

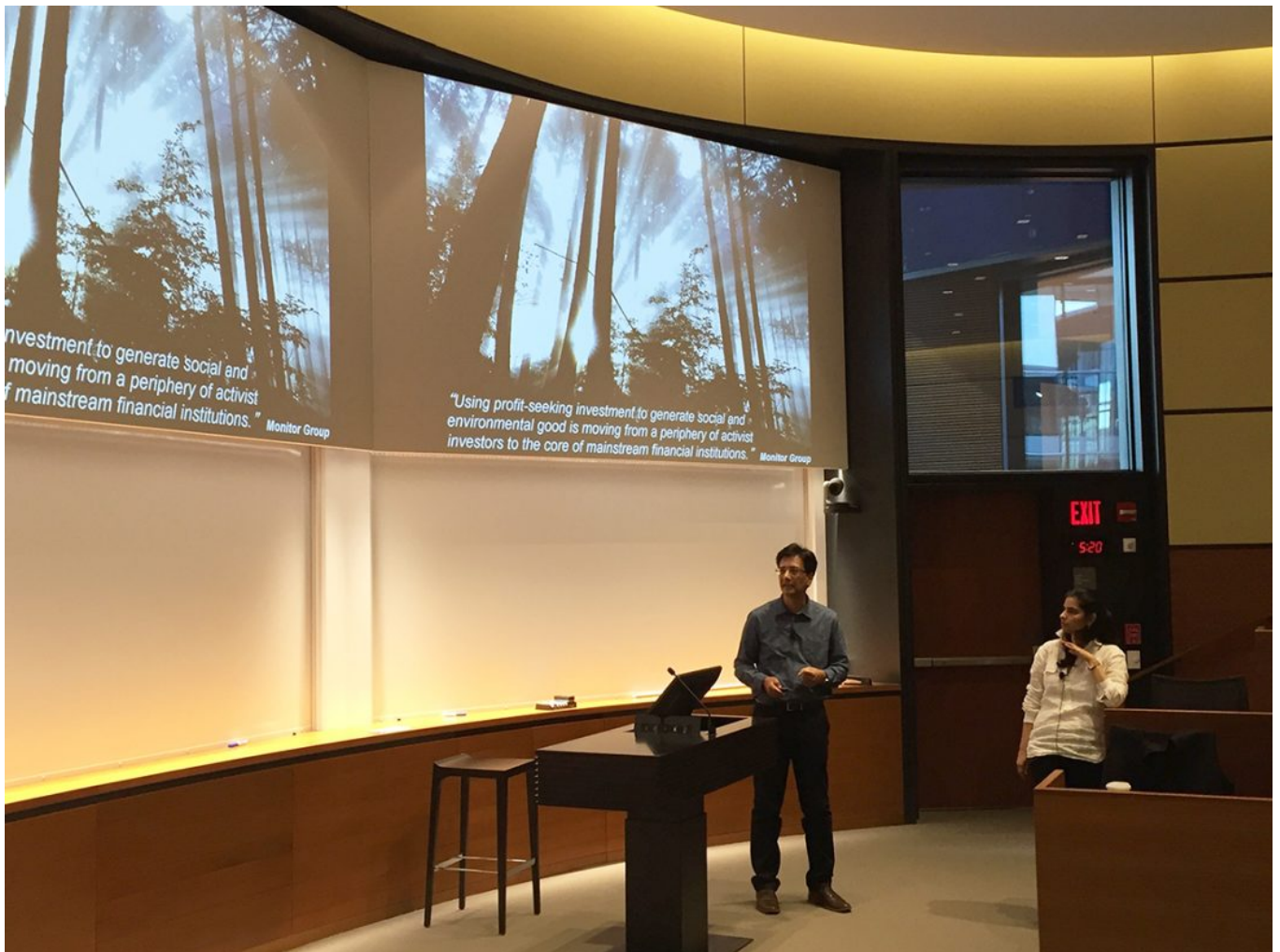


Program on Social Enterprise

Harnessing business skills and markets to achieve social objectives.

Building an Ecosystem for Impact at Scale

In PROGRAM ON SOCIAL ENTERPRISE



More than 30 years ago, a social enterprise in India called Technology and Action for Rural

Advancement (TARA) was founded on the belief that “development is good business.” CEO Shrashtant Patara, speaking to SOM students on September 13, 2016 through the Global Social Entrepreneurship Club, noted that “in 1985, it was sacrilege to say development and business in the same breath in India.” TARA’s founders, however, believed in the power of business to scale solutions to social and environmental challenges. In their vision, though, business does not stand alone. Both businesses and nonprofits have attributes that are critical for building an effective social enterprise ecosystem.

TARA is one of two nonprofit organizations that fall under the umbrella of the Development Alternatives Group. The other organization is the Society for Development Alternatives, which is a hub of innovation for new business ideas that address issues such as affordable housing, workforce training, and clean energy access, among many others. Once a project reaches a point of feasibility, it moves to TARA, where it is incubated with the support of TARA’s team of experts. TARA supports new businesses as they develop, test and refine their goods and services, helping to validate them in the market with much less risk than if they were starting out independently. Once projects become commercially viable, TARA spins them off to incorporate as for-profit businesses, maintaining an equity ownership position.

This model represents an evolution from TARA’s earlier days, when it continued to operate projects under its nonprofit umbrella even once products and services were commercialized. Eventually, TARA’s leadership realized that its lack of focus on profitability or viability ensured that its projects would be short-lived and always propped up by external funds. By advancing its projects into independent businesses, TARA encourages the financial sustainability of the solutions it incubates.

One such solution is TARA Machines, which earned \$2 million in revenues last year. It originated in response to a series of natural disasters in India that destroyed many people’s homes. The Society for Development Alternatives innovated an idea for a new technology that met the increased demand for construction materials by converting industrial waste into bricks, roof tiles, and other building materials. This project was incubated within TARA, and now distributes its technology (brick-building machines) and services to more than 200 small enterprises, which in turn, sell building materials to rural developers. With TARA’s ongoing guidance and technical support, TARA Machines helps to create good jobs for small entrepreneurs and advises them on ecologically and socially responsible building methods.

TARA provides an example of how nonprofit organizations and for-profit businesses can work together to enhance impact in a financially sustainable way. As a nonprofit with decades of experience in socially and environmentally responsible development, TARA can inform the creation of triple bottom line business models that effectively respond to social challenges. By holding these projects under its umbrella until they are commercially viable, TARA significantly reduces the risks traditionally associated with early-stage startups. Once the model has been proven, new businesses can more quickly and sustainably scale up their products and services to meet growing demand than if they had remained within a nonprofit.

Even after 30 years of operation, TARA continues to re-evaluate the effectiveness of its model. It is currently exploring the possibility of creating a holding company for an investment fund that could help its companies scale even faster. Mr. Patara believes that such a fund could vastly accelerate TARA's ability to fulfill its mission to "build capacity, incubate business models and manage processes to create economic, social and environmental value on a large scale."

At SOM, students frequently discuss the question: "which model will lead to the greatest impact?" Often in these conversations, nonprofits and for-profits are thought of independently, even if the for-profit is a social enterprise. TARA is an inspiring example of an ecosystem in which both nonprofits and for-profits are mission-critical for achieving impact at scale, and a powerful illustration of how important it is to be able to work across sectors as a leader in business and society.

- Tess Hart, MBA/MEM '17

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