Market Forces

Social entrepreneurs and social change makers have to understand the structures and processes that can help or frustrate their efforts to create important social change. To understand them fully, it is useful to adopt two somewhat different perspectives: first, from the point of view of the individual entrepreneur or social change maker who wants to find a way to engage the leverage and force associated with a particular social structure or process to scale his enterprise; second, from the point of view of society as a whole that might want to understand how these different structures and processes work to stimulate innovation and social change so that the basic social structures and processes that focus an organize the work of the society can be altered to produce higher levels of successful innovation and change. We will begin with a look at market mechanisms: first as something that individual entrepreneurs will confront at they think about scaling their efforts, second as a larger process that encourages and guides social innovation and social change in the society as a whole.

Market Mechanisms as Seen by Social Entrepreneurs and Social Change Agents

In liberal, democratic societies one important force that can drive social change is the powerful mechanism of a free market. Market forces drive change in two important ways. First, the fact that there are many individuals with money to spend on products and services that appeal to them provides a ready source of revenue to any producing organization that can develop a product or service that has market appeal. Second, the prospect of being able to capture revenues from consumers with money to spend on products and services motivates producing organizations to search for the products and services that can appeal to the potential customers. We call the first driver “market demand.” We call the second the “profit motive.”

Because the market demand consists of many different individuals, each with their own particular ideas of a valuable product; and because these individuals change their minds over time about what is valuable and worth buying; suppliers encounter both great opportunities and great hazards. The opportunities lie in the possibility of developing a product or service that is better than those currently offered, that finds a new market, or that carves out a new niche in an established market. The problems lie in the fact that suppliers cannot be sure that their products or services will actually find a market that can sustain their enterprise, or enable it to grow, or allow them to make high profits. In this sense, the market – understood as the desire of individuals with money to spend – creates a potentially rewarding but chancy opportunity to create new products and services, and have them become wildly successful.