Social Entrepreneurship: A Foundation for “creative capitalism” in rural African communities

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Abstract

The authors wish to share some of their current learning in the creation of social enterprises to act as primary support mechanisms for Infopreneurs™ (“creative capitalists”) in rural African communities. The objective is to attract interest and co-operation from others grappling with the challenges of scalable and sustainable innovation (technological and business) in rural African contexts.

1. Background

Researchers from the broader CSIR have been involved in a range of Technology for Development initiatives for far more than a decade now. Scientists from the CSIR Meraka Institute have similarly been involved in a range of Information and Communication Technology for Development (ICT4D) efforts. Despite all our collective effort, we probably all have to admit that we are still struggling extensively with the issues of scalability, sustainability and the appropriate evaluation of these efforts.

It had therefore been quite encouraging to read the remarks from a distinguished researcher like professor Richard Heeks from Manchester University that ICT4D failures are the “rusting tractors for the 21st century” (Heeks 2005). It was furthermore quite interesting to read a very recent article from Heeks in which he makes a case for “ICT4D 2.0” (Heeks 2008) - the next generation of ICT4D initiatives. In other words: despite the (seeming) failures of technology (ICTs specifically) application in the development arena, the efforts should not stop but evolve to a new /next level.

In recent weeks, Bill Gates made a case for “creative capitalism” in the Time magazine of 11 August 2008. He relates how he is talking to political leaders and the CEOs of corporations as to what they can do to help the “people who have been left behind” (Gates 2008). He, inter alia, refers to Muhammad Yunus’ work in the Grameen Bank initiative as an example of how mindsets can be changed to view poor people as profitable customers. His article is in essence a call for the application of the fruits /benefits of capitalism in the development arena.

In comparing our own work with that of these gentlemen from the developed world, it becomes clear that there are common lessons learned (as well as common objectives and intentions) but that there are also some differences that emerge from our own (broad CSIR as well as focused Meraka) learning in the development arena in an emerging /African economy. These differences - and their practical applications and implications - are the primary focus areas of this paper.

2. Our journey beyond Heeks and Gates

Our work over the last 14 years in the neglected rural contexts of a developing economy has led us to the development and implementation of models that seems to go slightly beyond the views of the abovementioned gentlemen – at least as expressed in their quoted articles.

The focus of our work as ICT4Dev researchers and developers has shifted extensively from: (1) researching, developing and deploying technology tools and applications to: (2) establishing an ICT-enabled, sustainable community of enterprises that delivers on the (economic) development and trade outcomes required in the South African context, i.e. a network of people we call Infopreneurs™.

Our changing emphasis is an effort to address both the service gap (between local level government and under-serviced communities) and the trade gap (between so-called second economy, emerging enterprises and formal, first economy enterprises (van Rensburg et al 2008) (see Figure 1). It has lately also become an
effort to meet the challenges associated with the scalability (‘massification’) of ICT4D initiatives to ensure large-scale application, implementation and benefit. Our expertise has been shaped by the following broad groupings of activities:

**Table 1: Research and Development (R&D) activities and related Outcomes**

<table>
<thead>
<tr>
<th>Activities</th>
<th>Dates</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain an understanding of SMME development practice and processes in a developing economy (SA)</td>
<td>1994-1998 (5 years)</td>
<td>Highlighting the importance of the mediator/champion in a developing community context.</td>
</tr>
<tr>
<td>Deploy a national network of public, self-help, touch-screen kiosks in a franchise model in high pedestrian traffic environments.</td>
<td>1995-1996 (2 years)</td>
<td>Highlight the importance of allocating resources (tools, skills) to all tasks in the “information economy”.</td>
</tr>
<tr>
<td>Developing &amp; deploying software systems in community level development facilities (SMME &amp; Multi-purpose community centres).</td>
<td>1999-2004 (5 years)</td>
<td>Highlighting implementation challenges in the technology adoption and ownership spheres.</td>
</tr>
<tr>
<td>Developing robust implementation models for sustained (development) service delivery in developing economies.</td>
<td>2004-Date (4 years)</td>
<td>Highlighting the importance of solid business development approaches in the ICT4D arena.</td>
</tr>
</tbody>
</table>

Our learning outcomes have therefore led us to some agreement as well as some ‘going beyond’ Heeks and Gates. These agreements and extensions are found in the following emphasized aspects of our current work:

2.1 **Setting up a complete new ICT-enabled ‘distribution channel’ that delivers a whole range of services to rural communities**

In this we agree with Heeks on the issue of “New Applications”(Heeks 2008) but we are probably more intent on setting up a complete, sustainable new “development through enterprise” (v Rensburg et al 2008) **community of enterprises** rather than following a (conventional) ICT4D approach.

2.2 **Setting up (young) community members in their own community Infopreneurs™ service businesses**

We are utilizing a MicroFranchise (Magleby 2005) approach to act as direct support mechanism for the Infopreneurs™ and in this we are going beyond Heeks in adding the element of entrepreneurship to the “creation of ICT4D 2.0 champions” (Heeks 2008).

2.3 **Setting up Master Infopreneurs™ to act as area/master franchises in direct, ongoing support of Infopreneurs™**

These companies are guided and enabled to act as social entrepreneurs. We are thus going beyond Gates in setting-up, supporting and enabling “creative capitalists” right at C.K. Prahalad’s “Bottom of the Pyramid” (BoP) (Gates 2008). This approach is also guiding (smaller) corporates (a bit higher up the pyramid) to address social inequalities through a social entrepreneurship approach.

2.4 **“Marrying” this community of enterprises on an ongoing basis to the formal ‘system of innovation’**

This is done through the establishment of mutually beneficial relationships between the traditional research and development institutions like CSIR and SAP Research in a “living lab” approach (v Rensburg 2007) which agrees with Heeks’ “para-poor” and “per-poor” innovation models (Heeks 2008) but perhaps endeavours to ensure longer-term, systemic innovation by including the members and community
Infopreneurs™ of poor, rural communities permanently in the ‘system of innovation’ (SoI).

The context and basic elements of our current model and work are depicted in Figure 1 hereunder.

**Figure 1: Context & Channel Solution**

### 3. Master Infopreneurs™ as ‘Pump stations’

It should be (visually) clear from Figure 1 that the Master Infopreneurs™ are to play a critical and central role in the success of the Infopreneurs™ channel. They are the entities that ensure that the enablement from the Regional Learning and Support Centre reaches the Community Infopreneurs™. They are also to ensure that the needs of the Community Infopreneurs™ are met to ensure the continued flow of appropriate and needed services (metaphorical: “water for community irrigation”) to the entities and individuals in the community. Needs that cannot be met at the Master level need to be escalated to the Support Centre (OPS = Operational Support) level. Both the Master and Community Infopreneurs™ form the “living lab” real world “marriage partners” (v Rensburg et al 2007) of the system of innovation that is primarily situated at the Learning and Support Centre level (ITS = Infopreneurs Technology Support). Knowledge and Learning is part of the “water” that has to flow through the “irrigation system” (KLM = Knowledge and Learning Management). Master Infopreneurs™ are therefore seen as the “foundation” (reason for the title of the paper) from which the establishment of the Community Infopreneurs™ as “creative capitalists” are launched.

#### 3.1 Using the MicroFranchise Approach

Practical experience in the last couple of years has emphasised to us the long-term role and importance of the Master Infopreneurs™ in rendering ongoing business development and mentoring support to the Community Infopreneurs™ (see Figure 1). We therefore aim to validate the MicroFranchise approach as popularised by, inter alia, Kirk Magleby who stated that “our planet desperately needs millions of successful, locally owned SM(M)Es helping to develop low income communities. The franchise business model is the most effective tool currently available to create large numbers of successful, locally owned SM(M)Es” (Magleby 2005). We are doing this validation with Infopreneurs™ in different contexts, e.g. so-called ‘townships’, community phone-shops, tourism information access points and building onto small retailers (“spazas”) in deep rural villages. In all of these contexts we are also addressing specific needs (eg. collaborative procurement) of other SMMEs at BoP through the Infopreneur “service channel”.

#### 3.2 Practising as Social Entrepreneurs

Master Infopreneurs™ are to practice as social entrepreneurs who are established businesses in their own right but who are also concerned with the (social) development of people and the creation of new entrepreneurial opportunities. Martin & Osberg provide a useful definition of social entrepreneurship as having the following three components: “(1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization or suffering of a
segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition and bringing to bear inspiration, creativity, direct action, courage and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large” (Martin 2007).

It should therefore be clear that the social entrepreneur mindset will form a critical component of the success of our approach – a further reason for the title of this paper.

3.3 Master Infopreneurs™ as Virtual (non-resident) Business Incubators

Business incubation can include several types of services, which aim to aid small start-up businesses getting started and growing their business. In conventional incubators these can be office space, meeting rooms, shared equipment (copiers, etc.), shared services (security, secretarial, etc.) and business advisory services. Incubators are then like an office hotel for small start-up businesses, with (usually) some business development and advisory services. When incubation does not include these physical premises, it can possibly be seen as virtual (or non-resident) incubation. It is this last type of business incubation that we are setting the Master Infopreneurs™ up for.

4. Change Management in the Master Infopreneurs™ Context

The Master Infopreneurs whom we have recruited thus far are established businesses who have to change /adapt the way they normally go about their business, to also incubate, mentor and grow micro-enterprises in (rural) communities. In order to achieve this they have to change the way they would normally approach and execute their daily business and also need to embrace the task ahead. To achieve this, we have to change the way they think about their businesses. We intend achieving this through applying the (normally) corporate processes of change management in the development arena.

We are also investigating the possibility of recruiting non-government or non-profit organizations (NGOs /NPOs). These will also have to make reasonably dramatic mindset changes to include the entrepreneurial approach (“inspiration, creativity, direct action, courage and fortitude”) (Martin 2007) in their everyday way of approaching development. These entities are furthermore normally strongly focussed on a ‘development through projects’ approach that often results in a start-stop-start scenario.

4.1 What is Change Management?

Change Management is the set of processes, tools and practices used to manage the people side of a change. It is the bridge between implementing a solution and ultimately realising the benefits associated with the change.

We have adopted Prosci's ADKAR methodology to manage change. The ADKAR model was developed with input from more than 1000 organisations from 59 countries and describes five required building blocks for change to be realised successfully on an individual level. It is an effective method for identifying where changes are failing and what actions can be taken (Prosci). These five building blocks/key processes are:

- Awareness………what, why, who, where, when and how?
- Desire…………to participate and support the change
- Knowledge………of the learning process
- Ability…………….turning knowledge into action
- Reinforcement……..celebrating successes and keeping the change in place

4.2 Change Management for the Infopreneur Channel Development

Although the Master Infopreneurs™ all have the same vision (to make a difference in people’s lives), they have very different backgrounds and come from different sectors of the industry. It is imperative for all the actors to have a mutual, comprehensive understanding of what the relationship between the Franchisor (Master
Infopreneurs™) and the Franchisees (Community Infopreneurs™) are (i.e. legal entities, structures, roles, responsibilities, key objectives, communication channels/mechanisms and support structures). An awareness creation process is being followed to prevent any misunderstandings and misinterpretations.

Even more important is the value question for the Master Infopreneurs™, the ‘what’s in it for me?’ It is critical that benefits to the Master Infopreneurs™ are clear in order to manage expectations.

4.2.1 Initial Assessments: Potential Master Infopreneurs™ were assessed to achieve ‘first impressions’, using the ADKAR model wrt the four main functions of a Master Infopreneur™ (see Figure 2), during a ‘Project Kick-off Workshop’. This initial assessment is being followed up by one-on-one assessments to evaluate readiness, capacity, infrastructure, capabilities and barrier points (challenges) of each Master Infopreneur™, according to the ADKAR model.

4.2.2 Functional Assessments: The four main functions of a Master Infopreneur are depicted in the centre layer in Figure 2.

- **Mentoring:** Mentoring refers to the close hand-holding of the community-level Infopreneurs as newly established micro-enterprises and addresses all the following areas:
  - Support - To create a safe and conducive environment for growth for the new entrepreneurs by coaching, mentoring, guiding, motivating and being available, accessible and approachable. This includes an understanding of various influencing factors (e.g. cultural differences), the impact it may have on the “child enterprise” and how to deal with it.
  - Life Skill Mentoring - To induce behavioural change within the new entrepreneurs the Master Infopreneurs should thus meet the new entrepreneurs where they are and take them to where they should be. Mentoring can be one-on-one, peer-to-peer or remotely through websites, blogs, wikis and helpdesks.
  - Soft Skills – Disadvantaged people in general lack skills in the areas of assertiveness; negotiation; communication; conflict, stress and time management; and the ability to promote themselves.
  - Investment – Mentoring is all about the investment one makes in a person. Not only will the time, money and energy the Master Infopreneurs invest in the incubatee but it will also contribute to the ongoing monitoring and evaluation of the micro-enterprise.
  - Legalities – Mentors are to ensure that mentees comply with the Code of Ethics.
and stay within the Regulatory Framework.

- **Business Development /Incubation:**
  Incubating and developing the micro-enterprises requires the involvement of the Master Infopreneurs, from the beginning of their lifecycles.
  - Start-up - Activities at start-up phase include the following:
    - Recruitment and screening
    - Feasibility studies
    - Business planning
    - Sustainability models
    - Identifying and creating markets
    - Generating ideas/products/services
    - Assessing growth potential
    - Quality control
  - Resources – Master Infopreneurs should ensure that all possible resources are available to the Micro-entrepreneurs. This includes legal services, infrastructure, equipment, pre-negotiated contracts, financial support and general 'know-how'.
  - Tools – Practical bookkeeping tools, appropriate software tools, business plans, basic service offerings, contract templates i.e. MoUs, service conditions and agreements translated in layman’s terms.
  - Coaching & Mentoring – Incubation is all about coaching and mentoring the incubatee. Regular assessments determine where the micro-enterprises are on the growth-ladder.
  - Networking – Micro-enterprises will have access to the bigger markets (1st economy) through the Master Infopreneurs.

- **Marketing & Selling:**
  Access to markets is one of the critical challenges experienced by micro-enterprises. The Master Infopreneurs are in a position to link the micros with the bigger markets and at the same time expand their own capacity. But they should also capacitate Community Infopreneurs to find new markets for themselves and other micro enterprises within communities through:
  - Market research - Teach micros to identify potential markets, identify competitors, develop ‘niche’ markets and create a demand for their services, but also to provide their community with goods and services tailored to their needs and consumption capacity.
  - Marketing material and techniques – Using appropriate marketing material depending on community accessibility to information.
  - Customer care and ethics – Create awareness around consumers and their needs.
  - Branding – It is in the interest of everyone associated with the franchise network – the Franchisor, Master Infopreneurs and Micro Franchisees – to adhere to the brand, which delivers ongoing mutual value. [1]

- **Learning Channel:**
  One of the Master Infopreneurs’ main functions will be that of creating a learning channel that contributes to the delivery of learning opportunities both into and out of the involved communities. A wide range of aspects should be addressed:
  - Skills development – Includes business skills training, ICT training and financial skills training.
  - Accreditation – Accredited training courses and training material give the learners an advantage even if they don’t succeed in the business.
  - Training Methods & Material – appropriate training methods depending on course material, students, infrastructure, connectivity etc.
  - Forums & Partnership – Discussion forums & work groups to share and plan.
  - Monitoring & Evaluation – Outcomes mapping to measure behavioural change.

5. **Virtual Business Incubation in the Master and Community Infopreneurs Context**

We are acting to set up Master Infopreneurs™ as virtual (non-resident) business incubators to Community Infopreneurs (as mentioned earlier). This indicates the intensive nature of the business development support that they have to render to Community Infopreneurs™.
5.1 Initial Considerations concerning Business Incubation for Infopreneurs

In the Infopreneurs™ model, the Infopreneurs™ are typically in remote areas quite far from each other. The emphasis of incubation cannot then be on physical resources, but on business development services. The success of the incubator can't then be measured by the usage rate of the premises (as often in conventional /high tech incubators) and the income for the incubator must come from other sources than the rent.

Small companies can't pay enough for consulting and development services, so the incubator must get the funding elsewhere. In Northern Europe, incubators are usually government funded. In the US, incubators are often connected with universities and are either funded by the university or through other sponsorship. In Israel, venture capitalist companies run incubators to ensure that the companies in their portfolios grow, and that there is sufficient deal flow for them in the future. In these cases, the focus is primarily on high-tech growth companies.

To build a sustainable incubation model in the Infopreneurs™ context of rural Africa, none of these models is currently available. The funding to create a model is available, but ultimately the incubator needs to be able to cover its own expenses. A possible model is creating a network of incubators, where the network will cover so much of rural Africa that it becomes a valuable and unique tool for reaching communities and SMMEs.

One example of possible income sources is the Living Lab community research and development model, which has been implemented in many European countries and piloted in South Africa. We are experimenting with setting up Master Infopreneurs™ as the custodians of district level Living Labs and are exploring the revenues attached to the management of such a 'real world' research context. Another example is using the network as a sales channel for, for example, insurance policies needed by SMMEs. Besides being a cost effective way of reaching the rural entrepreneurs, the network also acts as a risk reduction mechanism, both of which are valuable things for a big, corporate company like an insurer.

5.2 Enhancing the Recipe for Virtual Incubation as we Progress

To be able to provide business development services for small companies in a cost-effective way, we will use a selection of processes, tools and models which can be used for a number of companies. Not all start-ups are the same, and the working environment of Infopreneurs™ in different provinces can be very different. Still, it can be argued that in the very start-up phase all entrepreneurs need to learn or acquire a certain set of basic entrepreneurial skills. Some of these can be provided in instructions, guides, and checklists, some need both training and practice and take longer. Growing into the mindset of an entrepreneur can be a long process, which often cannot be accelerated, but which definitely can be supported.

Thus, to fulfill the incubator role effectively, the Master Infopreneurs™ will need some initial tools. By initially providing some of these tools and the basic necessary training, and ensuring they are used, the network can control the quality of the incubation and business activity to some extent.

These initial tools and processes will need to be continuously evaluated and improved (at all levels) as this new community ("delivery channel") grows. Infopreneurs™ (Master and Community) will need to co-create these to ensure adoption and usage.

5.2.1 Some Incubation Building Blocks

We will briefly group and discuss some of the tools and skills seen as necessary for the Master Infopreneurs™.

- Business planning and growth /profitability targets

Planning and setting goals are important and often neglected phases of starting a business. Besides the basic models and templates for business plans and basic financial plans, the incubator needs to be able to distinguish the critical issues which need to be planned carefully. The incubator may also need to tutor
the entrepreneur through the different parts to ensure that they are properly understood.

Setting targets is gradual and needs to happen in phases. The targets need to be realistic, but sometimes it is also necessary to encourage the entrepreneurs to challenge themselves. On the other hand the incubator needs to respect the entrepreneur’s goals and dreams and to be careful not to replace them with the incubator’s own. This requires its own discussion of the big picture goals of the Infopreneurs™ model, and also of the ethics and code of conduct of the incubator.

- **Tools & Templates**

Tools, templates and instructions help avoid many basic mistakes, and help the Infopreneurs™ reach better levels of process and service quality sooner. Handing out a big package of templates in the beginning is overwhelming and will not lead to results. The incubator should rather keep an up-to-date library of these templates, and walk the Infopreneurs™ through them gradually as they are needed. Examples of these tools are templates for different contracts, guides for calculating pricing, templates for offers and quotes, checklists for finding out customer requirements for certain services, etc. Sometimes the incubator will need to create a tool for the Infopreneurs™, as well as act in cooperation with them. As these new tools are created, they will also be recorded in the network’s shared knowledge library.

- **Processes**

The incubator needs to have reasonable skills and experience in the basic business processes (financing, sourcing, marketing, sales, etc.) and have the ability to analyse the Infopreneurs’ skills level versus the necessary skills level. The incubator does not need to be able to train the Infopreneurs™ in these, although that is a possible service and a source of income for the incubator. However, the incubators will need to have access to suitable training approved by the Infopreneurs™ network. It is advisable that each incubator be certified as a trainer for some necessary skills set or process.

- **Skills (of the incubator)**

Besides the previously discussed skills and experiences, the incubator is going to need problem solving, negotiation and managerial skills to successfully help the Infopreneurs™. The incubator would need to screen and identify the potential Infopreneurs™ and might therefore need some psychological tests as well. The incubator is therefore most likely to have at least some managerial or entrepreneurial experience to be able to succeed.

5.2.2 Social Responsibility and Ethics

In developed economies, business incubation is usually about creating fast economic growth for companies. In the social entrepreneur context, that is not a viable goal. When the Infopreneurs™ model is validated, it needs to be looked at from several angles. What is the impact of the Infopreneurs™ in the community? What is the impact of the model on the lives of the Infopreneurs™? How well do these micro enterprises do in comparison to other similar enterprises, is the survival rate better? How many new jobs are created?

We are therefore currently busy with a process to develop a monitoring and evaluation framework which needs to help us determine which of these goals are primary goals (and main measurements) and which of them are subordinate to the success of the Infopreneurs™ model.

6. Conclusion

We hope it is abundantly clear that we have in no way arrived at our destination yet. We have an extensive experience base that we are building on and we are furthermore combining first economy deployment models (franchising), change management and incubation tools in the second economy arena of a developing economy. The incubation furthermore combines the elements of conventional business advisory services with 2nd economy social work /empowerment mechanisms to get the best of both worlds. We are in the process of verifying the optimal solution.

We are also hoping to add significant dimensions to the concept of “creative capitalism” (Gates...
2008) by applying this to SMMEs within underdeveloped rural communities. In the same vein we are adding elements like social entrepreneurship (and others) to the “ICT4D 2.0” success factors identified by Heeks (2008).

We would therefore like to invite all those with an interest in (and passion for) the sustainable and scalable application of ICTs (and other technological solutions) in the rural African development arena, to shout at us (if we seem to be completely off the track!) or join us in our efforts.

7. References


Magleby, K. **MicroFranchises as a Solution to Global Poverty** (December 2005)


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8. Endnotes:

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- **Author Contributions:**
  - Johann (Rensie) van Rensburg is a Senior Project Manager at the CSIR Meraka Institute and has been active in the ICT for Development arena for almost 14 years now. He has contributed the background material as well as overviews of the work done to date and the broad role of the Master Infopreneurs (in their role as social entrepreneurs) as “foundations” for the establishment of “creative capitalists” in rural communities.
  - Kristiina Lähde has worked in the Finnish ICT sector in many different roles: as a start-up entrepreneur, in international sales, in enterprise internal venturing and in several consulting areas. Her last job in Finland was as the CEO of a regional high-tech incubator in Central Finland, with national responsibilities in developing the largest chain of regional incubators in Europe. She is now the Chief Technical Advisor of the South Africa - Finland knowledge partnership on ICT programme (SAFIPA) which is housed in the Meraka Institute.
  - Alida Veldsman had been a Senior Project Manager at the CSIR Meraka Institute where she co-created the current Infopreneurs™ deployment model from 2001 till 2007. She currently works as a Change Management (for Development) Specialist for Kanimambo and is part of the team doing the current 12 month validation of the approach.