Innovating through the lens of social entrepreneurship to tackle poverty reduction

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1. Introduction

The advancement of the knowledge economy has left regions in a heightened state of vulnerability, particularly those that have suffered significant decline and have had to cope with unprecedented and unmanageably rapid growth. Less favoured regions—most significantly in impoverished countries—have experienced large unemployment, low income levels, lack of public services, diminishing private sector facilities, and growing isolationism (Courvisanos, 2001). This is where innovation is needed to develop appropriate creative solutions to manage and ameliorate the *specific* problems of vulnerability and exclusion identified in each region. Innovation particularly targeted to global and most demanding markets ought to be high in the agenda of multilateral credit and governmental institutions and at the core of every firm and educational and research centre. So too, innovation should drive *action* plans targeted to the bottom of the pyramid in both leading and laggard regions. At this point, a remark should be made. Though this paper is especially focused on less developed countries, it is worth noting that also in the developed world globalisation has encouraged a "race to the bottom" (Korten, 2002) that could seriously undermine its competitiveness and slow down the economy's rate of growth in the long run[1].

The ever growing gap between the ones that know and have developed the capacity to learn and those that have not, between the few that have been embraced by the IT era and the great majority that has been kept off this transformation, puts a sense of urgency on the need to solve these gaps—or at least slow down the pace at which they occur. To plunge ahead, a great bulk of creativity (social driven innovation), energy and commitment is required. In this respect, we are deliberately opposing social driven innovation to "pure" business or competitiveness driven innovation—*beware* that we are not making a distinction between "for-profit" and "non-profit".

However, though still isolated, there are a handful of recent initiatives that make us optimistic about start solving the enduring problems at the base of the pyramid. The shift in the poverty approach of multilateral credit institutions (mainly the World Bank and the Inter-American Bank) giving great prominence to the business sector as the engine of this renewed agenda[2] and the fact that the poor are for the first time candidly perceived as consumers, producers, and partners in wealth creation, eBay's founder, Pierre Omidayr, hybrid philanthropy view on giving (*Business Week*, 2004a), or even Bill Gates last June's public announcement (*The Economist*, 2006b) to start to step down from Microsoft to work full-time at the Gates Foundation in what means a call to action is promising.

[1] Put simply, globalisation has also undermined rich countries' ability to deliver substantive freedoms. In relation to this issue, see *The Economist*, "Inequality and the American dream", 15th June 2006, [online] http://www.economist.com.

[2] Think about World Bank's recent emphasis on the role of corporate social responsibility and multi-sectoral partnerships as tools to include business in development solutions.

The paper builds on these insights and places social entrepreneurship in the centre of the debate of the plausible ways through which to alleviate poverty. We tackle the issue within the broader framework of regional innovation systems (RIS) and see the linkages between the RIS concept and that of social entrepreneurship. Innovation, high productivity and competitiveness will continue to drive wealth creation and economic growth. Thus, our main concern is to provide an alternative way to enable people at the bottom to step up to the upper layers of the pyramid and shorten the distance between these two extremes. The main contribution of this paper is to articulate a framework to ameliorate poverty in the context of social entrepreneurship and lay the key foundations under which the initiatives in the field might deliver results.

The reminder is structured as follows: Section 2 introduces the problematic of poverty reduction and excluded communities in the KE; Section 3 analyses the emergence of social entrepreneurship as a possible answer to alleviate the negative effects of the globalising world; Section 4 proposes a holistic framework within which social entrepreneurship acts as a linchpin to approach poverty reduction; and Section 5 provides some brief conclusions.

2. The problematic of poverty in the global knowledge economy

From a socio-economic perspective, globalisation has proven to be a two-sided coin. On the one hand, it has generated new sources of wealth in many countries, which have seen an overall rise in their population's living standards. At the same time, it has accelerated the inequalities and divergence of economic growth and development processes it was supposed to ameliorate. According to the World Bank, one billion of the earth's six billion people own 80% of global GDP, more than a billion struggle to survive on less than a dollar a day and another three billion live on less than two dollars per day[3]. Further, of the 100 largest economies in the world, 51 are corporations and only 49 are countries.

Whether these indicators leave us with displeasure is a good start—emotional engagement is the previous step to true commitment and subsequent action—though not much effective when it comes to evaluate its real effects on people's lives. A positive insight might be to ask ourselves how to engage these corporations as well as other smaller firms in a *socially oriented* and *market driven* strategy so that people at the bottom could harness from the technology, networks and pool of skills and competencies those firms have and the economic gains they accrue. But, inducing higher levels of social responsibility from business corporations is not enough. To pave the way for a more equitable and sustainable socio-economic development at this stage generally implies having to undertake a myriad of structural changes that have been largely postponed. Fundamental structural changes demand in turn profound changes in the current institutions and the people's values and mind-sets, accordingly.

Of the many hurdles in the midway to this type of transformation, two are especially remarkable. In the first place, this process is systemic in nature, meaning it is impossible to tackle fully the problems of local or regional development (intrinsically linked to poverty issues) as clustered and independent realities (whether political, economical or social) in isolation from the interaction that necessarily occurs between

[3] See *World Development Indicators 2005*, World Bank.

their multiple levels of governance. Secondly, from this broad perspective, significant progress could only be appreciated in the long run, thus making a strong leadership and all stakeholders' long term commitment towards an agreed vision and objectives a central element of whatever strategy steered to rouse such changes. These aspects have a few policy implications; mainly, that the new approach to economic development should pay close attention not only to '*what'* the aspects of development we should focus on are but to '*how'* that development should be done—i.e. *with the contribution of what resources and competencies, the involvement of who and addressed to whom, and through which mechanisms*. This paper is intended to tackle both—but especially the latter, because working out the questions encompassed in the 'how' is essential for the success of plans requiring long term implementation actions like those aimed to secure institutional or structural changes and poverty reduction.

A recent survey in *The Economist* of February 23rd, "Wealth and Philanthropy", heightens the emergence of a new corporate philanthropy and how it could contribute to alleviate poverty and exclusion if adequately nurtured—Ebay, the Gates Foundation and the Google Foundation, part of Google.org, are but three examples of this new philanthropy combining both for profit and non profit investments which only in America accounted for 2% of GDP or $249 billion in 2004, according to Giving America. The question that immediately popped up when we read this article was whether entrepreneurial firms concerned with social problems—probably in conjunction with NGOs—could play a leading role in the socio-cultural and economic transformation processes conducive to poverty alleviation. Ultimately, we wondered up to what extent the communities could rely on the business sector as the architect of such yearned for transformation and whether the region's innovation system or institutional setting that supported those business activities was mature enough to prompt the required change actions and scale them up. The recent history of private philanthropy and successful private-NGOs partnerships has already provided us with the answer to both questions (Thompson and Doherty, 2006; *The Economist*, 2006a, 2006b, 2006c; Prahalad, 2005; *The Economist*, 2005a, 2005b; *Business Week*, 2004a, 2004b; Tharun Khana et al., 2004; Ahoka.org), showing it would be feasible and rewarding to promote and provide the mechanisms to support and increase the efficacy and the effectiveness of corporate based projects addressed to the poor.

To face the challenges that poverty raises, governments, firms, educational institutions and society at large must acknowledge that *the transition to a more **inclusive** and **equitable** knowledge economy requires long-term commitment*. The task at hand is not only to promote social and political acceptance of the private sector participation in issues of exclusion and poverty reduction, but to generate social awareness of a problem that is incumbent on we all. Poverty is a systemic problem; it has hundreds of mutually reinforcing causes. Most contemporary interest, for example, in university-industry linkages stems from a concern to increase the birth rate of new technology based firms and/or the velocity with which indigenous scientific capability is translated into commercial technologies. Building this capability is absolutely key to achieve economic growth in the knowledge era. But, when we come to untangle this apparent "linear" thinking to apply it to a less developed setting we should be especially aware that the individual and institutional actors we are dealing with are different, region-specific and generally lack the resources and the capacity and competencies—i.e. the physical infrastructure, the financial resources, the institutional setting and the collective knowledge—to absorb knowledge and change[4] as they are delivered. On the receiving end of contemporary innovation systems are indigenous and other disempowered groups and economically depleted communities with little stake in knowledge advancement and practically no involvement in the policy or social networks set up to steer the innovation system. Solving problems of market and technology access and building the competencies to either extract or create value from both is a slow going and an unglamorous journey. In fact, the multiplicity of actors and levels of governance involved in processes of structural change and development act against the possibility to speed up this building process.

Thus, the question remains how developing countries and less favoured regions can use institutions of the knowledge economy to: 1) foster and drive the social and technological innovation necessary for raising the living conditions of the people at the bottom, and 2) accelerate economic growth within a more equitable socio-economic development. More specifically, can social entrepreneurship channel innovations addressed to at least improve the living conditions of the less favoured on a long term sustainable basis?, and, if so, through which mechanisms?, what about replicating and institutionalising the World Bank's Development Marketplace at local and communities level?

3. Innovation and entrepreneurship: in which sense?

The knowledge economy has set the paradigm that a country's competitiveness lies on its capacity to innovate. Innovation and its associate, entrepreneurship, have since become key issues in public policy debates as they are increasingly seen as the key drivers of economic growth and wealth creation—both in terms of the generation of new industries and increasing the effectiveness of existing ones. Traditionally, these two concepts have been the exclusive stronghold of the business world. But, in the 1990's we attended the rise of a different type of entrepreneurship, social led, aimed at improving the living conditions of the people that have been largely expelled from the arms of globalisation. This new stream, dubbed "social entrepreneurship", was the consequence of a series of chained factors, mainly originated in the growing power of big corporations, making regulations and the power of governments to decline accordingly and the *civil society (more individually than collectively) to assume a more proactive and responsible role* in tackling the matters that most seriously and directly affected them (Roper and Cheney, 2005; Ryan, 1999). As Roper and Cheney state: "(…) it is arguably that once the Keynesian model with its system of social welfare had been experienced, people were no longer prepared to accept governments that abdicated responsibility for those who could not fend for themselves" (p.96).

To fully tap into the social meaning of entrepreneurship and recognise the elements and the assumptions behind this new approach we should minimally agree on the basic concepts that make it up: *entrepreneurship* (innovation) and *social drive*[5]. The idea of innovation is inherent to that of entrepreneurship; they go together. In few words, innovation is the development of new ideas and their take-up. This definition is robust as it emphasises both the knowledge development and implementation aspects of

[4] We refer to 'change' in a broad sense: innovation or technology changes redefining the firms' competitive scope and behaviours, institutional changes that set the way for market opportunities, or even attitudinal and behavioural changes in communities and individual actors, etc.
[5] Understanding both will help us to be aware of the components, processes and interactions we should focus on when developing the framework in section 4.

innovation, involving all disciplines as well as a multiplicity of actors in a systemic social fabric. Innovation is not just about technology and commercialization. Innovation is people doing things differently or doing different things. This may involve technological change or it may involve different organisational or processing arrangements, including team-based rather than functionally-based production units, re-engineered processes, or the reconfiguration of the firm's business model. However, *innovation is also critically and foremost about people*, their skills and their capacity to adapt and learn and to be creative, to take risks. It is about discovery and learning, it is about the application of knowledge in a new context. This fact is extremely important to our debate on social entrepreneurship as a workable instrument to tackle poverty reduction. The processes of discovery and learning (which is ultimately what the process of knowledge is about), though collectively supported, improved and fostered, are essentially *individual* processes that people undertake on their own. In this respect, the role of primary and higher education (especially primary) and effective and dynamic institutions is central to develop the appropriate values (trust, integrity, accountability, justice, competitiveness, etc), skills and competencies which, embedded in the human capital, strongly conditions the innovation capacity of the region and thus its global competitiveness.

Similarly, we favour a broad definition of entrepreneurship. While the conventional use of the term 'entrepreneurship' refers to the creation and growth of new and small businesses driven by the desire for monetary reward, the term also denotes the desire for independence, self-realisation and creative activity. The qualities of foresight, imagination, creativity, intelligence, decisiveness, endurance and alertness are often used to characterise entrepreneurs (Hwang and Powell, 2005; OECD, 1998). As early as the 19th century Say defined the entrepreneur as someone who shifts economic resources out of an area of lower to another of higher productivity and yield. Considering these qualities, to see the value of entrepreneurial behaviour in existing firms and particularly in the social domain and to impoverished communities is straightaway.

The big difference, however, between *social* entrepreneurship and simple entrepreneurship[6] is the commitment to helping others embedded in a vision for something that adds value for the underprivileged sectors at the bottom. Social purpose, achieved through entrepreneurship, is the principal driver of activity. A traditional entrepreneur focuses primarily on economic wealth creation with social wealth creation being a reasonable by-product from the venture. The social entrepreneur is, on the contrary, more interested in social wealth creation aspect of the new venture with economic wealth being the by-product (Mair and Marti, 2006; Dees, 1998; Zadek and Thake, 1997). In turn, social entrepreneurs like Muhammad Yunus from Grameen Bank, William Drayton from Ashoka or Pierre Omidyar from eBay, are people who realise where there is an unmet need that the state welfare system will not or can not satisfy and has or can gather the resources to "make a difference" in the social domain (Thompson et al., 2000: 328). From an individual point of view, they

[6] This distinction could sound quite artificial, depending on the definition of 'entrepreneurship' we adopt. For example, Morris's view of the concept, made it unnecessary. He sees entrepreneurship as a '… universal construct that is applicable to any person, organisation (private or public, large or small), or nation' and later on emphasises that '… an entrepreneurial orientation is critical for the survival and growth of companies as well as the economic prosperity of nations' (p.2) [cited in Anderson et al. (2006: 49).

are fully dedicated to the success of the social venture (Sharir and Lerner, 2006), and possess significant credibility, integrity and ability to engage others in a project that has social value, rather than only economic (Weerawardena and Mort, 2006; Borins, 2000). Simply said, social enterprises are "organisations seeking business solutions to social problems" (Thompson and Doherty, 2006: 362). According to the same authors, some of the characteristics that feature these enterprises are: a) a social purpose which derives in assets and wealth being used to create benefit to the community, b) the fact that they pursue this goal at least in part trading in the market place, c) the belief that the enterprise is both as accountable to its members and the wider community, and d) they deliver on a double or a triple bottom-line mission—i.e. they have both high financial and social returns objectives (Austin et al., 2006). The latter remains a fundamental differentiator, adding complexity to the purpose of accountability and stakeholder relations (item c).

Therefore, for the purpose of this paper we favour too a broad definition of 'social entrepreneurship' as "(…) an innovative, social value creating activity that can occur within or across the non-profit, business or government sectors" (Austin et al., 2006: 2). The interesting insight behind the concept of 'social entrepreneurship' is the ascertainment that the divide between a for-profit and non-profit approach to poverty issues was only apparent. Taken further, it means that there is a huge space for improvement at the bottom if we adequately nurture and foster 'private (for profit)-public (non-profit socially oriented)' alliances. In a world of networks the poverty reduction challenge should be refocused to make *sustainable* innovative partnerships the mechanism of change. 'Innovative' not only in the sense that the processes and outputs they deliver are unique but rather that the configuration of the partnership itself is distinct and unique. A wonderful example of this is the case of the heart hospital of Naradyana Hrudayalaya in Bangalore, India (Tarun Khana et al., 2005). Notwithstanding, to channel progress to the poorer sectors in a way that has a real impact on the people's quality of life the effectiveness of the 'private-public' partnerships has to be improved, either becoming more professional (*The Economist,* 2006a) (mostly on their 'public' side), providing the appropriate environment (e.g. enforcing the group of regulations that could end in more CSR initiatives addressed to the poor), or both.

Many developing countries currently receive much more private sector foreign investment than they do foreign aid. This represents a challenge and an enormous opportunity that the developing world cannot afford to lose. According to the World Bank (2006), 85% of today's financial resources flowing from the United States to the developing world come from private sources, such as foreign direct investment, loans, portfolio investments, personal remittances, and private philanthropic giving. To run off the situation that outlines the "regional innovation paradox" that according to Landabaso (2000) suffer most developing countries a great a bulk of creativity and innovation is required. This is the situation by which the more innovation is needed to catch up the more difficult it is to invest effectively—i.e. productively allocate public and private resources—for the promotion of innovation and increased competitiveness of the region.

The above considerations are aligned with some views proposing that a key point in business-society relations is how to establish a dynamic system relating government, the university and conventional big corporations and smaller firms for the benefit of more disfavoured communities (World Bank, 2006; Weerawardena and Mort, 2006; Thompson and Doherty, 2006; Seelos and Mair, 2005; Knox and Maklan, 2004; Bornstein, 2004; MacLeod et al., 1997). In particular, Seelos and Mair (2005: 245) suggest that linking social entrepreneurship with corporate social responsibility (CSR) could be a very promising model in terms of the impact to achieve the Millennium Development Goals (MDGs)—"To date, most CSR projects have concentrated on communities in developed countries, where achieving MDGs is much less of a critical issue. … In less developed countries implementation of CSR efforts may be facilitated, and may gain credibility and effectiveness, through collaboration with local forms of social entrepreneurship. This is particularly true for foreign companies that either wish to contribute to sustainable development, or have an interest in developing a future market for their own products and services." In this context, we wonder whether we can create a dynamic, interactive and sustainable system relating the university and government with corporate businesses that are both market-and-profit oriented and socially concerned. We do not adhere to those extreme theses that practically advocate the abandonment of for-profit goals by companies, but rather cogitate over innovative ways and mechanisms to allow less favoured regions to lean out of the KE—what is a development model to serve the people?

Continuing with our initial scheme, some of the questions we intend to answer in the next section are: How could KE-excluded communities make the most of social entrepreneurship and harness the emerging partnerships between for-profit and non-profit sectors aimed at solving problems of poverty reduction? What, if any, are the linkages of social entrepreneurship and corporate social responsibility? What is the role of institutions in enhancing this process? Would strengthening and promoting a fluid dialogue across the triple helix be an effective strategy to channel these funds and creativity alike? Is the invisible hand equally capable of delivering results in a socially entrepreneurial context? Is the university ready to play a decisive role in this scenario—promoting and upholding a more inclusive and sustainable development process? Moreover, who should put into gear and lead such an action-oriented transformation process?

4. The foundations of an SE-based approach to poverty alleviation: Components and linkages

The central key to poverty alleviation is to uncover viable and effective ways to ***build developing countries' capacity to solve their own problems***. This focus is *univocally* linked to the assumption of *economic growth as a critical foundation for addressing poverty*. Hence, the challenge remains to *design and agree on a broad* ***non-excluding*** *strategy to boost economic growth* ***<u>on an equitable development basis in a knowledge economy context</u>***. Hitherto, we have already placed in the new 'social entrepreneurship' the means to achieve both.

The capabilities of learning, innovating and competencies building that are inherent to the notion of competitiveness in the knowledge economy determine that the type of exclusion it entails is multifaceted and its consequences hard to manage in the short term. The emphasis on knowledge should be guided by the view that economic transformation is a process of continuous improvement of productive activities, enacted through firms *but* supported and understood by *all* individual members and institutional and economic actors in the economy. This improvement indicates a *society's* capacity to adapt to change through learning. It is through continuous improvement that nations transform their economies and achieve higher levels of performance. Using this framework, with government functioning as a facilitator for social learning, clustered firms will become the locus of learning, and knowledge will be the currency of change. But, when we are confronted with the challenge of having to translate this framework to less developed environments the difficulties, questions—and the possible solutions, too—ramify in unprecedented ways. Besides this bleak scenario, the idea of approaching the poverty dilemma with a market view, fostering the creation of social ventures through *public-private alliances* and a strong involvement of the *local community* they are addressed to sounds encouraging.

> *H1: Social entrepreneurship is one such way of promoting an* ***inclusive*** *social and economic development while significantly increasing the substantive freedoms of the people at the bottom.*

Marginalised communities in less favoured regions and developing countries may require specific cultural and *especially* institutional changes (e.g. doing away with corruption) —besides other intangible and more tangible assets like a competitive education system, value adding networks, efficient ICT and transports infrastructures, etc.—so as to allow for interactive learning and bring forward innovative solutions to meet local needs. In a previous paper (Martins and Viedma, 2006), we stated that regional innovation systems was the right approach to address competitiveness and promote economic growth. We further stressed that systematic and systemic evaluation was a critical assumption underlying the transition to a more competitive knowledge edge, and highlighted the role of evaluation in overcoming possible lock-ins and institutional and policy failures (Gregersen and Johnson, 2001). Evaluation and accountability to all stakeholders is a central element on the way to enabling and fostering the system's ongoing adaptation and the renewal of archaic institutions; it is nothing but the core of trust based long term relations and knowledge transfer. Institutions and particularly how to induce changes of values and attitudes in the broad social (or human capital) fabric has always been a key matter of concern in our research.

To give life to a vision that is aimed at enacting creativity, innovation, knowledge sharing and continuous learning for the people at the bottom, those who take part in the definition process must first understand the relevance and the implications (both direct and indirect) of such elements for economic growth and to the depleted community. To gain this understanding the structure of values of those who are to lead this transformation (decision makers) and the civil society at large have to be aligned and consistent with those stipulated as core in the knowledge economy. Otherwise, the idea of change will remain in the minds of an isolated few and will never come to facts. How then we could set forth an entrepreneurial *socially oriented* culture in such contexts? Culture is increasingly acknowledged as a factor which can contribute to building an entrepreneurial and accountable society as it is an important determinant of career preferences and helps shape attitudes to risk-taking and reward, and respect, empathy and morale engagement in relation to other members of society. Developing an (social) entrepreneurial culture and fostering entrepreneurial attitudes and values has moved high on government agendas. Education and training (including lifelong training) in entrepreneurship and creativity are the preferred instruments for encouraging entrepreneurial behaviour in societies, and evidence suggests that such programmes can have an impact on entrepreneurial activity and ventures' performance. The recent introduction of entrepreneurship in the curricula of some Brazilian schools—e.g. municipal school Israel Pinheiro in Belo Horizonte (Minas Gerais State) and the private Centro Educacional Menino Jesús in Florianópolis (Santa Catarina State)—is encouraging. What is even more promising of these experiences, particularly in the case of the CEMJ, is that 'real' entrepreneurs and managers have been directly involved in the project. Regretfully, social entrepreneurship remains off classrooms. This is also an indicator of the lack of implication of schools and universities in developmental processes, particularly in contributing to help the people in depleted communities to 'opt-in' the knowledge economy.

We strongly believe that the possibility for less favoured regions to improve the economic and social well being of their people in the long run is highly dependent on their ability to foster a new set of values, more prone to competitiveness, collaboration and critical and creative thinking, besides commitment, accountability and a sense of urgency. However, despite of the numerous initiatives launched and implemented in recent years, a number of shortcomings and problems are salient: a) entrepreneurship—much less social entrepreneurship—is not sufficiently integrated into educational curricula or integrated into national long-term economic strategy and planning, b) a lack of public resources has resulted in limited teaching and research capability in the field, c) there is a need to improve co-ordination among government agencies and between these and the business sector and the community when designing and implementing the initiatives, and d) both more data and evaluation are needed—especially, a greater effort should be made to find better measurement methods to assess the social impact of those initiatives. Solving both a) and c) is particularly relevant to developing countries. The lack of integration and coordination of partial initiatives behind a long term agreed strategy suppose a huge drain of resources that could otherwise be allocated to more social productive ends.

> *H2: Structural and institutional changes may be required to do away with corruption, build trust among the community members and allow the yields of the private-public initiatives to flow into the base of the pyramid.*
>
> > *H2a: Primary education is the keystone of this process of change.*
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> > *H2b: Systematic and systemic evaluation and accountability should become a central issue in the agenda of current society debates.*
> >
> > *H2c: Social ventures, because of their social and economic nature and orientation, are a powerful means to improve the levels of coordination and integration of the different public and private initiatives addressed to the poor.*

The number and multidimensionality of causes behind the poverty dilemma and having to tackle these issues in a global knowledge context make innovation systems (whether national or regional) the adequate framework upon which to build the possible way outs. Further, the long period of time required by potential solutions (e.g. social ventures creation, competencies building) to be implemented and show significant results raises a sense of awareness on the importance of deciding what type of development we want and on how to achieve it, right at the very beginning of the definition phase. A simple explanation could be that the set of competencies called for vary depending on the economic activities the region has decided to encourage and the characteristics of its socio-economic fabric, among other more subtle factors. For example, the competencies needed to solve a nutritional problem differ from those aimed at responding to school absenteeism, and from region to region within the same country, meaning in turn that the regulations, key participants and actions that should be undertaken might also differ. This holds irrespective of the natural causations and synergies between the different intervening factors.

Thus, when tackling problems of poverty reduction in the KE considering the basic conceptual underpinnings of the national or regional systems of innovation (NSI or RSI)[7] is of essence *even when RSI is not the central issue of analysis*. Systems of innovation relate to a holistic analysis of the complex array of components, processes and linkages that determine the knowledge base and decision making that affects innovation. The basic concepts underlying that of NSI are: *interaction* that is central to interactive learning (Lundvall and Johnson, 1994), *institutions* that are crucial to economic behaviour and performance (Smith 1999), and *evolutionary processes* important to producing patterns of change (Hauknes and Nordgren 1999). Systemic imperfections can occur in all these basic elements if the combination of mechanisms is not functioning efficiently, thus blocking or slowing down the innovation system as a whole. The ‘systemic’ emphasis of the RSI approach renders other frameworks of little value. When the objective is to effect social and economic change it is strongly recommended that policy formulators or simply private or pubic-private do-gooders work with an RSI perspective regardless of how reduced the implementation scope of the strategy is. Indeed, private-public partnerships intended to tackle poverty related issues could find in this approach a useful tool to help them identify which are the needy communities and where the main impingements to their social and economic improvement lie.

> *H3: The RSI approach provides the appropriate framework to tackle poverty related issues even when the solutions outlined are of a local reduced scope (e.g. community level).*

The failure of the programmes enforced by multilateral credit institutions in addressing poverty and the increasing awareness of the rich world on topics like social injustice and socio-economic exclusion—counterweighted by a huge growth of the world wealth—are but two of the factors that boosted social enterprises beyond the non-profit sector. Increasingly, social ventures embodied in private-public partnerships are enacting social and economic change and improving the living conditions of millions. These mixed enterprises are spreading worldwide in more depressed areas encouraged through different initiatives among which the World Bank’s ‘Development Marketplace’ and the Inter-American Development Bank’s ‘Building Opportunity for the Majority’ are noteworthy, besides others like Ashoka, the World Resources Institute and other private foundations whose business approach to poverty has made a big difference in giving. Among the latter, the case of eBay deserves special attention. The bedrock of the ‘eBay way of giving’, or the new ‘hybrid philanthropy’ as his founder Pierre Omidyar likes to call it, is having found a way to replicate his successful eBay.com business model, but with a social view. As in pioneer eBay.com, he has provided a platform (omidyar.net) that allows distressed communities to directly interact with those that have the resources in what proves a

[7] In this paper we will refer indistinctively to NSI or RSI, though the regional approach might prove more suitable as a context for tackling and assessing poverty, due to the great idiosyncrasy and complexity of the causes behind it.

‘fanatically bottom-up’ approach to poverty problems (*Business Week*, 2004a). One salient aspect of this new perspective has been the drastic change in view of how to address and handle the poverty problem. It is not only that big corporations are progressively seeing the poor unserved communities as a great market opportunity but essentially there has been a renewed understanding around what exactly meant “*to build developing countries’ capacity to solve their own problems”*. This view claims that in a knowledge-based market economy giving people at the bottom the chance to go up the pyramid could imply that the aid should come in terms of helping them to build in the set of competencies and mechanisms that will open the door of market access, besides technology access and use in productive ways.

Not too many years ago, some American universities pioneered by Harvard (mid ‘90s) included courses of social entrepreneurship in their curricula, raising a considerable interest in this matter. But, at that time the international community and the business sector were not mature enough to fully appreciate the potential reach of that venture. Today, universities are increasingly asked to develop and apply knowledge to complex social and economic issues. This requires a new level of interconnectivity and engagement with those concerned about the issues together with the recognition that people outside the academy are knowledge workers or generators as well. In the knowledge economy, a different approach will not make justice to the core of a nation’s competitive advantage: ‘*talent*’. When Mr. Schramm, founder of College Summit, refers to the children he’s put into school he talks of ‘the economic muscle that is not being harnessed” or ‘the talent undervalued by the marketplace’ (*New York Times*, 2003). Education has been frequently mentioned in the context of skills development and bringing ideas to market. It is evident from Section 3 that schools, universities and other training and research centres have a fundamental role in shaping the minds of people with scientific and technical knowledge and skills, and values and attitudes that would enable and ease market knowledge access to millions in depleted regions. The knowledge exchange and interaction that builds the human capital that nurture the innovation capacity of the country or region account for a nation’s long term economic growth and the improvement of the living conditions of those within their boundaries. There is a strong recognition of the role of educational institutions in socialisation and culture building, but an equally strong belief that our current institutions must change the way they operate and collaborate with others.

> *H4: Universities, as major creators of scientific and technical knowledge, must be much deeper involved in the region they operate and develop a sense of awareness about and responsibility for contributing with real and novel solutions to real problems—especially those ingrained at the bottom.*
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> > *H4a: Universities could provide poor communities access to organisational and entrepreneurial skills and technologies to solve their own problems.*
> >
> > *H4b: Universities are a linchpin in the process of instilling the members of the society at large with the values of equitable development.*

The ideal inclusive socio-economic development project should have as partners the policymakers, planners, developers, businesses, schools, universities, community leaders, and residents. Yet, for such a partnership to be successful, all the players must be on the same road, committed to the same vision and guided by similar values.

Education, enlightenment, competencies building, and, above all, trust take time. How long would it take to educate people of a culturally diverse or low income community to the benefits of change? A paradigm shift takes time. How long would it take for planners, developers and businesses to accept a double or triple bottom-line strategy that accounts for win-win situations and includes current residents? And how long would it take for all of these partners to trust one another? Equitable development demands that community members not only be considered, but also included in the equation from the very beginning of the planning process. It is apparent that the absence of this type of equitable development partnership negatively affects trust, lessens the social capital of the community and ultimately fails to improve the precarious conditions of life it intends to change.

The challenge is served—and a possible way to address it also. But, much more effort is needed to spread the idea worldwide so that the message reaches the common people at school, hospital, government, business—wherever he/she is and whatever the role he/she plays—become aware of and empathetic to the situation of others, who simply haven't had an opportunity to catch up.

> *H5: Social ventures, embedded in public-private partnerships, offer a big opportunity to reduce the gap between the bottom and the top of the economic pyramid.*
>
> > *H5a: These ventures should work hand in hand with the communities they have the intention to transform, enduringly building in the social capital and set of competencies that would bring these communities to the market and harness them to become actors in the knowledge economy.*
> >
> > *H5b: The involvement of the civil society is key to effecting changes towards equitable development; equitable development is also a problem of morale responsibility, both individual and collective.*
> >
> > *H5c: Multilateral credit, development and international trade institutions as well as government agencies, big corporations, universities and other influential organisations should use their convening power to make the civil society aware of the poverty dilemma, understand its reality and enact solutions.*

Almost at the end of Section 2, p.4, we asked ourselves how we could use the institutions and organisational structures of the knowledge economy to overcome the gaps it had generated. The development of this work since has shown the 'key' to improvement is networks, i.e. partnering with the private sector on social entrepreneurial basis. At this point, we should tackle some of the issues concerning private-public entrepreneurial partnerships and where their potential to poverty alleviation resides. Public-private partnerships specifically structured as innovative efforts to apply private sector principles to developmental problems have emerged as a powerful muscle for the hopefulness of the millions that have been bypassed by the wheel of 'progress'. The strength of these associations lies on the balanced combination of the character of both. The business firm contributes with its physical and financial resources, plus its entrepreneurial capacity, skills, competencies (e.g. management, commercial and innovation among the most relevant) and networks—in the case of big corporations its enforcing power being especially relevant. In essence, an innovative private sector can find ways to deliver low-cost goods and services to demanding consumers across all income ranges. On the other hand, the public partner provides its social vision, endurance and fiercely commitment to the success of the partnership and, more important, a deep and idiosyncratic understanding of the problems that currently most afflict the poor communities. It also provides credibility to the project and, obviously, the promise of an untapped market.

However, for poverty alleviation and sustainability purposes the central issue is the built-in of learning competencies that are created as a result of the collaboration, because *only these will push the poor up to the top of the pyramid* through generations. Particularly, the greater interaction between those at the base of the pyramid and the private sector creates opportunities for market and technology access which represents a first leap into the knowledge economy. We deliberately haven't mentioned other key tangible assets, but we assume that the necessary investments have already been made. The creation of competencies is a long term process that involves both tangible (physical and financial capital) and intangible (human, structural and social capital) elements. It is the result of 'intellectual' and 'experience-based' knowledge (Walshok, 1995), actuated upon physical assets. Finally, it is important for the lifelong of the partnership that the intellectual capital that the business partner contributes to the association be linked to its core competencies (Lasker et al., 2001)[8]. This has two implications: 1) it will help to ensure that the business firm keeps an eye on the project and confer it a strategy status, and 2) the value-added to the community in terms of knowledge transfer and expertise will definitely be greater. The presence of a strong leadership, coordination mechanisms, and the permanent assessment of its effectiveness are critical as well.

> *H6: The success and sustainability of these socio-entrepreneurial initiatives depend on the capacity of the partnership to build a win-win environment, one in which each partner benefits from the assets of and interaction with the others and all gain.*
>
> > *H6a: Essentially, the business partner contributes with resources (both tangible and intangible) among which its networks and practical and experienced based knowledge are salient. Meanwhile, the public partner's most important contribution are its embedded knowledge of the poor communities they intend to serve and its high social orientation and determination.*
> >
> > *H6b: For the success of the association it is fundamental that the mission of the partnership be linked to the private partner's core competencies, besides a strong leadership and coordination and evaluation mechanisms.*

But the real possibility to reduce the number of people at the bottom in a significant way depends on the ability and commitment of the actors to scale up these initiatives. We have already said that institutions—understood both as formal organisations (schools and universities, business and financial firms, government and NPO agencies, etc.) and in terms of the set of norms, rules and values that guide their behaviour—have a key role to play in enabling and spreading this idea. However, we should look for and be innovative about how to get into this next step and increase the level of accomplishment. One such alternative could lie on addressing more seriously the

[8] This is true too for the public partner, but especially for the private one.

issues of social responsibility at the corporate level and figure out the way to channel the objectives and action plans of the social ventures (public-private partners) through CSR strategies. In recent years, issues of corporate social responsibility (CSR) have moved from the margins to the mainstream. A range of organisations across the institutional spectrum, now understand CSR to encompass a global set of issues that are of strategic importance to policy-makers. Eighty one of the FTSE 100 companies now publish a CSR report, the UK Government has a Minister for CSR and a range of NGOs are working through CSR strategies to secure international development objectives. Two factors in particular have driven this trend; concerns about the detrimental impact of globalisation on some world's poorest countries on the one hand, and growing recognition of the need to mobilise the private sector to help meet the MDGs on the other. The road is hard-and-slow going but the increasing involvement of big corporations shines a light of hope into the future of millions—Bank Boston, Hewlett Packard, Cemex, Novartis, Nokia and Cisco Systems are but a few examples of this trend[9].

> *H7: CSR is yet a quite unexploited means through which to scale up socio-entrepreneurial partnerships and effect actions aimed at improving the living conditions and giving hope to millions—i.e. building locally the core competencies to gain market access and KE inclusion.*

What is the role reserved to governments in this new scenario, if any? Is it fair to say that governments have been, once more, pushed aside by the dynamism of facts and real world? We won't go much in depth in this topic, but it is evident that they should run quicker. There is big consensus between academics and business professionals on the role of governments as facilitators in the knowledge economy. Thus, the question should be readdressed to: "*What does it imply to be a 'facilitator'?*" In the case of government, it might mean determination to: a) create and ensure the application of a regulatory framework that supports social ventures and public-private partnerships (e.g. specific CSR rules), b) set forth better coordinated and more effective public aid policies, c) prioritise the creation of an effective and efficient legal system that supports and fosters market access for the people at the bottom and contributes to eradicate corruption, d) to promote macroeconomic stability, and e) foster the development of local-global networks, among many others. Some of these measures could entail profound structural changes, thus raising the opposition of the defenders of the status quo.

> *H8: Government should be an effective facilitator to enhance the innovative capability of the poor communities through stimulating the creation of and contributing to the efficacy and efficiency of the social ventures.*
>
> > *H8a: Government leadership and commitment is vital in realizing this goal.*
> >
> > *H8b: Likewise, the role of all stakeholders, either as facilitators or brokers, is key to the success of the venture.*

However, government is not the only facilitator we are thinking of. The role of the business sector, universities, and other public and private partners (NGOs, NPOs and financial institutions) is equally important. Either acting as facilitators or brokers

[9] An excellent report on this issue is Nelson and Jenkins (2006). See also Knox and Maklan (2004) and *The Economist* (2005a).

expanding the initiatives that are enacted by the public-private partners, the stakeholders involved in the process ought to have a 'community-first' focus geared to empowering and supporting, both individually and collectively, this transformation process. Our socio-entrepreneurial framework places a strong emphasis in the 'facilitator' role in the hope this will contribute to greater system-level innovation and build-in competencies, and better individual and family outcomes of the people at the bottom. Further, the challenge of creating local competencies that would bring about sustainable better living conditions for the poor communities, demands a strong not just 'triple' but 'quadruple-helix'; i.e. government agencies, firms, universities and a civil society strongly involved and engaged in the social enterprise project and aligned in a vision targeted to reduce the gaps in the economic pyramid. Because of all these characteristics, we render the associational state a better adaptation to the demands of the knowledge economy (Gertler and Wolfe, 2004).

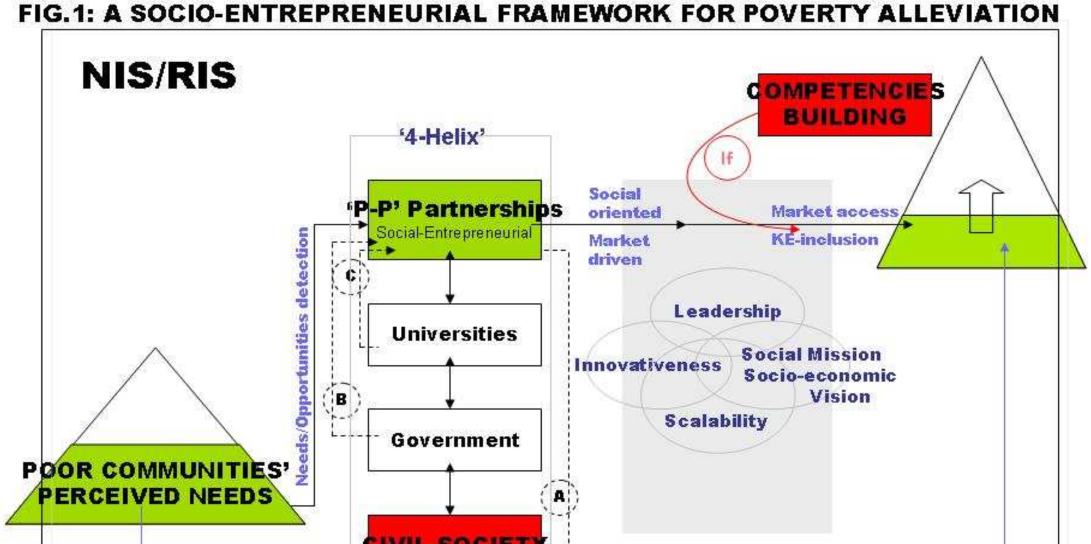
> *H9: A quadruple helix of university-government-industry-civil society should be created to ensure the actions undertaken towards a more equitable development.*
>
> > *H9a: This involvement is crucial to generating long term commitment and trust between the actors.*

Finally, we deliberately left to the end the question on leadership—*who should lead this 'mixed' transformation?* This is one of the thorniest issues of any strategy of change. We'd guess there is no unique answer to this crossroads. But, some of the featured requisites of the 'leading role'—either a person or a collective organ—are: a) creativity, b) a special sensitivity to and deep understanding of the social, economic and cultural problems of the recipient communities, c) a strong dedication and commitment to the project, and d) the full conviction that *the* way to a more decent life and equitable development is through sustainable economic growth that results from having built global ***but local*** knowledge competencies.

> *H10: Who should lead the project is an open question, though the choice is tightly delimited by the nature and critical success factors of the social venture.*

Figure 1 above reproduces the central idea of the framework already described. The two blocks in red, 'civil society' and 'competencies building', recall that the involvement of the civil society and the lifelong objective of building learning competencies are two bedrocks in the arduous road of poverty alleviation.

FIG.1: A SOCIO-ENTREPRENEURIAL FRAMEWORK FOR POVERTY ALLEVIATION



5. Conclusions

The knowledge economy has made explicit the incapacity of governments and the ineffectiveness of traditional remedies to deal with the poverty dilemma. More rapidly than desired the world was confronted with the terrible fact that the knowledge economy, as it puts a premium on innovation and continuous learning, was not only flinging big contingents of people to the bottom of the pyramid but was silently securing them there. Innovation and continuous learning, which are at the core of a nation's competitiveness capacity, represent an intangible barrier that has been proven extremely difficult to surpass for developing countries and poor communities. In the same respect, contemporary history informs us that the main explanation for the success of developed countries was their focus on improving their skills as a way to solve problems. Hence, our main concern in this paper was to outline a possible way out to allow for greater mobility at the bottom of the pyramid while enhancing the region's innovation capacity and competitiveness—i.e. to help poor regions to build in the set of skills and competencies that will enact local sustainable solutions to economic growth. Economic growth, that is innovation and learning competencies-driven, is the only way to equitable and sustainable development; any other alternative are half-truths and often masked manipulation by powerful economic and state interests. We contend that social ventures enliven by public-private partnerships are such alternative way.

Social entrepreneurship is a business approach to social issues. The involvement of the business world in topics of poverty reduction is, ultimately, the recognition that 'market access' or 'market inclusion' is the feasible and honest way to improve the living conditions of millions at the bottom in a sustainable manner. Precisely, its power resides in its 'socially oriented-market driven' character guiding the public-private partnership in which both partners have a stake. The business partner contributes with its pool of competencies (innovation and learning capacity being key), physical and financial resources and networks. On the other hand, the public partner contributes to the partnership with a vision that is keen to social issues and set of intangibles that ad to the reputation and image of the firms involved, besides the promise of an unexplored market. But, what is really important for the possibility of social and economic advancement of the poor communities is that the outputs and outcomes of these mixed actions and interactions somehow be ingrained or institutionalised in the region the venture operates. Fostering a climate that is friendly to advancing knowledge and supporting people in exploiting the results of those advances are critical for the success of the association and hence for the sustainability of the changes it enacts at the bottom. Both must be addressed; to focus only on the first is to ignore the significant effort required in the "implementation" of change. So far, in underdeveloped countries it is the 'implementation' of policies and action programmes that usually fail. This is in part why we have proposed the reinforcement of the triple (now quadruple) helix—i.e. university-industry-government and civil society tightly aligned on a common vision but whose objectives are flexible and dynamic enough to support the creativity and functioning of the system.

If poverty is rooted in a wide range of reinforcing causes, its consequences are enduring and pervasive. Beneath the abstractions of innovation, business competitiveness and technology trends it is people that lie; people with their dreams and fears, strengths and weaknesses, contents and discontents. Precisely, it is due to its reinforcing character that the sentiments of discomfort, unhappiness and disillusionment it engenders are very difficult to revert once there is an upturn in the economy. When a father can no longer provide the sustenance to his family, human dignity is savagely attacked and the social fabric destroyed. Unemployment, the lack of opportunities and the absence of a horizon of betterment—all three side outcomes of globalisation—have been largely appointed as three of the principal causes for south-north migration flows. This means that the opportunity costs of the resources divested from *action* programmes aimed at improving and creating the necessary conditions at the *local* level to foster innovation (especially of a social type) in order to facilitate the excluded bottom access to market, education, health and other public and private goods and services are extremely high. Creating the conditions at the bottom that allow the poor enjoy the substantive freedoms they have the *right* to value (Sen, 1999) is the task of society as a whole. Identifying the elements, the actors and the mechanisms through which such conditions should be enabled and innovative ideas stimulated and acted upon is the challenge.

Innovations emerge when there are interconnections and interdependencies, when we *work outside the parameters of what has been done before* and seek out new possibilities. We all have the ability to connect one idea with another, to find an idea in a different organisation, in a different industry or field of activity and connect it with another to solve a problem at hand. This is valid for the poverty dilemma as well.

Finally, let us say that we are reasonably optimistic about the evolution of social entrepreneurial partnerships and their potential to tackle and alleviate poverty. Some turning points in the environment have definitely encouraged us to—e.g. the increasing number of corporations engaging in these proposals in both the developed and underdeveloped world, the adaptation of this approach by multilateral credit organisations like the WB and the IADB, and, more important, being confronted with *individuals* that are assuming an *active role* in providing *local solutions* to *global issues*.

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