Gregg Vanderheiden

Lessons for Social Entrepreneurs... and for their Benefactors

Innovations Case Discussion: Benetech

In his article, "Developing Information Technology to Meet Social Needs," Jim Fruchterman describes the evolution of Benetech and its social entrepreneurial programs, starting from his college days through his discovery of the field, his first company, and the current Benetech programs that are applying technology to human rights and to literacy for people with disabilities. The narrative is not only interesting as an overview of the ongoing programs of Benetech but also as a valuable look into what works and doesn't in these types of efforts. Jim's write-up illustrates many of the keys to successful social entrepreneurship. Jim and Benetech are unique in many ways, but it is unfortunate that there are not more like them. There is great need for more people and efforts of this type. For those who dream about helping people but don't know how, Jim lays out a model that can be used by others. The purpose of this commentary is to highlight some key principles illustrated in Jim's narrative in an attempt to foster more such endeavors and to help those who do venture forth in the arena to be successful. However, this article also provides comments for foundations and social benefactors that fund such efforts, and some thoughts on how these funders can help to encourage and foster the development of new entrepreneurs in the social space.

NEW PRINCIPLES OR JUST THE APPLICATION OF OLD STANDARDS?

Many of the aspects highlighted will look like old standbys to those who study business and entrepreneurship in general. Unfortunately, they are not always practiced in business (usually with predictable results), and for some reason those in social entrepreneurship often think that they do not apply to them. In reading through Jim's narrative, it is clear that his success can be attributed in part to following these principles or to the ability of Jim and his team to re-discover and

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incorporate them quickly into their practices as need arose.

Start small, where you can manage and devote personal time, and then build. Jim started off with a single idea, a more affordable reading machine for people who are blind, and stayed focused on that single idea until he had built up his first non-profit, Arkenstone, from a $2,000 self investment into $5 million per year venture. In his narrative, he noted what happened when he later lost focus and initiated a second endeavor (a navigation system for people who are blind) before he had the capacity to handle that new area along with his first focus. This led to painful layoffs of some staff and putting the project on ice. His multi-project capability came about only later when he had a much larger and tested organization, more people, and additional skills.

Apply business principles to social entrepreneurship activities. A key success factor was Jim's application of business principles to these activities. The carpenter's adage, "Measure twice and cut once," is too often lost in the excitement of launching new ventures. The time Jim took (as much as a year) for thorough planning of his later ventures, including identifying multiple strategies for funding, and developing multiple exit strategies *before* launching a project, is rare in this area.

Involve stakeholders. A third success factor is the care taken to work with stakeholders and to study the proposed effort's impact on them. Engaging in discussions and involving the publishing industry for a year before the launch of BookShare was critical to the success of that program. Such an approach takes patience and money. Taking a year to plan an activity before launching it is expensive. In this case, Arkenstone's success, and the subsequent sale of Arkenstone, allowed Jim to cover these planning costs.

Pay attention to grassroots. Jim's success in Arkenstone was based on his work with grass root users. He initially knew nothing about users with visual impairments, except that they had a need in this area (the ability to turn printed text into speech) and that he might have a solution. This sounds a bit like the "hammer looking for a nail" approach that engineers can be famous for. Jim had pattern recognition software skills and he was sure it would solve the problem of people with visual impairments, even though he hadn't met them yet. However, Jim quickly built a base of consumers and built consumer input into all levels of his organization, ensuring that his solution would address their problem, and allowing him to refine his ideas in the process. In his later human rights projects, you can see the same grassroots research and involvement characteristic of Jim's work, including working with human rights groups early on and following up directly with field offices and field personnel of the organizations.

Match activities to the policies of potential funders. Jim's history illustrates this through both his success and lack of success at different times with foundations and benefactors. Social ideas always sound like they are eminently fundable, and it should therefore be easy to find people who will fund them. When one reads about all of the money that is being given out and learns of some of the things that are funded, it seems that finding funding for worthwhile and well-planned social projects would be fairly easy. However, it is surprisingly difficult to find people willing to fund innovative and highly beneficial programs. In Jim's experience, he found that funders were often more interested in doing second-stage funding than first-stage funding. For example initial funding for BookShare was 100 percent from Benetech and Martus was 75 percent. Only after they were up and running did outside funding become easier. At first this seems to contradict the common impression that foundations and benefactors are more interested in funding things early than they are in funding ongoing operations. However, on close reading, Jim's narrative doesn't refute this but rather refines this by pointing out that the initial funding for new and innovative efforts may be the most difficult to achieve. Once a project has taken root and shows promise, then financial funding is easier—for a while. But most funders are still not interested in funding things long term.

Plan for sustainability. The advice to not depend on funding agencies to fund projects forever still holds. And Jim's planning efforts and his development of models for creating sustainable projects were key factors in his success. Sustainability may come from users, it may be from a government agency in those rare cases where the agency is funded by Congress specifically to sustain some service, or it may come from other mechanisms, such as transfer to another organization interested in maintaining the endeavor. In Arkenstone's case, the non-profit organization was sold to a for-profit company interested in continuing the product line and the money re-invested to create Benetech (another non-profit).

Exit or termination strategies. One unusual element in Jim's planning was his attention to exit strategies. Since no one plans to fail, entrepreneurs often do not plan an exit strategy. Jim describes the fact that he and his team lay out at least three exit strategies before launching any project, in order to ensure graceful and appropriate ways to end a project whether it succeeds or not. Some projects may be short term and should end even if successful. Some may be appropriate to transfer to other groups or spin out on their own. Other projects may just end. In all cases, it is important to have a means to conclude the project in a way that is responsible to those who are working on it, to stakeholders and to those have invested in it. The model Jim lays out in his narrative provides all of these including both the planning and exit strategies.

Delivery. Nothing succeeds like success, and a key to getting support for the next project is often successful delivery of the last project. This is perhaps why funding agencies are more interested in funding the second stage of a project effort that has already proven to be a success than they are in funding a new unproven idea. Jim's success with Arkenstone established his credentials with both consumers and funders. His success with the early stages of BookShare was critical in his securing funding to expand it. And that success was critical to his landing annual multi-million dollar support from the U.S. government to expand the program for textbooks for children who cannot read print books. Key to his and his team's success has been in making promises they can keep and keeping promises they make. The unimaginable can and does still happen, but careful planning can turn it into a recoverable setback rather than a collapse. They seem to understand how important it is to make promises that they can deliver.

Flexibility. Two other important components that do not show up in Jim's write-up as clearly are also important to his success. One of them is flexibility; being light on one's feet. No battle plan ever survives first contact with the enemy. Similarly, no business plan survives first contact with reality. It is critical to have a good team that is dedicated to the goal and that thoroughly understands the plan. The plan is what you use to communicate changes. The goal is to succeed in achieving the objectives, not to follow the exact plan you started out with. Jim, Benetech, and all of those involved inside and outside Benetech, have made the various ventures successful by keeping their eye on the goal, being flexible and innovating as they went along. Also, as much as they lean into the wind, they always keep one foot on firm ground so that they can afford to let the ground disappear out from under them and still not fall (or, if they do fall, be able to get back up). This flexibility must also of course be reflected in promises made to supporters and in setting goals for success in terms that can be met in alternate ways.

Likability. A second unmentioned key to Jim's success and that of his team is being imminently likeable. Anybody who has met Jim has liked him. Anybody who has met Jim's team is warmly impressed. That is, others are not only impressed by their competence (as described earlier), but also by their spirit and who they are as people. With these attributes it's easier for a team and its leader to survive mistakes, to be forgiven faux pas, and to have others go an extra mile simply because they believe not only in the goals, but in the people, and will give extra for both.

LESSONS FOR FOUNDATIONS, SOCIAL BENEFACTORS AND OTHER FUNDING ENTITIES

The above discussion points out some of the principles for success highlighted by Jim's Benetech narrative. The narrative also provides lessons for funding entities, including foundations and individual benefactors.

Much of what Benetech is doing today would not have been possible if they did not already have a $5 million nest egg to start with. Unfortunately, few will be able to follow the path that Jim and his team did, which left them with their initial $5 million in seed money and the opportunity to self-fund a careful planning process, and seed their own start-up efforts. If not for self-funding, they may never have gotten the funding to get their initial projects off the ground. In fact, it may be harder to get started today than in the past. Directors of other highly productive groups around the United States fear that the experimental or nurturing funding atmosphere that allowed their centers to form in the first place is no longer around. Existing organizations or leaders can sometimes do new, highly innovative things because of their track record of success. But a "fund what works or is proven" attitude will not allow the next generation of new entrepreneurs to get started. From the standpoint of a foundation or individual benefactor, some attention needs to be paid to how we can ensure that operations like Benetech can initially take hold and grow. That is, we need more mechanisms for funding new ideas and new people or organizations that have a solid plan and have followed these principles, even if they have not already proven themselves.

In the commercial sector, banks and venture funding will fund new ideas if there is a sound plan. And venture capitalists will fund high-risk ventures if there is promise of a high financial payoff. But the same does not happen in high-risk social funding, even if there is the possibility of a social payoff. Social funding entities (usually foundations or individual benefactors) often require more than a good plan. They often, as Jim points out, actually require that you have already launched the project and have begun to succeed before they will invest funds. If this were how banks and investors behaved, many small businesses would never have been able to start. Perhaps foundations and benefactors could look to funding new ideas that have the underpinnings for a successful launch. Like small businesses and venture capital initiatives, a good percentage of them will probably not succeed. But like all other high-risk, high-payoff investments, those that do more than make up for the rest. It would be a shame if we had to depend on the extraordinary talent of someone like Jim Fruchterman, combined with a series of fortuitous circumstances, in order to see another Benetech come into existence. If Jim had not had the $5 million from Arkenstone to allow him the time to carefully plan and implement, would he have been able to find funding? Would any of the award-winning Benetech programs we now celebrate exist? How many others could have been doing entrepreneurial social innovation but were lost to the commercial sector simply because there was no opportunity for them to get support for their social entrepreneurial ideas, or to grow and mature in the social environment. The National Science Foundation has a policy of funding "high risk, high payoff" projects and "funding with the intent to grow people" in the area of science, and this policy plays a key part in ensuring a steady flow of scientists from our country's educational institutions. Perhaps we should apply the "high risk, high payoff" and "funding with the intent to grow" strategies in the area of social entrepreneurship as well.