-3 Revenue and the social enterprise

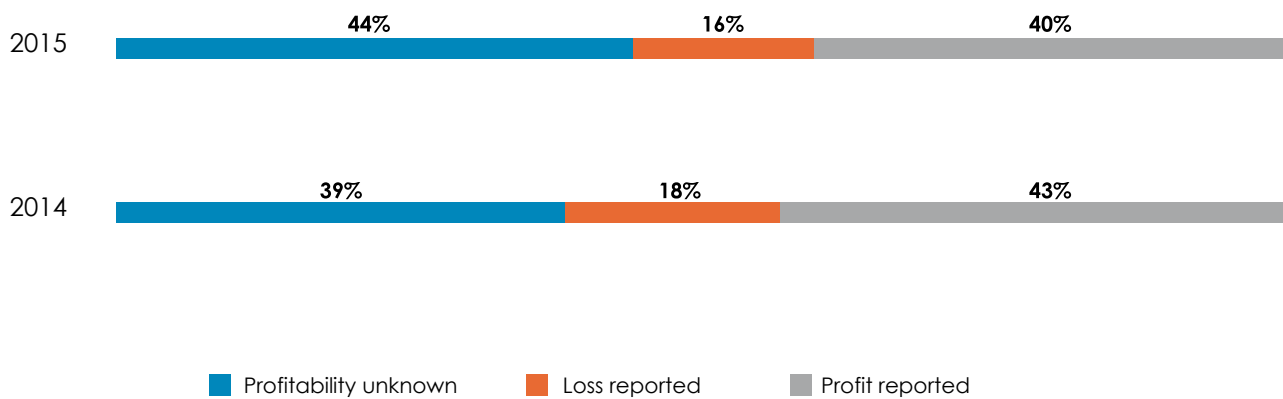


■ No revenue reported ■ Revenue unknown ■ Revenue reported and known

In spite of relatively low revenue, the social component is recognised as fundamental for the general performance and competitiveness of the business (Figure 7-2). According to those surveyed, this allows them to develop a competitive advantage with respect to their competitors, helping them to form strategic partnerships with other organisations and draw in clients. As such, they state that the social component contributes advantageously to the profitability of the business.

The social component is essential and low revenue cannot be attributed to it. Although our expectations were higher, these average revenues are characteristic of the stage in the business life cycle of those surveyed, as of the sector in its entirety, which is still nascent.

#### 7-4 Profitability and the social enterprise



Although profitability can be expected, it is crucial to make progress on the consolidation of business models that allow the dependence on start-up funding and own capital to be broken down, and ensure returns that show the social enterprise to be a professional development option, above all considering that the average age of social entrepreneurs is 34, compared to 38.4 for traditional entrepreneurs in initial stages and 46.1 for established traditional entrepreneurs. This is even more salient when it is noted that 53% of social entrepreneurs are in the 18-34 age range, compared to 41% of traditional entrepreneurs in initial stages and 14% of established traditional entrepreneurs.

In view of these returns and age ranges, it is possible that the dropout rates in social entrepreneurship are higher than those observed in traditional entrepreneurship, given the extent to which social entrepreneurship is not able to generate enough to fulfil the lifestyle commitments that an individual (social entrepreneur) takes on after they hit the age threshold of 35.

### 7.3. Rethinking the business model

In order to boost social entrepreneurship, it is certainly necessary to make progress on those factors that enable it to function. Nonetheless, if entrepreneurship in general is thriving and a desirable career option in Chile, given the benefits that it promises and claims, we see no reason why social entrepreneurship cannot present a similar career option. Even though the two are different in terms of purpose, philosophy, organisation, operation and desired results, they do also share fundamental value creation elements, such as planning, resource mobilization, functional areas and results measurement.

For those areas in which there is division, the division is not dichotomous. There are purely social and purely commercial extremes, but once the social mission is made part of the core of the business, there are a wide variety of grey areas which add complexity to the sector and also development opportunities. The hybridisation continuum offers social entrepreneurship the option of combining not only investment sources, but also different revenue sources, many of which are not available to traditional entrepreneurship.

Currently the vast majority of social enterprises' revenue is concentrated in 3 or fewer revenue sources, and only 8% have highly diversified revenue sources (Figure 7-5). In view of the evidence presented throughout this study in terms of connection with the territory, mobility, expectations and distinctive growth, we suggest that social entrepreneurship can attain higher profitability to the extent that it diversifies its sources of revenue as an integral part of its business model.

A model with a range of sources, including donations, public support and sales to diverse actors, is innovative, not lacking commercial capital. The over emphasis on giving the social entrepreneurship commercial independence (equipping it primarily with commercial tools) has limited the capacity of these businesses to develop alternative business models that take advantage of and legitimise the aforementioned diversity.

#### 7-5 Quantity of revenue sources



Together with making the most of the flexibility that hybridisation provides, alternative and unique business models could also incorporate elements discussed in the previous sections:

- integration of sustainability standards and co-production practices throughout the value chain and among social enterprises looking to target consumer markets (section 7.1).
- structure based on interdependence with local circumstances (section 3.3) and distinctive growth via replication rather than scaling-up of the business (section 4.3).
- creation of boundary objects that enable entrepreneurs and investors to work together (section 6.2).

- opening-up to decision-making systems and collective organisational forms that contribute to attracting and retaining associates to work with (section 4.3).
- collaboration on wellbeing provision (section 6.3); and, finally, legitimisation of activities based on concrete results rather than on good intentions and heroic acts.

## **Balloon Latam: business model**

Balloon's business model is supported by three main sources of revenue: on the one hand there is the payment made by the local partners from the community to host them (regional governments, businesses, municipalities, NGOs). Another important revenue stream comes from various businesses, as the format has become a very attractive opportunity to display brands and to connect with communities - it is not solely for the sake of the image.

***“We liaise with the private sector a lot. Some versions of Balloon have been 100% financed by this and others by the public sector. For example, the official vehicle of Balloon is Chevrolet; in Argentina it is Toyota. In addition, we have official clothing made by Hake Honu. For everything we look for a sponsor to keep costs down, as such we have better dissemination and the entrepreneurs have better benefits.”***

The final significant revenue stream comes from the payment made by the fellows to participate (2200 US\$), which is distributed to the following costs: 12% on materials, 18% on the training, 20% on accommodation, 10% on transport, 17% on food, 10% goes towards awards, 5% towards merchandising, 4% covers follow-up and 4% goes on events. On average, 14 professionals are needed and some 150 apply. The candidate selection process is quite rigorous. They look for people who are “empathetic, co-creative, cosmopolitan, pioneering, dedicated, and leaders”. Applicants have to send in their CV, they are interviewed and undergo a personality test.

One of the difficulties Balloon had in recruiting young people at the beginning was related to the communication channels to reach them with the information, as they come from all over the world. One way of solving the problem was by establishing partnerships with as many universities in Latin-America as possible so that they fund their senior students or alumni. Today, in Chile the Universidad Católica (the Catholic University) and the Universidad del Desarrollo give their students grants for participating. The Universidad Santo Tomás (the University of Saint Tomás) is in the process of finalising a similar arrangement.

In the first week of Balloon they pass on methodologies and insights to the fellows, who then, in pairs, go on to hold workshops with the entrepreneurs. At the same time, they do visits to their workplaces and homes, as well as travelling around the destination and having a closing ceremony for the program. In the final week, each pair selects the best two start-ups. These start-ups present their businesses and, the projects that stand out the most are invested in with a percentage of what each fellow paid.

During the final four months of the intervention undertaken by Balloon, the team does personalised work with the programme finalists on the development of their businesses. And so the 11 months of intervention in each community come to an end.

## **7.4. Impact and measurement**

The success of social enterprises should be evaluated with respect to the social and/or environmental impact that they create, however, less than half of those surveyed state that they continually measure their impact.

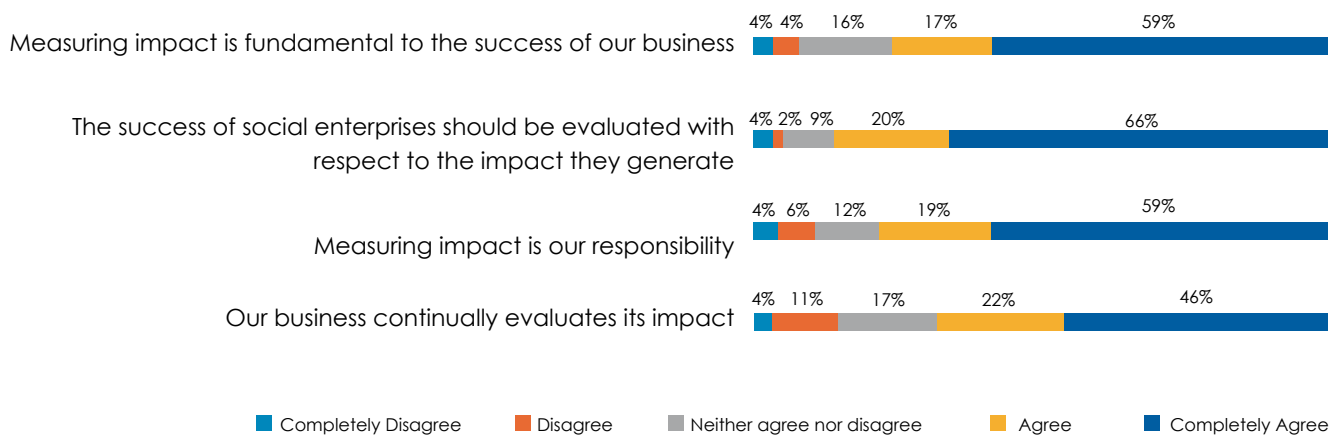
With those businesses that state that they do measure their impact, a lack of knowledge and rigour is observed with respect to what measurement tools are and how to use them. We classify measurement tools in three categories: international standards, internally developed “ad-hoc” ones and general measurement tools. In the first group (14.7%) we find tools like B Impact Assessment, Lifecycle Analysis (LCA), Environmental Footprint Calculator and Carbon Footprint, Poverty Stoplight Methodology, Global Impact Investment Rating System (GIIRS) and ISO 18.001, among others.

### 7-6 Impact measurement and social entrepreneurship



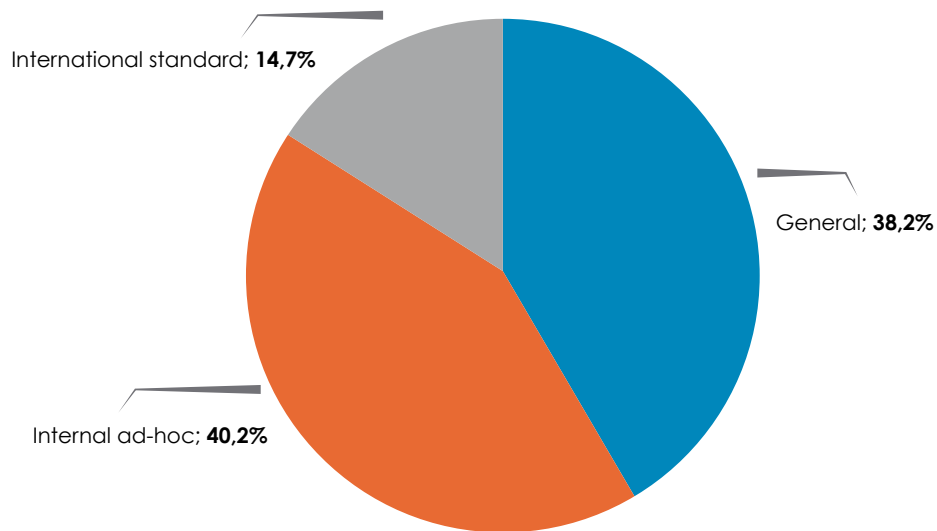
Degree of agreement 1-5

### 7-7 Impact and social entrepreneurship



In the second group (40.2%) we find tools developed by the social enterprise itself that seek to capture the impact of the organisation in specific areas of interest. Many of the tools are simply estimates of particular indicators, such as: kilos of imperfect products, products sent to waste, number of people who use the service, beneficiaries' quality of life, number of abandoned dogs found, among others. The organisation Actuemos (in English, 'Let's take action'), that seeks to drive forward and carry out practical actions on the ground to promote dietary habits, particularly among children and their families, uses a different impact evaluation for each of its initiatives, on the basis of which they formulate their own indicators and evaluate the year's returns. In their third year of life (2016) they set an activities goal, and in September they had already collected funds for 20 schools. Even though these tools do not enable proper estimates of the impact generated or provide a basis on which to be able to compare profitability and impact, they do enable the organisation to understand their areas of impact and to see how they are making progress over time with respect to their own objectives and coming closer to solving social problems.

### 7-8 Type of measurement tools



In the third group (38.2%) we find businesses that use general activity indicators that do not reflect social impact or provide information on the effect of the social actions of the business. For example, social media presence, number of website page visits, number of clients and budget and cost control. These tools can be useful for measuring the overall performance of the business, but are not so clearly relevant when this performance is necessarily linked to the social action of the organisation. Ultimately, as those surveyed indicate, the success of the social enterprise should be measured and valued according to the social impact it generates.

### **Puntaje Nacional: Impact Measurement**

The impact of the platform is measured via feedback received from the users. This involves stories and concrete cases like that of Camilo Navarro, a young person from Chiloe who studied with Puntaje Nacional and also won the AprendoEmprendo.cl competition, which allowed him to travel to Silicon Valley, meet Google, Facebook and the Universidad of Stanford, among others.



**“After that experience, he decided to apply to universities in the United States and he received grants from the University of Chicago and Pennsylvania, which are among the best in the world. He will go to study engineering for free for three years in Pennsylvania”, describes Fabián Martínez.**

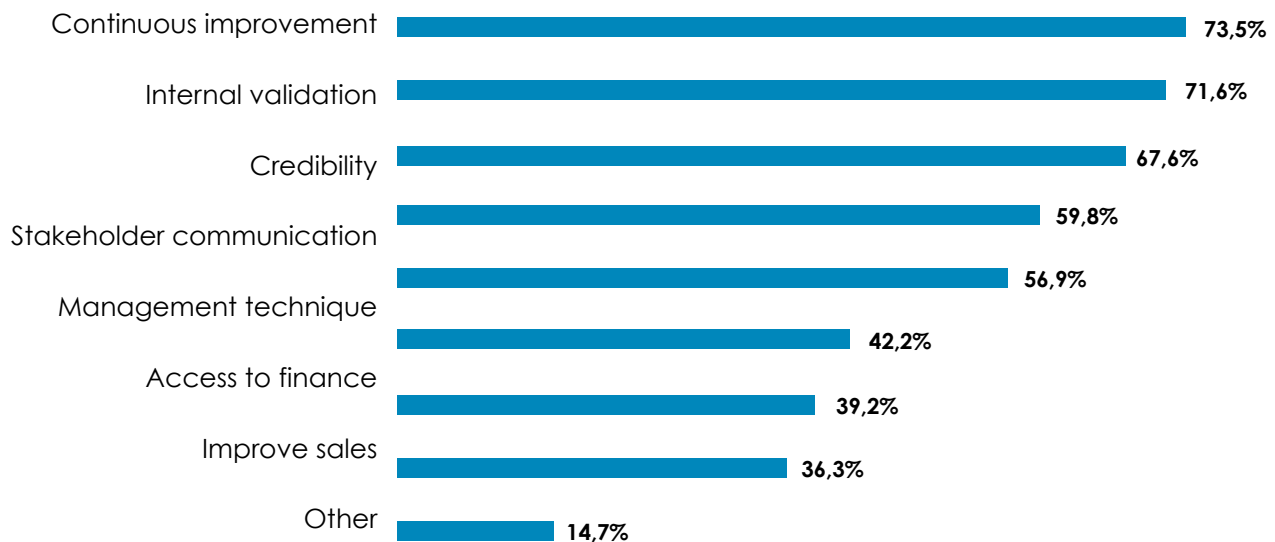
On a quantitative level, they carried out a study with the Universidad de Chile (the University of Chile) with the support of a team of economists led by Sebastián Cea. They analysed the impact of each hour that a student puts in on the final result of the Mathematics test. “We concluded that the result goes up by around one point for every hour of study, and so if you put in 100 hours, you will go up by 100 points on average in the PSU”.

However, in Fabián’s opinion, the social entrepreneur is not motivated by measuring impact, but by creating impact.

**“Impact studies are a huge challenge and they are expensive. Instead of having concrete impact studies, social enterprises don’t waste time on that, because it is enough for me to just say, ‘I have close to 800 thousand users who spend more than half an hour on the site’. Also, if it is going to cost me ten million pesos to do an impact study, I would rather invest that money in developing an application that enables young people to study more.”**

With respect to Puntaje Nacional’s forecasts and future challenges, they are expecting to grow in Latin America, to be present in four more countries, and to increase penetration in the Colombian market. In addition, they will keep developing innovations, such as mobile applications.

### 7-9 Main reasons for measuring impact



When reviewing the reasons for measuring impact, it is interesting to observe that the majority of social enterprises understand measurement as a continuous improvement tool, not only as a way of gaining legitimacy as an emerging sector. In this way, the apparent deficiencies in terms of the quality of tools used are perhaps merely contingent on the youth of the sector, rather than on a general lack of conscientiousness. In this way, it would not be surprising to find that in a few years a greater quantity of social enterprises are using international standards or specialised measurement tools, and an increase in the quantity of certifications, which is currently still at less than 20%.

## Balloon Latam: Impact on people

One of the peculiarities of Balloon, which has been categorised by the press as “the reality show of social innovation”, alluding to the intensity of sharing accommodation, is precisely that its way of working is based on personal connection. “No technology can provide you with the life-long link that you can create. There are institutions that have been working for four years in a community that don’t reach the level of trust or relationship that Balloon has. We are not going to change that way of working however much we want to grow. Our model is designed to be like this”, indicated Sebastián.

When it comes to talking about the biggest impact that Balloon has, he refers emphatically to the experience that the young people have.

**“80% of them remain linked to social innovation after having gone through the programme. Balloon changes them and impacts them for life. At the same time, 54% of the entrepreneurs that participate increase the revenue of their business and 3.84 partnerships are generated per entrepreneur by the end of the programme”.**

He adds that impact measurement is a “thing” in social innovation, as “although there are methodologies, measurement is not done well and everyone does it differently, so it is very difficult to make comparisons”. “If I say, for example, that we have eight billion dollars worth of training, that eight billion people have participated, that is of no use for anything. That is a diagnosis, not an impact.

Programmes	Bases in Chile	Balloon Latam Entrepreneurs
Number of Latam programmes: 9	Lonquimay + Malacahuello 2013	Total 1.048 entrepreneurs graduated
Applicants: 700	Valle de Colchagua 2014	* Chile: 758
Number of Latam fellows : 115	Pucón-Curarrehue 2014	* Argentina: 190
* Chile: 75	Araucanía Costa 2015	* México: 100
* Argentina: 16 fellows	Araucanía Andina 2015	
* México: 8	Cachapoal 2016	

With respect to their growth plans for the future, the Director of Emprediem Latam highlights that Balloon is already in four countries and that the intention is to continue growing this international presence. In this sense, licensing out the programme such that another business or institution could implement it abroad seems to be the appropriate development path.

Regarding his personal goals, surprisingly he indicates that he would like to be unemployed soon, at least with respect to this initiative. “The social entrepreneur seeks to put himself out of a job. Nowadays there are many issues to be resolved, people ask for the programme to come to Scotland, Bosnia, the Dominican Republic and many places, but hopefully in the future I will be able to stop doing Balloon programmes, because they will already have been done all over, they will have solved the social issues and will be no longer necessary”, he declares.

**“For me, that is the big difference between a ‘normal’ entrepreneur and a social one. The ‘normal’ one seeks to maximise the price of their business’ shares, which become more and more expensive. Not so with the social entrepreneur; they seek to maximise the social impact they create, and therefore hope that they will end up with no work to do.”**



# Footnotes for Social Entrepreneurship Report

1. A sample size of between 10% and 12% of a given population allows inferences to be made on the structure and dynamics of the sector, as well as on the behaviour of the actors involved. In this way, there is an acceptable margin of error which exceeds the initial estimate, according to which the study's objectives could be achieved with only 250 participants. To take an example of international experience: the results of the national survey of the third sector in the United Kingdom from 2008 and 2010, which employed a working definition of social enterprise similar to that which is proposed here, showed that depending on time constraints and the specificity of objectives, the percentage of social entrepreneurs fluctuates between 25% and 35% of third sector organisations, giving a possible population of between 5,475 and 7,600 active social entrepreneurs in the United Kingdom. Therefore, if this is extrapolated to the Chilean context, the project took into account an extensive base of sources of access to social entrepreneurs. It also had a team working full time during the first stage of the study, who worked to build a contact base of more than 2,500 potential participants. In this way, the study achieved a response rate of over 20%; far exceeding the standard for studies of this kind.

2. Years of commercialisation and years since the legal constitution of the business

3. The complete tool can be downloaded from the study's website: <http://iisocial.udd.cl>

4. Kimmitt, J. Munoz, P. 2015, Re-thinking the Ethics of Inclusive Innovation. International Social Innovation Research Conference. University of York, UK.

5. Ansari, S., Munir, K., & Gregg, T. 2012. Impact at the "Bottom of the Pyramid": The Role of Social Capital in Capability Development and Community Empowerment. *Journal of Management Studies*, 49(4), 813-842.

6. Muthuri, J., Chapple, W., & Moon, J. 2009. An integrated approach to implementing "community participation" in corporate community involvement: Lessons from Magadi Soda Company in Kenya. *Journal of Business Ethics*, 85, 431-444.

7. Valente, M. 2012. Indigenous Resource and Institutional Capital: The Role of Local Context in Embedding Sustainable Community Development. *Business & Society*, 51(3), 409-449.

8. Peredo, A., & McLean, M. 2006. Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41(1), 56-65

9. Littlewood, D., Holt, D. 2015. Social Entrepreneurship in South Africa: Exploring the Influence of Environment. *Business and Society*, Forthcoming

10. Munoz, P. Kimmitt, J. 2016. Revisiting the Practice of Social Entrepreneurship. Paper Under Review, *Business & Society*

11. Munoz, P. Salmivaara, V. Kibler, E. Cohen, B. 2016. The Collective Dynamics of Communal Social Enterprising. Paper Under Review, *Entrepreneurship and Regional Development*.

12. Munoz, P. & Kibler, E., 2016. Institutional complexity and social entrepreneurship: A fuzzy-set approach. *Journal of business research*, 69(4), 1314-1318.

13. This includes all paid employees who work full time and half time, and excludes volunteers who are not on the payroll.

14. This includes all full time and half time volunteers, and all volunteers who have temporarily worked in the business for more than one month in the past year.

15. Lifestyle of Health and Sustainability <http://www.lohas.com/Lohas-Consumer>

16. Cotte, J., & Trudel, R. 2009. Socially Conscious Consumerism: A Systematic Review. *Network for Business Sustainability*.

17. Harter, J.K., Schmidt, F.L., & Hayes, T.L. 2002. Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 87(2), 268-279.

18. Mendell, M., 2010. Reflections on the evolving landscape of social enterprise in North America. *Policy and Society*, 29(3), 243-256.

19. Investment instance is taken to mean all those contracts or rounds of investment received by the businesses throughout their lifetime.

20. Cabinet Office UK. 2011. Growing the Social Investment Market: A vision and strategy. [www.cabinetoffice.gov.uk](http://www.cabinetoffice.gov.uk)

21. Gatica, S., Carrasco, G., & Mobarec 2016 Bonos de impacto social: el contexto en Chile. BID.

22. Ibid.

23. Anderson, A.R. & Warren, L., 2011. The entrepreneur as hero and jester: Enacting the entrepreneurial discourse. *International Small Business Journal*, 29(6), 589-609.

24. <http://skoll.org/2016/04/13/getting-global-social-entrepreneurs-to-the-next-level>

25. Star, S. L., & Griesmer, J. R. 1989. Institutional ecology, "translations", and boundary objects: Amateurs and professionals in Berkeley's museum of vertebrate zoology, 1907-39. *Social Studies of Science*, 19(3), 387-420.

26. Gatica, S., Carrasco, G., & Mobarec 2016 Bonos de impacto social: el contexto en Chile. BID.

27. Amorós, JE., & Abarca, A. 2015. Global Entrepreneurship Monitor: Reporte Nacional de Chile 2014. Universidad del Desarrollo

28. 66.8% of early stage entrepreneurs and 64.1% of established entrepreneurs state that most people consider entrepreneurship to be a desirable career option. Ibid.

29. Austin, J., Stevenson, H. & Wei Skillern, J., 2006. Social and commercial entrepreneurship: same, different, or both? *Entrepreneurship: Theory and Practice*, 30(1), 1-22.

## Authors

Dr. Pablo Muñoz is a Lecturer in Business and Sustainable Change at the Sustainability Research Institute, University of Leeds (United Kingdom) and adjunct Professor at the Instituto de Emprendimiento (the Entrepreneurship Institute) of the Universidad del Desarrollo in Chile. His research focuses on sustainable entrepreneurship, inclusive innovation, collaborative economics and entrepreneurship and civil society.

Dr. Jonathan Kimmitt is a Lecturer in Entrepreneurship at the Newcastle University Business School (United Kingdom). His research focuses on international development and entrepreneurship, social entrepreneurship, inclusive innovation, and microfinance.

Tomás Serey is Coordinator of the study on the Structure and Dynamics of Social Entrepreneurship in Chile, organised by the Universidad del Desarrollo (University of Development) and supported by Corfo. His experience is focused on education for entrepreneurship in Higher Education.

Loreto Velázquez is the Journalist for the study on the Structure and Dynamics of Social Entrepreneurship in Chile organised by the Universidad del Desarrollo (University of Development) and supported by Corfo. Her experience includes interviews, writing, editing and managing content in universities and in private business. In recent years she has had roles in major business accelerators, acquiring in-depth knowledge on the Entrepreneurship Ecosystem.

## About the Institutions

### **UNIVERSIDAD DEL DESARROLLO-UDD**

In its 26 years, the Universidad del Desarrollo has striven not only to educate excellent students, but also to contribute to the development of the country, offering an alternative vision and a unique project which is developing in the Bío Bío region, strongly influenced by the hallmarks of the institution such as Entrepreneurship and Leadership, Public Responsibility and Ethics.

Currently, UDD has more than 13,500 undergraduate and 2,500 postgraduate students, and 9 out of 10 find work within 6 months of graduating. In addition, in 2017, seventeen degree pathways will be accredited, corresponding to those of 90% of the student population.

Entrepreneurship and innovation are in the UDD's DNA and have been in large part responsible for the success of the academic initiative. As such they have become a hallmark of an institution that has already made an impact on thousands of students who are now succeeding in the world of work.

### **CORFO**

The mission of the Chilean Economic Development Agency, Corfo, is to improve competitiveness and to encourage the country's product diversification by nurturing investment, innovation and entrepreneurship, as well as strengthening human capital and the technological capabilities that will achieve sustainable and evenly distributed development across the territory. In recent years, Corfo has made a great contribution to people making their ideas a reality and boosting the wellbeing of the country.

### **THE INSTITUTE OF ENTREPRENEURSHIP-UDD**

The Institute of Entrepreneurship is an entity created under the auspices of the Economics and Business Faculty of the Universidad del Desarrollo (UDD), with the aim of focusing on the research carried out in this academic centre in the area of entrepreneurship and innovation, maximising its potential and sharing it.

The IE is a product of the need to strengthen the Economics and Business Faculty as an institution, enabling it to better achieve its entrepreneurship and innovation research objectives, and better connecting it to Chile and the Latinamerican region's needs in these matters.

The IE seeks to be an institute of excellence that is a leader in entrepreneurship knowledge creation in Chile and Latin America. To this end the IE undertakes cutting-edge scientific research, with its results feeding into teaching, expansion, and ongoing training. The effects of these activities should therefore contribute to the development of the entrepreneurship and innovation ecosystems in the region.

### **THE INSTITUTE OF SOCIAL INNOVATION UDD-FMK**

The Institute is the result of a partnership between Fundación Miguel Kast and the Universidad del Desarrollo. Its mission is to train change agents who, through entrepreneurship and social innovation, can solve the country's social challenges. To do this, the Institute has created different initiatives that seek to optimise the creation and sharing of knowledge, as well as participate in the development and evaluation of social innovation projects.





## **UNIVERSITY OF LEEDS, SUSTAINABILITY RESEARCH INSTITUTE**

The Sustainability Research Institute at the University of Leeds conducts multidisciplinary research that aims to solve problems related to environmental, social and economic dimensions of sustainability. With more than 100 researchers, its work draws on social and natural sciences, including development studies, business and management, geography, sociology, science and technology studies, ecology, and environmental sciences.

## **UNIVERSITY OF NEWCASTLE, CENTRE FOR KNOWLEDGE, INNOVATION, TECHNOLOGY AND ENTERPRISE**

The Centre for Knowledge, Innovation, Technology and Enterprise at the University of Newcastle focuses on innovation, entrepreneurship, information systems and partnerships. KITE is a significant actor in the United Kingdom that makes a contribution to the public, private and third sectors on national and international scales, working across three societal challenges: Ageing, Sustainability and Social Renewal.

# ACKNOWLEDGMENT

## ***Universidad del Desarrollo team***

Dr. Antonio Lecuna  
Javier Salah  
Isidora Sanhueza  
Constanza Serrano  
Kenny Levi  
Clare Poolman

## ***Participating organisations***

Sistema B  
Acción Joven UNAB  
Universidad de Los Lagos (University of the Lakes )  
Broota  
Instituto de Innovación Social-UDD FMK (Institute of Social Innovation)  
ASECH (The Association of Entrepreneurs of Chile)  
Global Entrepreneurship Monitor, Chile

## ***Design***

Antonia Larraín

## ***Citations:***

Muñoz, P., Kimmitt, J., Serey, T., Velázquez, L. (2016) The Structure and Dynamics of Social Entrepreneurship in Chile. Entrepreneurial Ecosystems Support Programme. Universidad del Desarrollo, Chile.

