THE ENTREPRENEURSHIP PROCESS
CHAPTER 6:

From a SET perspective, perhaps the most important benefit of entrepreneurship is its potential for creating positive socio-ecological innovations. With regard to the advantages of a small business, a SET view would share the FBL and TBL appreciation for low start-up costs and the ability to adopt a narrowly focused strategy, but SET management would also value the greater connection that small businesses often have with their surroundings. If a small business is focused on local stakeholders, it contributes to the local multiplier effect, and reduces GHG-emitting travel. In terms of family business, SET entrepreneurs may often adopt a broader view, focusing on not just their own family, but on humanity or the world as a whole. For example, some SET entrepreneurs have created so-called “universal family firms” that take care of employees and other stakeholders as though they were family members.

The Four-Step Entrepreneurial Process

Progressing from the initial inspiration for a new a product or service all the way through to developing and managing an organization which offers that product or service can be a long, complex, and difficult process. Nonetheless, it is useful to think of that process as having four basic steps. Each step is described below.

Step 1: Identify an opportunity

The essential first step in entrepreneurship is to identify an opportunity to pursue. **Opportunity identification** *is the process of selecting promising entrepreneurial ideas for further development.* SET entrepreneurs look for viable opportunities to increase social or ecological well-being. In addition to achieving sustainable financial returns, they are seeking ways to improve employment opportunities for the marginalized of society or new ways of caring for the environment. An example is BUILD, a company that creates positive societal externalities by hiring chronically unemployed people like ex-convicts, and that reduces negative ecological externalities by installing energy-efficient toilets and insulation for homeowners. The SET approach represents a different way of entrepreneurial “seeing” than the FBL and TBL approaches. Before the Grameen Bank, FBL and TBL managers in the financial industry did not see the opportunity in microfinancing, but Mohammed Yunus saw it as a way to help poor entrepreneurs in Bangladesh.

Step 2: Test the idea

The second step in the entrepreneurial process is to determine whether or not it is a viable opportunity. This usually involves talking about your idea with potential customers, employees, suppliers, and other stakeholders, as well as developing a prototype or conducting a pilot test. The SET approach focuses on soliciting feedback from the widest array of stakeholders, and is most likely to welcome input from stakeholders to co-develop the idea. In the case of the Grameen Bank, Mohammed Yunus did both of these things, by talking to and learning from potential clients and from others in the financial services industry, and by actually providing small loans to micro-entrepreneurs in the neighborhood. These actions let him know that his idea could work.

Step 3: Develop a plan

Once an entrepreneurial opportunity has been identified and tested, the next step in the entrepreneurial process is to develop a written plan that provides clear direction by laying out objectives and the strategies that will be used to reach those objectives. Experience and extensive research evidence show that entrepreneurs are more likely to reach their goals if they have a sound plan. In contrast to traditional FBL and TBL plans, which are ultimately judged on whether or not they *optimize* the financial return, a SET organization will be judged on its ability to produce positive social or ecological outcomes in a financially viable fashion. Because the SET approach emphasizes multiple forms of well-being for multiple stakeholders through active cooperation with those stakeholders, a SET entrepreneur may be less able to anticipate and define everything in advance. As a result, SET entrepreneurs have often placed less emphasis on detailed and specific plans. One might say that whereas FBL and TBL entrepreneurs use a business plan to convince stakeholders to support them, SET entrepreneurs use stakeholders to develop a convincing plan.

Step 4: Take action

The final step in the entrepreneurial process may be the most difficult. It is one thing to write an excellent plan, and it is another to implement it and launch a new organization. One study found that, even among plans that won at business plan competitions, only 30% of those plans were put into action.

SET entrepreneurs do not prioritize the maximization of financial gains, and therefore may encounter poor responses, or even trouble, if they seek financing from sources managed based on an FBL approach. The experience of Ben & Jerry's Ice Cream illustrates issues that SET entrepreneurs may face. Ben & Jerry's Homemade Holdings Inc. was founded with a SET mission: making the world's best ice cream, running a financially successful company, and making the world a better place. It uses local organic inputs, has developed chemical-free containers, has prioritized fair-trade ingredients, and uses its profits to fund a foundation supporting community-oriented projects. But it is also a public corporation, thus when the European conglomerate Unilever offered to buy the company at a 25% profit, the managers of Ben & Jerry's were legally obliged to accept the offer on behalf of shareholders, even though they feared that their SET mission would be abandoned by Unilever. In other words, as managers of a corporation they had a fiduciary duty to benefit the owners' financial interests and thus accept Unilever's offer.

Managers working in a benefit corporation *are legally obliged to consider social and ecological externalities.*

Recently some lawmakers have made changes that reduce the potential conflict between SET organizations and traditional corporate law. They have created a new kind of corporation, called a **benefit corporation**, *which is a for-profit corporate entity that has legally defined and recognized social or environmental goals* (recall that Greyston Bakery is a Benefit Corporation, Chapter 1). Whereas shareholders in a traditional corporation may use the law to force managers to pursue profit at the expense of social or ecological outcomes, the shareholders in a benefit corporation may use the law to force managers to pursue social or ecological benefits at the expense of maximizing financial profit.