
Social Entrepreneurship

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2 Modes of Social Entrepreneurship

- Managing, financing and growing **Social Enterprises**
- **Social Innovation**
 - discovery of opportunities to create public goods
 - and their sustainable exploitation through the generation of market disequilibria





Greenfreeze



Example 1

FORON & GREENPEACE

Frozen Out

- Greenpeace put technology into public domain and major competitors adopted and improved it
- Foron lost its major differentiation advantage and in 1996 went bankrupt;
- Greenpeace moved back to campaigning

Failure or success?

- The social enterprise failed
- But the social innovation was a success
(100% coverage of Greenfreeze technology in Germany)

Example 2



CaféDirect

Cafédirect Ads 1996-1998

Perfect Coffee
and HOW to MAKE IT.

- Start with fresh, soft water
- Warm the pot (or use a ring burner) • Use hot water
- Introduce a little amount of coffee per cup
- Never add boiling water (water just off the boil brings out the rich aroma)
- Always use Cafédirect
- Filter out the residue
- Pour coffee
- Brew with a suitable amount
- Help from
- Heat and
- Brew into
- Help
- He guarantees a
- A truly good cup

cafédirect
Excellent coffee.
A better deal for coffee growers.

that

COFFEE
FOR SALE

High quality Arabica coffee direct from Mr & Mrs Gomez, Casa Gomez, San Juan del Oro, Peru.

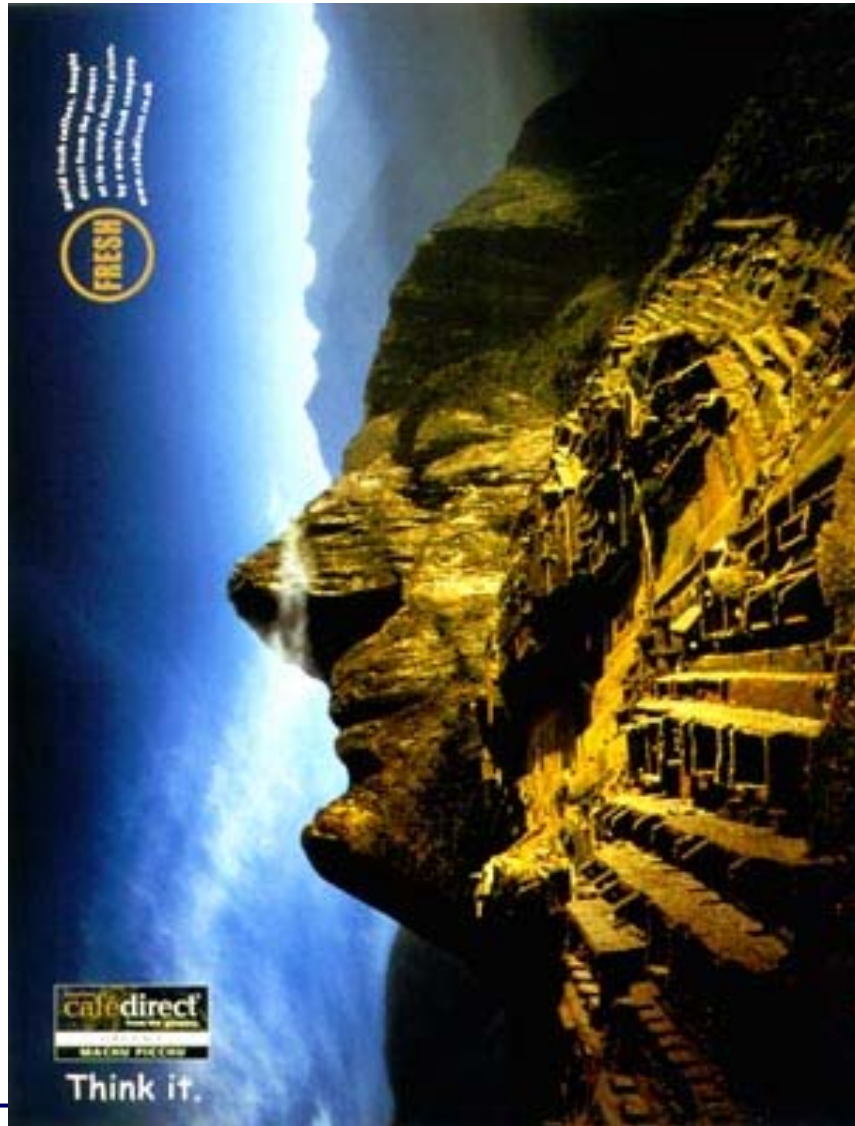
Fly to Lima, train to Juliaca, 14 hour truck drive over mountains to San Juan (bring oxygen mask), 15 miles by mule to Putina Pampa, 3 miles by jungle mud track (with your wheel harrow) to Casa Gomez.

cafédirect
Excellent coffee.
A better deal for coffee growers.

Also available in your supermarket.

Cafédirect buys coffee directly from growers' cooperatives, not from middlemen. So growers gain more influence, security and income.

Cafédirect Ads 1999-2001



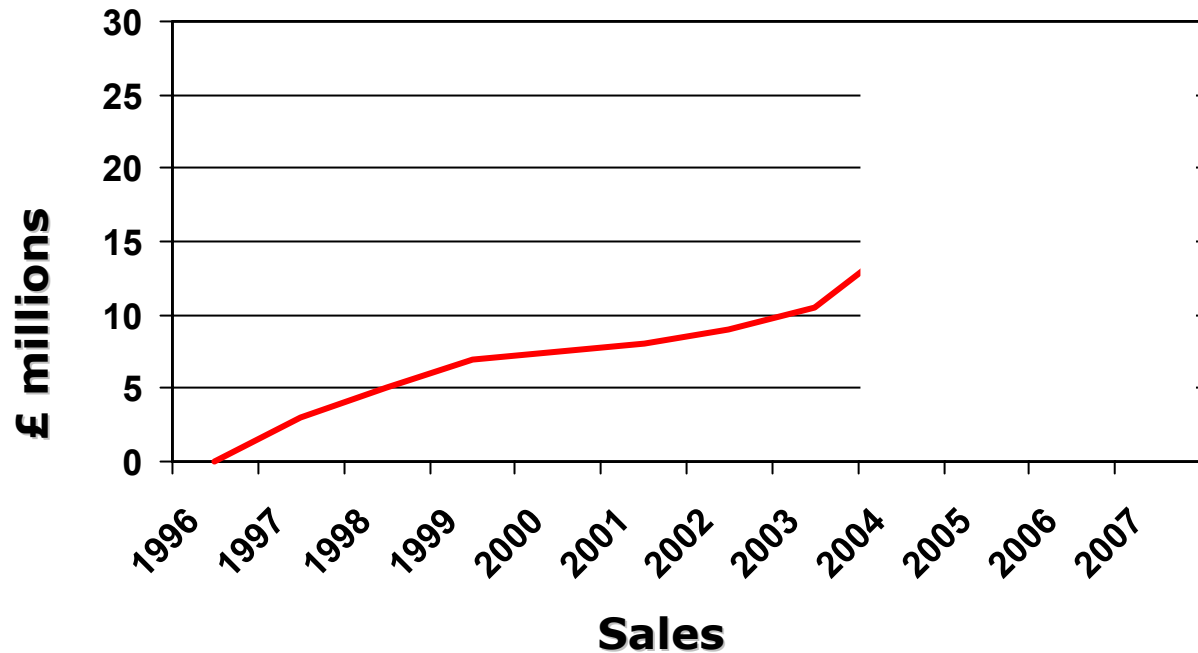
Concern among Activists

- What about consumer education?
 - Grassroots supporters were worried when the quality message took over
 - Producer were less concerned

- Risk of watering down standards
 - What to do when supply can't meet demand?
 - Take on non-certified suppliers?



Illustrative Financial Projections



With the continuing growth being experienced across all product ranges, the company anticipates that it is possible to double its sales over the next four years. The main drivers will be Teadirect and the out-of-home sector.

CaféDirect IPO

- Cafédirect closed its £5 million public share issue with an oversubscribed response from private investors
 - Producer partners – 5%
 - New investors – 55%
 - Founders – 40% (golden share allows veto on fair trade standard)
- The biggest ethical public offering of its kind
 - Cafédirect plc is now owned by over 4,400 individual investors

“It is very unusual for so many named individuals to share ownership of a company the size of Cafédirect. It creates a closer link between our customers, our shareholders and our producers.” (Newman, 2004)



The Evolution of Social Enterprises



**Main
Actors**

Voluntary activists
at grassroots level

Clients

Vigilant clients willing to
sacrifice quality and low
prices for the sustainability
innovation

**Main Challenge
for Management**

Achieve ecological
and social mission





What does this mean for Organisations like MyC4?

- As MyC4 aims to take microfinance from a market niche into the mass market
 - ... it will experience tensions with traditional MFI activists who value the developmental aspect above financial returns.
 - ... it will experience competition from traditional banks and investment funds increasing competition for „attractive“ loans

