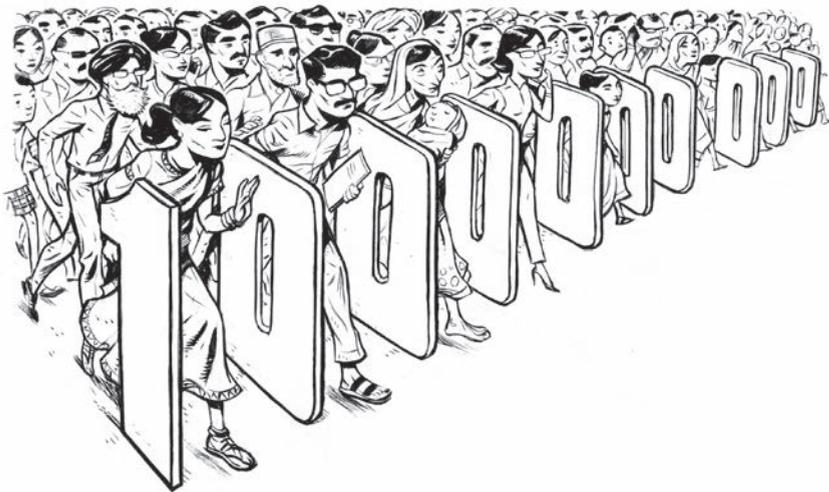


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Social Entrepreneurship by the Billions

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BY ROGER L. MARTIN, SALLY R. OSBERG,
AND JENNIFER RIEL



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Only a decade ago, some 400 million people in India lacked any type of formal documentation. Most were impoverished and, without even basic identification such as a birth certificate, they were marginalized and unable to alter their societal status. This condition made them, in effect, noncitizens, with no influence on or ability to participate in their country's economic and legal systems. They couldn't vote, open a bank account, or access government services.

Nandan Nilekani wrote about this problem in his 2008 book, *Imagining India: The Idea of a Renewed Nation* (Penguin Press). An

engineer by training, he was one of the cofounders of Infosys, the IT services giant that helped spur India's technology revolution. In his book, Nilekani proposed providing each of India's approximately 1.2 billion citizens with a unique, fraud-proof identifier. The following year, India's then prime minister, Manmohan Singh, asked Nilekani to turn this idea into reality. He appointed Nilekani chairman of a new government agency, the Unique Identification Authority of India (UIDAI), which was tasked with creating such an identifier. The initiative came to be called Project Aadhaar (the Hindi word for *foundation* or *base*).

India's documentation problem was the product of a system in a miserable equilibrium. Left alone, it would continue to operate in the

same way and deliver the same outcomes — hundreds of millions of people excluded from formal citizenship. Shifting such an equilibrium is no simple task. But it is the sort of challenge to which the world's social entrepreneurs apply their resolve and creativity.

Social entrepreneurship has been variously defined over the years as any enterprise that includes social good as part of its mission, as a nonprofit that seeks to build its sustainability through market forces, and simply even as any organization working to make the world a better place. This last catch-all is the most problematic, as it suggests every organization aiming for even the smallest improvement in the status quo can be considered to be engaged in social entrepreneurship. The term thus becomes everything and nothing.

In our view, social entrepreneurs seek something beyond *better*. They want to change a well-established but unhappy equilibrium, and transform it into a more just or more equitable stable state. Such social entrepreneurship can be practiced within any organizational structure, including for-profit businesses, NGOs and not-for-profits, social enterprises, and even government.

Nilekani's efforts in India provide a striking example of social entrepreneurship practiced within a government context. It's a novel and notable experiment, given the sheer size of the problem — in terms of both geography and the number of people affected. But it is not entirely unique. In many regions and in different contexts, a discernible pattern has emerged for endeavors that aim to change equilibrium at a meaningful scale. This framework can help any organizational leader, in

the public, private, or not-for-profit sector, to think more clearly about the purpose and principles of social entrepreneurship. By understanding how a suboptimal equilibrium has come to be, envisioning a new future, building a model for change, and then scaling the solution, social entrepreneurs can permanently transform a miserable or unfair societal condition, rather than settling for ameliorating its worst effects.

A Unique Identity

When Nandan Nilekani was appointed head of the UIDAI, the businessman became a bureaucrat. But the entrepreneur in him would not be easily co-opted. Nilekani was really in the game of applying the tools and principles of business to achieve social change. As he saw it, not only would a unique identifier program enable India's poor to gain access to civic benefits, but it would reduce the country's burden

you can make sure the benefits will go to the right person, and (b) [you can ensure] that the same person can be identified over time." Given that so many of India's poor lacked formal identification, social programs were easy targets for fraud and abuse.

As an integrative thinker unwilling to choose between the best interests of individuals and those of the government, Nilekani seized on the opportunity to serve both through the same initiative. He knew, of course, that it wouldn't be easy. The poor had no base documents, no way to prove their identity in the first place. The initial challenge was to address that deficiency. "We had to have a fairly foolproof way of establishing uniqueness," Nilekani explained.

Fortunately, in the face of global security threats, governments and businesses around the world were making great strides in using biometrics to establish uniqueness with

The basic strategy was to provide every citizen who registered with a 12-digit identifier tied to his or her specific biometric pattern. This "Aadhaar number" could be verified, using the biometric identifiers, when needed. It would provide individuals with access to government services and enable them to claim the rights of citizenship. But, importantly, the identifier had applications beyond voting and government programs. Financial institutions, for instance, could use it to verify a customer's identity. This means that the Aadhaar number promised value for a broad cross-section of citizens, even if the primary and greatest benefit was conferred on the very poor.

Going Beyond Better

Change typically comes in small steps: Somebody figures out a way to make the current state of things just a little bit better. But big, positive changes are vital to transforming equilibriums. Such shifts happen infrequently and episodically, and they make a disproportionate difference to the fate of our world. Governments have a track record of producing these equilibrium shifts through policy innovation, often in response to the dogged work of effective social activists. Businesses have a shorter but equally important track record of producing positive shifts through their innovations, which are motivated both by profit and by the opportunity to provide something new to customers and the world.

Social entrepreneurship is a much newer source of positive social change; its activities and models navigate the extensive territory between the modes of business-led and government-led transformation.

Big equilibrium shifts happen infrequently and make a disproportionate difference.

of welfare fraud. In the end, he believed, India could leapfrog Western nations in the scope and security of its identification tools.

As Nilekani told us in a 2014 interview, "At one level, you can think of [Project Aadhaar] as one of the world's largest social inclusion projects. That's one part of what it tries to solve. The second thing that it's trying to solve is common to all societies that build welfare programs. When you build a welfare program in any society, you need a way to identify your residents, so that (a)

fingerprints and iris scans. "After a little bit of research and proof of concept, we came to the conclusion that if you do multimodal biometrics, combining the irises of both eyes and the fingerprints of all 10 fingers, the digital signature — the digital pattern of these — is unique across a billion people," said Nilekani. This approach enabled the agency to assess new registrants against its database to ensure their biometric patterns were not duplicates. It could do so with accuracy greater than 99.9 percent.

At the heart of the equilibrium transformation is a unique model that social entrepreneurs design for a particular context. When we look at cases of successful social entrepreneurship such as the UIDAI — cases in which true equilibrium change was imagined, enacted, and sustained — we can discern four distinct stages.

1. Understanding the problem.

The paradox of social transformation is that one has to truly understand the system as it is before any serious attempt can be made to change it. Yet those who understand the status quo best are often those most deeply invested in it, whereas those who see the imperative for change most clearly tend to sit outside the system. Effective social entrepreneurs acknowledge this dynamic and find a way to navigate it.

The process of equilibrium change therefore begins with a commitment to understanding a particular status quo, how it came to be, and the forces that hold it in place. The process entails the successful negotiation of three characteristic tensions: abhorrence of the status quo versus an essential appreciation of why it persists; application of expertise from another context versus willingness to apprentice in the specifics of the context in question; and an openness to experiment with possibilities versus knowing when to commit to and drive forward a specific solution.

Nilekani knew what the problem was — he had written about the lack of ID as a fundamental challenge to an equitable and prosperous India. He also knew why the problem existed — the substantial structural, political, and economic barriers to logging each person's identity. And he understood that traditional

methods of documenting identity, including home-to-home census taking, were far too expensive, too time-consuming, and too susceptible to fraud to be of use in his context.

As a brand-new government appointee, Nilekani was a novice bureaucrat. He refused to give in to the inertia that can characterize government agencies. But as an experienced engineer and technology CEO, he also recognized that he had much to learn about the key players in the system, and the specifics of identity. He balanced a willingness to learn in areas outside his domain with a commitment to applying his expertise to a new field.

2. Envisioning a new future. To make a positive difference, every change agent needs to set a direction. Successful social entrepreneurs place the bar high and envision fundamental equilibrium change. This

vision sustains the organization through the hard work of actually producing such change.

of a set of specific mechanisms employed across contexts to transform equilibriums.

3. Building a model for change.

To bring a vision to life, the social entrepreneur must apply creativity and resourcefulness in building a model for change — one that is sustainable because it reduces costs or increases value in a way that can be quantified. In our view, social entrepreneurs don't build innumerable varied models for change; success stories have recurring themes. Effective social entrepreneurs make use

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The vision must be specific about how the dynamics of the system will shift and about who will benefit. Creating and articulating such a vision requires the social entrepreneur to take a systemic approach, identifying the primary stakeholder but also considering players throughout the system more holistically.

With the UIDAI, Nilekani con-

sidered not just the people without identification, but the registering agencies, local businesses, and, importantly, Indians who already had formal ID documents. He saw a world in which there were not two classes of citizenship and multiple forms of ID, but a single, elegant system that could be used to establish identity with government and businesses alike. He saw a world in which all Indians would be better off with an Aadhaar number.

of a set of specific mechanisms employed across contexts to transform equilibriums.

The starting point for building a successful model is the value equation. Social entrepreneurs must find a mechanism to turn a losing value equation, in which costs are too high or value too low to produce sustainable change, into a winning one, in which the economics support sustainability over the long term. To do so, they can target either the value side of the equation (bringing more

value in) or the cost side (reducing capital or operating costs).

For the UIDAI, however, Nilekani tackled both dimensions. On the value side, he sought to create a market-based demand for the Aadhaar number, to provide a commercial inducement attractive enough that Nilekani could get other players to cover some of the costs of driving his model to scale. As he recalled, “Different people in the system had different value propositions. Those people dealing with

ID issued. Nilekani explained that “the state government, banks, and post offices...all of them could act as registrars. At peak, we had more than 30,000 such enrollment stations across the country.... UIDAI was doing more than 1 million unique IDs a day.” This reduced the UIDAI’s capital costs and distributed risk across the ecosystem.

4. Scaling the solution. Scalability is a critical feature of effective social entrepreneurship. Models that require constant reapplication of the

mind from the outset: They wanted “scalability at the back end through technology, scalability at the front end through technology and process, and a business model that allowed multiple organizations to become enrolling agencies.... There were more than 100,000 people in our ecosystem, but only 300 people in the main organization,” he told us with a hint of pride. “Like the brain of the system, it is highly leveraged; a small set of people design the technology, the solution, the business model.” Combined with an approach that distributed costs across partners and over time, this design made the system scalable and robust. Nilekani leveraged the assets of businesses and government agencies to get hundreds of millions of people registered in less than a decade.

By 2014, when Nilekani stepped down, more than 600 million people had been issued their unique ID.

social issues liked the social inclusion aspect. Those people dealing with fiscal issues liked the efficiency aspect. Then we had to ensure that the banks liked the fact that more and more transactions would flow through the banking system. You’re reducing cash in the economy and increasing digital transactions. Everybody has a different value proposition. The challenge was to figure out each stakeholder, and what are the appropriate value propositions that we needed to articulate.”

On the cost side, Nilekani also thought carefully about the capital and operating expenditures of a program of this size. He was anxious to avoid crippling startup costs and overwhelming capital risk for the agency as the technology was built out across the country. The UIDAI developed a system by which enrolling agencies purchased the equipment needed to get started, and were then reimbursed a small amount for every

same investments regardless of scale will commonly fail to produce sustainable equilibrium change. It will typically be too expensive to achieve transformational scale, especially when the intended beneficiaries are unable to pay directly for the benefit.

Of course, scale is not measured by an organization’s size or budget. It is measured by the effectiveness of that organization in shifting the equilibrium it targets — that is, by the change’s impact. High impact is often tied to purposeful action on the part of social entrepreneurs to design for economies of scale; to take a systemic approach and leverage other actors in the ecosystem in order to bolster and extend a shift; or to open up their models and methodologies to others, expanding impact by inviting imitation.

Nilekani realized early on that efficient implementation would be critical to producing sustainable change. His team designed the program with scale and efficiency in

Shifting the Balance

For social entrepreneurs, “good enough” simply isn’t good enough. They confront the societal structures that leave too many behind, roll up their sleeves, and undertake the hard, exhilarating, and important work of transforming what is into what can and should be.

Nilekani’s efforts to transform India by giving every resident a formal identity, and thus the opportunity to become an engaged member of the economy and to participate in society, illustrate how powerful equilibriums can be jolted off balance and supplanted by new ones. By 2014, when Nilekani stepped down as chairman of the UIDAI, more than 600 million people had been issued their unique 12-digit Aadhaar number, the numbers were tied to 60 million bank accounts, and more than 100 agencies were using the identifier for authentication. Perhaps most telling, the initia-

tive has continued even through the 2014 Indian national government election, in which Singh was replaced by an opposition party leader, Narendra Modi. Modi met with Nilekani in July 2014, after publicly backing Aadhaar. By January 2016, it was reported that 92 percent of India's adult population had been assigned numbers.

The program is not without its critics, some of whom raise privacy concerns or question the decision to provide a number to residents as well as citizens. But its impact in demonstrating social entrepreneurship in action is undeniable. From a world in which hundreds of millions of people had to live without formal identity, without real citizenship, and without access to the formal economy, the UIDAI has created a world in which every resident can be counted — moving closer a world in which every individual in India truly counts. +

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