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Enabling the Original Intent: Catalysts for Social Entrepreneurship

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ENABLING THE ORIGINAL INTENT: CATALYSTS FOR SOCIAL ENTREPRENEURSHIP

Craig V. VanSandt, Mukesh Sud, and Christopher Marmé

ABSTRACT As capitalist economies have shifted their primary focus from providing goods and services for all, to concentrating wealth at the top echelons of societies, social entrepreneurs have been one source of re-capturing the original intent of capitalism. Social entrepreneurs have combined the efficiency and effectiveness of business organizations with the social concerns of many non-profit and governmental agencies. As a result, social entrepreneurship is viewed as having significant potential for alleviating many of the social ills we now face. To accomplish this mission, however, will require expansion of social enterprises beyond their current footprints. We explore alternate methods of expansion, scaling and replication, and then examine potential catalysts which can enable social entrepreneurs to attain their goals of social improvement. The catalysts we identify are effectual logic, enhanced legitimacy through appropriate reporting metrics, and information technology. We conclude with two brief case studies that exemplify how these catalysts are currently working to enhance the effectiveness of social start-ups.

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BACKGROUND

Social contract theory posits that individuals, living in a state of nature, mutually agree to form a society, political system, and economy in order to maintain social order and protect their private interests. In so doing, the system should provide a decent and safe standard of living for all (Rawls, 1971). In his book *A Theory of Justice*, Rawls argued that social contracts should be designed behind a "veil of ignorance" which would then permit a system to emerge that protected the interests of those at the bottom of society with a strong bias toward equality. He also emphasized the central role of equality of opportunity.

Ideally an economic system seeks to distribute goods and services as efficiently and equitably as possible (Korten, 1995; Okun, 1975). The focus of modern economic theory has been almost exclusively on efficiency. Economic equity, however, is as important an issue as efficiency (Galbraith, 1996; Thurow, 1975). The failure of market economies to provide equity—both "intragenerational" (i.e. social) and "intergenerational" (environmental)—as it has technical and allocative efficiency is one reason for the emergence of social enterprises. These efforts have most often come through the sort of social norms and religious principles of restraint and charity provided by communities themselves, or through government regulation and legal protections (Gadgil and Guha, 1993; Tawney,1962; Wankel, 2008; Weber, 1958).

The reality of modern societies and economies inarguably bears little resemblance to Rawls's version of the social contract. Both within and between developed and developing countries, the gap between rich and poor continues to grow (Kurth, 2006). Our political and economic systems were not designed behind a veil of ignorance. Control of the system continues to be in the hands of the wealthy and powerful and it continues to convey them advantages (Grossman and Adams, 1993; Kelly, 2003; Nace, 2003).

Despite this gloomy picture, we also acknowledge the potential for great benefit that business in a capitalist economy can create. The recent popularity of creative capitalism (Gates, 2008) dovetails with increased emphasis on transparency and socially beneficial careers (Koehn, 2008). Scholars visualize business as a positive force in the creation of social capital (Heslam, 2007) and report a "surge of imagination around the world in the creation of new and successful approaches to using business strategy to alleviate poverty" (Wankel, 2008:1). Although we concur, it will take the influence from government, religion, education, consumers, voters, etc. to ensure such pleasant outcomes (Sud et al., 2008).

As noted above, efforts to alleviate poverty and deal with environmental concerns continue and are even escalating. The rise of social entrepreneurship (SE) is an attempt to reform the system that has evolved through concerted efforts to promote the interests of a small group of highly advantaged people, consequently prizing efficiency over equity. Thus, "the system" promotes the interests of the already advantaged, while exploiting the others. SE reflects a desire to cause change in a way that is as divorced from the political process as practicable. Early definitions of the field suggest that social entrepreneurs play the role of change agents in the social sector by adopting a mission to create and sustain social value (Dees, 1998). More recently, there has been a broad acceptance of SE as the innovative use of resources to explore and exploit opportunities that meet social needs in a sustainable manner (Mair and Marti, 2006). Although much of the literature has lauded the field as a new approach to correcting social ills not addressed by other entities (Mair et al., 2006; Nicholls, 2006), its function is, in fact, as old as the first laws governing the formation and operation of corporations.

The original purpose of the corporate form was to provide a vehicle for meeting the specific needs of society through an institution which allowed the pooling of capital (Grossman and Adams, 1993; Kelly, 2003; Nace, 2003). After the abuses wrought by early British trading companies, American colonists were highly suspicious of the corporation. Laws were strict and corporate charters granted to meet specific social needs that could not be accomplished individually (Grossman and Adams, 1993; Nace, 2003). Early corporations were hence relatively small with operations restricted by government and owners held personally liable. Their impact was consequently local and decisions were made with the interests of the community in mind.

As business entities grew, it quickly became apparent that corporations were a highly efficient vehicle for accomplishing goals. This was due to lower transaction costs (Williamson, 1985) and the ability to pool personal savings to allow creation of wealth (Berle and Means, 1933; Nace 2003). There were also attempts to expand their role in the economic system. This was facilitated by loosening of controls and court decisions granting them more rights (Grossman and Adams, 1993; Kelly, 2003; Nace, 2003). A significant milestone was the Supreme Court's decision in *Santa Clara County v. Southern Pacific Railroad* in 1883, which effectively granted "personhood" to corporations, thereby assuring them Constitutional rights and protection. Other changes included unlimited life spans and size, ease of incorporation, and purchase of subsidiaries (Grossman and Adams, 1993; Nace, 2003). Concomitantly, the corporate focus shifted from fulfilling relatively large-scale social needs, such as infrastructure projects, to private gain, while further limiting the personal liability of owners and executives.

As a result, the rules of the game have changed. Participants emphasize one-dimensional measures of success, such as profits, because measurement is confined to benefits that accrue to the corporation and costs it must directly bear. When private costs and benefits diverge sharply from social ones, the decisions have less to do with the broad-based betterment of society. These new rules have actually made it exceedingly difficult, and perhaps even illegal, for corporations to pursue the public good (Hinkley, 2002). The social and legal environments favor business operations, narrowly defined, often to the detriment of social concerns. Social entrepreneurs thus find themselves at a disadvantage when they seek to address widespread social ills.

GROWTH OF SOCIAL ENTERPRISES

> We have learnt to create the small exceptions that change the lives of hundreds but we have not learned how to make the exceptions the rule to change the lives of millions.
> Lisbeth Schorr quoted by Dees et al., (2004: 26)

We confront a depressing reality—global warming, poverty, increasing economic inequality, famine, terrorism, etc. threaten our existence. Efforts to address these issues have often been ineffective or may have even exacerbated the problem. There is thus tremendous pressure to provide increased services that citizens require in their daily lives. However, as compared to entrepreneurial start ups, social entrepreneurs’ attempts to spread innovations are often protracted. However, given the complexity and gravity of the issues facing the world, we need to ensure that their innovations influence as many lives in as short a time as possible (Carson, 1962; Gore, 2006; Wolman and Colamosca, 1997).

A basic assumption in business is that growth is good; there are inherent advantages to size. An enhanced chance of survival, capturing economies of scale and scope, taking advantage of the learning curve effect, and the ability to attract resources are just a few We observe the same premise increasingly being carried into the SE field. Scaling is the term used to describe efforts to expand in order to move from solving local, idiosyncratic problems to addressing issues that affect increasing number of people over larger geographical areas. However the SE domain faces unique challenges. Dees et al., (2004: 26) caution us of the "need to take a step back and take a more strategic and systematic approach on the issue of spreading social innovations…[as] failure to place them within a broader strategic framework can blind promising options and create a bias towards a limited set of strategies." Without a finer understanding of the issues involved, we fear that social entrepreneurs risk compromising the potential impact that they seek through growth.

We foresee three broad obstacles which social enterprises face as they attempt to scale. The first is that they have a greater affinity to farms than to factories. Farming requires intimate knowledge of the characteristics of the land, extensive care of farm animals and equipment, and, most importantly, much of the work cannot be monitored. Wage labor is typically hired when there are demand surges, for example at harvest time. However, unlike the work involved in planting or tending crops (weeding, fertilizing, control of pests), hired laborers' productivity during harvesting is more amenable to quantification. Similarly, in the context of social enterprises there is a natural limit to growth both due to the necessity of detailed knowledge of the community being served and the difficulty involved in monitoring wage labor.

Second, social enterprises externalize benefits and internalize costs more than other economic actors, making them inherently less profitable than their for-profit counterparts

(Murdoch, 1999). Due to this, successfully scaling would require additional manpower willing to work for lower compensation than that offered by the for-profit sector, investors willing to accept lower rates of return, or funding agencies willing to nourish them. We feel that this crucial dependence on the continued idealism and commitment of a key staff members, grant-giving agencies or charities diminishes the long-term chances for effecting real change.

A third barrier is that of institutional isomorphism. Researchers have noted the tendency of organizations to resemble each other as they grow. Institutional isomorphism, is "…a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" in which "[o]rganizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness" (DiMaggio and Powell, 1983: 149-150). In other words, organizations in similar fields tend to become more homogeneous over time. Nicholls and Cho (2006) have expressed concern that isomorphic pressures, inevitable in the scaling process, may hinder the work of SE.

Given this reality and the complexities in the preceding discussion, social enterprises have also considered replication as an attractive alternative to enhance social value. A key mode of replication is by franchising. Bradach (2003) argues that the success of franchising can be imitated by social enterprises. Some well known ingredients for its success are a tested and refined business model, greater speed of implementation, ability to attract customers, and access to resources and expertise.

We would like to strike a note of caution here. Social enterprises have only recently embraced the domain of entrepreneurship. Given their vastly different theoretical underpinnings (Austin et al., 2006), the inherent complexity of their operating environment and its idiosyncratic nature, this issue calls for further investigation. As Bill Clinton, in the context of school reform initiatives, observed, "[N]early every problem has been solved by someone somewhere. [The challenge is] we can't seem to replicate [them] anywhere else" (Olson, 1994: 29). Despite this, as our case studies later illustrate, there certainly are important lessons that social entrepreneurs can learn from the success of for-profit enterprises. Babajob's attempt to replicate the success of business and social networking sites like Linkedin and Facebook is an outstanding example.

In conclusion, while accepting expansion as an entrepreneurial inclination, the question of whether growth should focus on a greater scale of a single organization or replication by many distinct organizations, or a combination, will depend on a number of factors. Besides the question of which alternative creates more social value, other issues likely to govern this decision include availability of financial and human resources, the inherent replicability of the model and the entrepreneur's ability to develop partnerships and collaborations.

While social entrepreneurs execute strategies focused towards either scaling or replication, it is crucial to investigate potential factors already present in the external environment which can serve to maximize their impact in the shortest possible time.

CATALYSTS PROMOTING SOCIAL ENTREPRENEURSHIP

Cho (2006) commented that SE has many champions and a notable lack of detractors as it speaks a compelling language of pragmatism, cooperation, and hope. However, as discussed earlier, unless social entrepreneurs address social ills on a magnitude large enough to effect wide-spread change, that hope could soon turn to despair. Expectations from the field continue to rise as scholars bemoan that the supply of public goods has remained static or even diminished (Nicholls, 2006). Exhortations to promote growth in social enterprises are increasingly being heard. Unfortunately their growth, while impressive, has not been nearly as rapid as the increase in social problems they seek to address.

In what follows we explore forces that could or are serving as catalysts to enhance the effectiveness of social enterprises. We propose three critical catalysts—effectual logic, enhanced legitimacy through appropriate reporting metrics, and information technology (IT)-could potentially act as enablers. These would facilitate interventions that could effectively solve complex social problems that markets and governments have either ignored or failed to alleviate. Our concern is that social enterprises, which have recently given voice to the language of hope, may fail to be heard without the augmentation from these catalysts.

Effectual logic

Strategic thinking is based on causal rationality—identifying opportunities in the external environment and then developing the necessary skills to exploit them. Extant entrepreneurship literature similarly utilizes the rational choice paradigm. Entrepreneurs recognize opportunities and with a predetermined goal, seek an optimum solution. More recently, scholars have proposed an effectual logic lens (Sarasvathy, 2001) where entrepreneurs begin with their means and, contingent on the environments and people they interact with, adopt goals over time.

This paradigm is built on strategic partnerships and stresses the leveraging of contingencies. Effectual thinkers can be compared to explorers setting out on a journey into uncharted waters, like Columbus's voyage to the Americas (Sarasvathy, 2008). Our research suggests that this approach results in a virtuous cycle leading to an ever expanding network, increased resources and ultimately greater impact. Furthermore, an effectual mindset compels social entrepreneurs to challenge conventional mental models, often leading to creative and innovative solutions needed to reform the system. Using this approach social entrepreneurs begin with their means: 1) who they are—their traits and abilities, 2) what they know—their education, training and experience and 3) who they know—their social, professional and family networks. Using human, intellectual, and social capital, they then imagine and implement possible effects. Bill Drayton, the founder of Ashoka, is an exemplar. With a desire to bring about systemic social change, Drayton leveraged his education (Harvard, Oxford and Yale), awareness of how institutions operate (having worked in McKinsey & Company), knowledge of environmental issues (as an EPA commissioner) and his network (having served in the White House) to launch Ashoka. Rather than focus on a specific goal, Drayton has sought to identify individuals seeking to achieve extraordinary outcomes.

We propose a model (figure 1) with three phases—opportunity recognition (boxes 1 and 2), generating momentum (boxes 3 and 4) and execution (box 5). In the opportunity recognition phase, the social entrepreneur using effectual logic assesses her capital, recognizing her strengths and weaknesses. She then conceptualizes the opportunity with which she wishes to engage.

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A Model of Effectual Logic

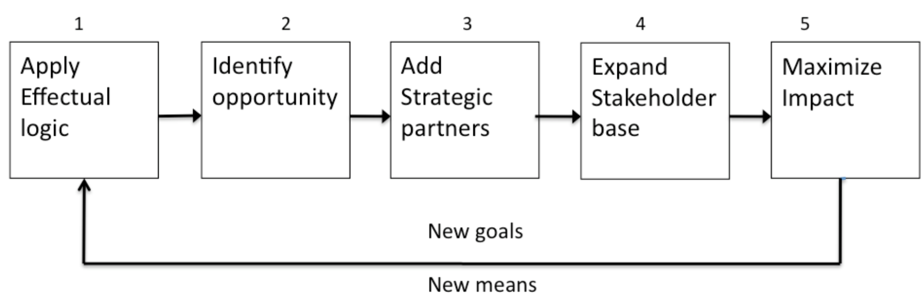

Figure 1

This leads to the next phase of generating momentum. This could involve adding multiple strategic partners (typically media, government or philanthropic groups who can compensate for weaknesses and may even act as complementors) and increasing the stakeholder base. International Development Enterprises has succeeded in introducing treadle pumps in Bangladesh. Initially starting with four small entrepreneurs, it worked with village dealers and farmers who were provided assistance and training from microfinance institutions (MFIs). This led to 75 manufacturers entering the market. 1.5 million of these simple, low cost foot powered pumps have been sold, resulting in a 3.4 percent increase in irrigated land (Polak, 2008)

This phase also involves expanding the stakeholder base by actively canvassing and enlisting user groups. Outcomes include generation of momentum and ensuring compliance without the need of expensive monitoring costs. The efforts of Grameen Bank and SKS Microfinance in creating joint liability, through a process of collective lending to women's groups, has resulted in extremely high repayment rates.

The final phase of our model involves a single-minded focus on execution to maximize impact. Our model also has a feedback loop where, as results become visible, new sets of means and goals emerge. Ultimately this virtuous cycle facilitates the SE effort in attaining an entirely new horizon.

We find that social entrepreneurs often initially face an inchoate demand for their services. Early emphasis should consequently be on utilizing resources currently in hand with a shift to optimal decision-making after a few cycles have resulted in clarity of goals and new means. One Laptop per Child has significantly revised its design, distribution strategies, and even its operating system in light of experience and by leveraging unanticipated partnerships. In this paradigm the social entrepreneur starts developing an effectual mindset. A good way of conceptualizing this is using Sarasvathy's (2008) example of a cook who, instead of starting with a preselected menu, works with the ingredients available and designs what could be an unintended, yet original meal. She observes that while the meal is still dependent on the chef's abilities, effectual thinking is likely to lead to more novel outcomes.

Werhane's definition of moral imagination, as the "ability to discover and evaluate possibilities not merely determined by the circumstances" (1999: 93), shares some of the characteristics of effectual logic. Social entrepreneurs extend this a step further. After discovering innovative possibilities that markets and governments have largely ignored, they seek tools to implement solutions. Like Bill Drayton and Muhammad Yunus, they share a vision to change the world and influence us through their own moral behavior. We propose that effectual logic compels social entrepreneurs to challenge existing mental models, which as Senge (1990: 174) cautioned, often "limits us to familiar ways of thinking and acting." Over several iterations this will ultimately lead to novel solutions to social issues, which are urgently needed to reform the current system. We find evidence of this in our case studies.

As effectuation increases the impact of social entrepreneurs, they will also gain recognition, acceptance, and ultimately, respect from the broader society. In this context we envisage a second catalyst–organizational legitimacy through appropriate performance metrics—that better meet the needs of social entrepreneurs as well as their multiple stakeholders.

Legitimacy/performance metrics

Organizational legitimacy is an assumption that the actions of an entity are socially desirable within some socially constructed system of norms, values and beliefs (Suchman, 1995). From an institutional perspective, legitimacy is the means by which organizations obtain and maintain resources (Dart, 2004). A key issue confronting social enterprises relates to the evaluation of outcomes. Daly and Cobb (1989: 148) observed, "Naturally, not-for-profit entities value success and efficiency as much as for profit entities, but they have no obvious measure of success analogous to profit." We propose that adoption of proper metrics can act as a catalyst. First, metrics will facilitate a better assessment of the program efficacy, enabling a better deployment of resources. Second, with the demand for a social capital investment market (Nicholls, 2006), appropriate metrics will, by enhancing external legitimacy, facilitate access to resources.

There are many examples of social enterprises adopting outcome measures. We will support our argument by exploring two dissimilar domains–philanthropy and academia. Many capital providers are concerned with a social return on investment (SROI). The Bill & Melinda Gates Foundation, with assets of $37 billion and an annual dispensation of $3 billion, enjoys the power to effect significant change. A monthly momentum report summarizing the foundation's achievement and activities forms the basis for future planning. Judith Rodin of the Rockefeller Foundation, aptly observed "At the end of the day we won't be judged by how smart we were, how much we cared or how much money we gave away. We are going to be judged by the impact we had" (Bill & Melinda Gates Foundation, 2008).

Academia similarly has developed metrics to evaluate the quality of scholarship. A citation of research articles enables an objective assessment of the impact of an article in a scholarly journal. How researchers' work is cited is recognized as a measure of scholarly influence (Christenson and Sigelman, 1985), international visibility (Turner and Rojouan, 1991), and may even affect career success. This has resulted in impact factors increasingly being used in academia for appointment promotion, pay and even external funding decisions (Diamond, 1986; Seglen, 1997). In the opinion of some scholars this has even become the "*sine qua non* of scholarship assessment" (Leung, 2007: 510). While we are aware of the criticism that the publish-or-perish culture has generated, we have merely used this example to illustrate how performance metrics, other than profit, are being applied.

Corporations have long used frameworks like the balanced score card to get a more nuanced picture of performance than that conveyed through financial statements. In short, the balanced score card highlights a more integrated set of criterion for long-term success. This provides a clearer assessment of strengths and weaknesses, while clarifying strategic objectives and critical drivers. At the macro level this identifies challenges and opportunities while, at the micro level, objectives and measures of internal business processes are recognized (Kaplan and Norton, 1996). It was prescient of the balanced scorecards developers to suggest that its possible use in social enterprises is greater than in the private sector. Other attempts to provide a more complete picture of the effectiveness of social enterprises reflect similar features. Under the leadership of the Roberts Enterprise Development Fund (REDF), social enterprises have started using SROI to better evaluate impact. REDF apportions the total effect into economic, socioeconomic and social components (Emerson et al., 1999). The economic component refers to internal benefits and costs. Socioeconomic factors are quantifiable such as the reduced demand for food stamps and increased tax revenues linked to a jobs program. These criteria are then integrated into a blended value that helps evaluate the effectiveness of a given project.

In conclusion, regardless of the particular measurement system employed, we suggest that the application of appropriate metrics serves as a catalyst. The German philosopher Fredrich Nietzsche observed over a century ago, "The most common form of human stupidity is forgetting what we were trying to accomplish." We would like to highlight this thought in the context of social enterprises. The availability of timely and precise data on their various activities can help social entrepreneurs in terms of external legitimacy, ability to attract both human and financial resources, and resource allocation decisions.

Information technology

IT in all its forms—news, satellite imaging and messaging—has made SE much more viable. In this section we explore how leveraging IT can act as a catalyst by enabling fund raising, building of a global community and by reducing monitoring costs. The flattening of the world (Friedman, 2005) has resulted in a more level playing field, which helps social entrepreneurs develop innovative approaches to connect with funding sources. Philanthropic capital markets are typically fragmented among individual contributions, grants from donors, government payments and user fees (Wei-Skillern et al., 2007). It hence becomes necessary to create awareness among a more widely disbursed constituency. The power of the Internet has often been successfully leveraged to facilitate this.

After viewing images of 9/11, the surge in giving led Larry Mandell, of United Way, to comment that this enabled "collecting approximately ten times the usual number of donations in one tenth the time" (Wei-Skillern et al., 2007: 48). Kiva is another notable example. They have taken advantage of the substantial growth in online giving. While the potential in this area is great, social entrepreneurs need to develop effective web-based systems to further exploit this trend. Wei-Skillern et al.,(2007) observed that, while online giving has shown very positive growth rates—from 22 percent in 2000-01 to 58 percent in 2003-04—it still constitutes barely 1.6 percent of all giving. Their research also indicates that besides the substantially lower costs involved, online givers generally make larger donations than offline donors.

IT further creates a sense of community among global citizens. Kiva clearly demonstrates the caring and personal involvement that people of all ages and socio-economic backgrounds share. We were overwhelmed to discover how students reported checking their email early each morning, to find out how a push cart vendor in Nigeria, whom they had loaned $25, had fared the previous day. As Matt Flannery commented, "(L)enders want information more than they want their money back" (O'Brien, 2008: 40).

Finally IT enabled services have substantially reduced monitoring costs. SKS Microfinance, a provider of small business loans in rural areas, uses biometric authentication technology to digitize the lending process. Mobile text messaging of payment information speeds up recording and reduces errors. Both Kiva and Babajobs use mobile phones extensively and leverage the diminishing cost of the Internet to minimize monitoring costs.

CASE STUDIES

We have argued that social entrepreneurs face a variety of problems due to the economic structure and operating environment. As social enterprises grow in order to address the vast scope of social ills, they may be able to take advantage of certain catalysts currently surfacing. Our examples illustrate how social entrepreneurs *are* using the catalysts we identify. This provides evidence that our arguments are sound, and that the catalysts *are* facilitating their work.

Kiva-loans that change lives

Kiva, which means “unity” or “agreement” in Swahili, is revolutionizing how lenders connect to small entrepreneurs by merging two recent socio-economic phenomena—microfinance and social networking. Online visitors typically make donations in $25 installments, after viewing profiles and selecting a potential borrower. The lender is in turn provided regular updates as the loan is repaid.

Founded in 2004, the firm has been described as the eBay of microfinance. Its website claims, “Just like YouTube has changed the way we watch video and Wikipedia the way we find information, Kiva is changing the way we give back” (Kiva, 2009). This peer-to-peer micro lending organization creates a sense of connection to the lender, as she is able to monitor how her contribution ends up making a difference in the life of low income entrepreneurs living a world apart. Kiva’s Shah commented, “We call it Philanthropy 2.0—you can actually see what is happening with your money” (O’Brien, 2008: 40). This new business model, by leveraging the power of the Internet, has effectively democratized access to the microfinance movement, traditionally restricted to high net worth individuals and trusts.

Kiva has partnered with existing MFIs, who also impart training to maximize the entrepreneurs' chances of success. The firm is in essence providing a data-rich transparent lending platform and effectively leveraging the power of the Internet both as a tool to create awareness as well as an instant, inexpensive and effective delivery mechanism. It has utilized endorsements by celebrities like Bill Clinton and Oprah Winfrey to gain media coverage and acquire legitimacy. In addition, Kiva has succeeded in garnering institutional support. PayPal facilitates payment processing, YouTube and Google have donated banner placements while Yahoo provides search-marketing keywords.

With disbursements of $25 million, Kiva operates in 43 countries and enjoys repayment rates of 99.7%. The firm has loaned money to 39,000 entrepreneurs from the 250,000 donors it has managed to attract since inception (Kiva, 2009) resulting in increased attention in the philanthropic world. Although a small sliver of the $300 billion worldwide charity cake, Michael Schreiber of United Way commented, "This is very compelling. Our role is to take successful concepts, like Kiva, and try to scale to a broader set of constituents" (O'Brien, 2008: 42).

Babajob.com-social networks for good?

This start up was the result of an academic insight by a Duke economist who observed that many poor remain in poverty because they lack adequate social connections (Krishna,2004). Extending this argument Blagsvedt, who founded the company in 2005, felt that social networks offered the potential to help uneducated but skilled workers by providing access to information. Babajob.com, by bridging the digital divide, enables illiterate workers to find jobs by connecting them with opportunities in the rapidly growing metropolitan areas of India.

While social networking sites typically connect computer savvy elites to each other, Babajob.com connects India's elite to the poor. Young professionals, when they move, typically require services to support their double income lifestyles. Job seekers, skilled at being housekeepers, gardeners, drivers or maids, lack both the connections and access to a computer network needed to seek employment. The firm maintains a database of job seekers, which is made available to clients. This model differs from regular employment services by attempting to resolve the vital issue of trust which, in developing countries, is often critical before an employment contract is offered. In order to encourage connecting people together, a cash bonus is paid for referrals and recommendations of job seekers. As an added inducement, a mentor who registers a job seeker into the company's database and provides his mobile number also gets compensated.

This informal referral system works especially well in the software sector, due to high levels of computer literacy. Steve Pogorzelski, president of the international division of Monster.com, commented, "It is an important innovation because it opens up the marketplace to people of socioeconomic levels who may not have the widest array of jobs available to them" (Giridharadas, 2007: 29). Babajob is also digitizing the process and leveraging the rapidly diminishing cost of mobile phones and the power of the Internet. In order to reach out to non-web based customers, it is using online and TV/radio advertising, besides establishing partnerships with telecom companies, MFIs and Internet cafes.

Babajob hopes to shape human behavior through the medium of social networking by inducing "competitive altruism" similar to the Facebook application "Causes." Blagsvedt personally maintains active profiles on Orkut and Facebook. Media coverage has grown significantly after the *New York Times* ran an article on the company in 2007. With 20,000 registered users and revenues targeted at $15 million by 2012 (Babajob, 2008), Blagsvedt argues that this is “a scalable, replicable, profitable solution to fighting poverty by creating radical job market efficiency for the informal sector” (Blagsvedt, personal communication).

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