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The "Lean Launch" Approach to Creating a New Social Enterprise

The idea of social enterprise (SE) is familiar in developed nations, though it may be unfamiliar to many in developing countries. Despite numerous attempts by theorists and business leaders to define it, no clear consensus exists on its exact meaning. However, with the rapid advances in technology and innovation, the SE landscape is constantly evolving, and the traditional boundaries between corporations, nonprofits, and public sectors are becoming increasingly blurred. In today's world, SE can be best described as a unique hybrid model combining elements of both private and nonprofit businesses, focusing on using innovation to solve societal issues while still operating within a market-driven framework.

Social entrepreneurs play a crucial role in creating social enterprises, utilizing innovation to address societal or environmental issues. Their goal is to establish a sustainable system that can improve the lives of marginalized groups. To achieve this, social entrepreneurs develop various tools that help organizations, startups, and nonprofits implement projects that generate profits while positively impacting the world. One of the most prominent and practical methods for these social enterprises and startups is the Lean approach, which can help them succeed faster and minimize time spent on failed business ideas.

The Lean Launch Approach for Social Enterprise

The Lean approach is designed to help startups and social enterprises improve productivity by adopting a hybrid business model. By embracing this strategy, organizations can launch projects, test their progress, and implement new programs using fewer resources and less time. This approach requires rapid action to be taken based on testing results. As Ben Lachman explained, the Lean system provides technical tactics for designing and managing startups and businesses to expedite project success or identify failure. The Lean process consists of six components social enterprises need to acquire to manage their projects effectively: Ideation and Analysis, Constituent Discovery, Building, Testing, Responding to Data, and Scaling Up.

When starting a business, having a clear vision of your ideas and goals is essential. As Ben Lachman suggests, the first step is to "have an idea for something to build." Many startups make the mistake of diving into product development without researching their target audience, market niches, and competitors and analyzing their statements. They spend months, or even years, perfecting their product without testing and receiving consumer feedback. This approach can lead to project failure if the product already exists or fails to meet buyers' demands. Therefore, the Lean approach's critical first step is determining whether the concept is worth investing time and capital. As Benjamin Franklin famously said, "If you fail to plan, you are planning to fail."

Constituent Discovery is a second vital component in the development process. Social entrepreneurs and developers must carefully craft their inquiries, gather feedback from potential clients through surveys, interviews, and observations, and compile the results. This approach allows entrepreneurs to gauge whether they are on the right track to meet their customers' needs.

Additionally, by engaging in Customer Discovery, startups can generate fresh insights, identify areas of success, and adjust their products as needed, returning to the ideation or analysis phase.

Once data has been collected and concepts have been adjusted, the social entrepreneur must shift their focus to the Building and Testing phase. The entrepreneur creates a minimum viable product (MVP) to test and validate their hypothesis during this stage. The MVP should have enough features to allow consumers to experiment and provide direct feedback on what works and what does not. The entrepreneur can gain insight into consumer intentions and preferences by utilizing an MVP. It is recommended that the entrepreneur develops a budget for cost and revenue estimation during this stage. The developers can then analyze buyer feedback to compare it with the business hypothesis. If the results match, the entrepreneur can proceed with their business plan. However, if the results do not endorse the business assumption, the entrepreneur is suggested to retool or consider dropping the idea. As Ben Lachman noted in his "good ways to fail" section, failing quickly leads to fewer losses, fewer damaged relationships, and more opportunities to create other commodities. The Building and Testing methodologies typically allow for a higher chance of failure recovery than traditional product development methods.

The SE must promptly analyze testing results using various measurements to respond to data effectively. As questioned by Murray and Ma (2015), it's essential to determine if the MVP testing meets expectations, identifies any unforeseen logistic issues, and whether the price is too high or low. If expectations are unmet, the SE should reset the process and restart experimentation before investing further capital and time. However, if the business assumption is confirmed, the collected feedback should be used to continue producing and retesting the product until its value is verified and delivered.

In some cases, more than relying on customer feedback is required to gauge a product's success. The SE must continue to analyze collected data and feedback to enhance its offerings' quality. While some input may not be particularly helpful in shaping a solid product, it can provide valuable insight into areas needing improvement and help refine functionality for future iterations. By leveraging testing results to learn and adapt, the SE can tailor its products and services better to meet the actual needs of its target customers.

Once the hypothesis has been obtained, the next step is Scaling Up. The SE can utilize the product to garner support and resources from stakeholders and implement them judiciously. However, the journey of the SE does not end here. As per Murray and Ma (2015), "scaling up also implies a continued need to experiment with methods to enhance efficiency and generate added value for stakeholders" (p.6).

Conclusion

The concept of Social Enterprise is multifaceted, and entrepreneurs often base their businesses on their interpretation and understanding. Despite the varying approaches, many agree that Social Enterprise involves using innovation to serve and support those in need while generating profits and empowering communities. Social entrepreneurs aim to develop a Lean approach that their startup can accommodate to create new Social Enterprises that benefit themselves and the world. The six components of the Lean methodology provide detailed information, techniques,

and stages for quickly developing and delivering products to customers. This approach guides Social Entrepreneurs toward their goals and recommends when to pivot, stop, or expand their business with maximum efficiency.

Reflection

In the Social Entrepreneur course, the Lean Approach stands out as an invaluable and essential tool to master. This concept serves as a gateway for many SEs to explore new possibilities for running their businesses. Unlike mere theory, the Lean Approach is a practical methodology I could learn and share with others interested in developing new business ideas through further research. While the Lean project may be better suited for the private sector and SE, nonprofits may need more flexibility in adjusting budgets or project objectives if the product or service fails to meet expectations. However, nonprofits could still benefit from fully acclimating to the first three steps of the Lean Approach prior to finalizing any project. Though it may require some initial investment, the long-term returns of implementing this strategy will result in more reliable and trustworthy products for their institutions.

Reference

Murray, P., & Ma, S., (2015). The promise of lean experimentation. *Sandford Social Innovation Review*.