

Social Innovation and Entrepreneurship : Remarks made at the Seminar on “IPR Strategies for Social Technology Innovations”, organized by Venture Center, NCL Innovation Park, Pune

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Social innovations are novel ideas that create significant positive social and environmental impact and also serve the marginalized and underserved sections of the society who are generally outside of the market forces. Social entrepreneurs build sustainable organizational models for delivering products and services based on a social innovation to society. The areas of interest to social entrepreneurs are affordable energy, water, therapeutics, medical devices and diagnostics, food and nutrition, low cost housing and empowerment of the weaker sections of the society. Ever since the path-breaking work of the late C. K. Prahlad described in his book: “Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits” the question that has intrigued many is how to balance commercial goals with delivery of outcomes to those at the bottom of the pyramid.

The issue of intellectual property in the context of social innovation is a complex one. Does protecting intellectual property inhibit the objectives of social innovation? Can an open source model serve the goals of a social entrepreneur better? While serving the BOP, does formal IP encourage or constrain diffusion of technologies? Does IP tends to make technologies unnecessarily complicated, whereas, society demands solutions which are simpler? Can there be an alternative method of attribution or credit to the innovator in the absence of IP? When it comes to issues such as public health, clean environment or water, what is the balance between interests of the business and the rights as a citizen?

I feel that the issue of IP with regard to social innovations requires a nuanced approach. Often, in discussions of IP, one tends to take extreme views, when in reality the matter is neither black nor white, but is grey. All IP policies are aimed at balancing between encouraging creativity and protecting against undesirable monopolies, between private gain and public good. In fact this balance is entirely possible, if one understands the original idea of why the system of IP were created and not be misguided by the way it is often practiced.

My comments are relevant to only those classes of entrepreneurs who create new products for the benefit of those at the bottom of the pyramid and exclude those who bring useful and innovative processes and services to this section

of the society. The former is based on a compelling new functionality or attribute of a product, whereas, the latter is more based on education, awareness building and efficient practice.

I, therefore, ask, whether the social innovators who conceive new products are any different from other innovators. I believe they are not. Both are driven by the desire to make a new or improved product that will serve the unmet needs of the society. The difference is probably only in focus, not in the process of innovation itself. Both have to be creative, efficient, must have a robust business model and generate surplus or profits. Profit is not a dirty word. Greed and altruism are both acceptable human emotions. How you use your profits is probably more important. Interestingly, much of the funding for social entrepreneurship comes from those who made huge profits in business (e.g. Bill Gates, Warren Buffet, Howard Hughes, Ratan Tata, Aziz Premji, to name a few) and at some point of time in their life decided to part with their wealth for causes that help the disadvantaged.

Creating businesses, which makes profit, is therefore, important. In fact it is pertinent to compare the business model of Bill Gates (Microsoft proprietary software) and Linus Torvalds (Open Source software) and ask who, in the end, made a greater difference to humanity.

Business, social or otherwise, requires resources. Product based businesses require investment in research, development, prototyping and manufacturing. One cannot expect the Government alone to fund such businesses. Private investors and philanthropic funding agencies must see the viability of a business to make a surplus. How one wishes to deploy the surplus, after paying for the cost of the business, is a different question.

Thus, if the business is conceived on a new idea, the idea must be monetized. IP is one of the ways by which ideas can be monetized.

There are many ways that social entrepreneurs can profitably use the generated IP. They can create products for, both, the top and the bottom of the pyramid, by suitably tailoring the value proposition. Value is defined as the ratio of functionality or attribute of a product to that of its cost. Irrespective of where you belong in the pyramid, the value proposition a consumer seeks is the same. Such hybrid business models enable redirecting the profits from the one to subsidize the other. The IP is held by the former, whereas, it is licensed, royalty free, to the latter. Another option is to place all IP in a common ownership SPV, where it can be held in trust for wider social benefit at the same time protecting the social enterprise from commercial competition. In such a case the SPV can also license the IP to a commercial "for profit" venture and earn revenue, which can be deployed for furthering public good. This is akin to the concept of "Creative Commons" which is widely used in the publishing industry.

For any innovation in the product space to succeed, one must have a compelling idea which addresses a unique pain point with an appropriate value proposition, a commercial strategy for technology development and

deployment, ability to generate surplus and efficient supply chain to achieve diffusion and scale. It really does not matter whether the innovation is meant for private good or public good, that is, to maximize improvement in human and environmental well being. IP will and should always remain an integral part of the business strategy.