

# **Poverty Reduction through Social Business?**

Intro to Panel Discussion "Social Business and Academia"

Dhaka, June 28, 2012



“ We get what we want, or what we don’t refuse.

We accept the fact that we will always have **poor people** around us, and that poverty is **part of human destiny**. This is precisely why we continue to have poor people around us.

If we firmly believe that poverty is unacceptable to us, and that it should not belong to a civilized society, we would have built **appropriate institutions and policies** to create a poverty-free world. ”

Prof. Muhammad Yunus

Nobel Laureate



***"Reduce poverty by the implementation of a unique proximity business model that brings daily healthy nutrition to the poor"***



# What contribution can Yunus' social business approach make to poverty reduction?

## Guiding questions

## Research objectives

① What is social business?



- **Disambiguation** through systematic exploration of Yunus' **social business** approach in relation to relevant **academic contexts** and concepts

② What are early lessons learnt from the field?



- Identification of major **challenges** in **business operation**, **mitigation strategies**, and **livelihood outcomes**

③ What are the implications?



- Appraisal of **opportunities**, **limitations**, and **risks** of Yunus' **social business approach** based on preceding theoretical and empirical findings

## ① What does the term social business stand for?

» **Social entrepreneurs** are not content just to give a fish, or teach how to fish. They will not rest until they have revolutionized the fishing industry«.

*(Bill Drayton, Ashoka 2007)*

» **Social business** will be a new kind of business introduced in the market place with the objective of making a difference in the world«.

*(Muhammad Yunus, 2006)*

» The term of **social impact business** is an umbrella term for different kinds of social responsibility taken on by companies, and different kinds of eco-socially motivated economic activities«.

*(Genisis Institute for Social Business and Impact Strategies 2012)*

» A **social business** isn't just a company that has a Facebook page and a Twitter handle. A social business is one that embraces and cultivates a spirit of collaboration and community throughout its organization«.

*(IBM Website 2012)*

» What we call **sustainable livelihoods business** is distinct from charity or philanthropy. It is strictly business, new business and new markets, business that benefits the poor and benefits the company«.

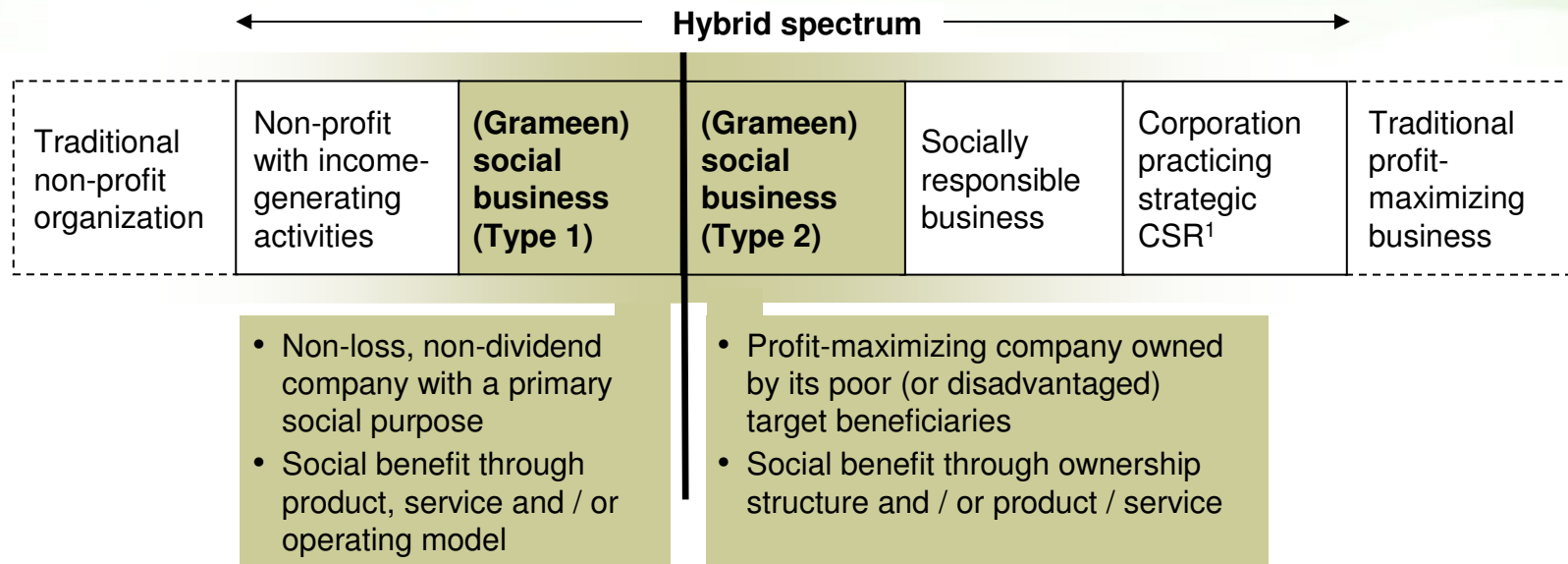
*(WBCSD\*, 2004)*

- Daily Google Alerts = **popular buzzword**
- Incremental utilization in **social media** contexts
- Usage often **without definition**
- Extremely **amorphous term** in itself plus existence of several other terms with **similar meanings**
- Amendment of **Yunus** or **Grameen** required to clarify the term's meaning

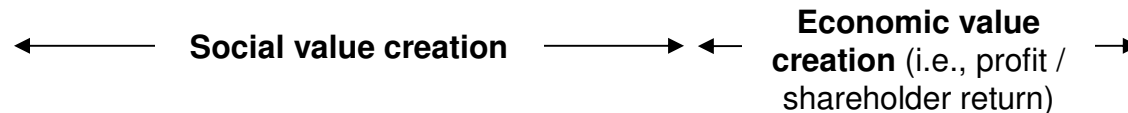
## ② Classification of research object based on social business taxonomy

| Demarcation line between non-dividend and dividend business

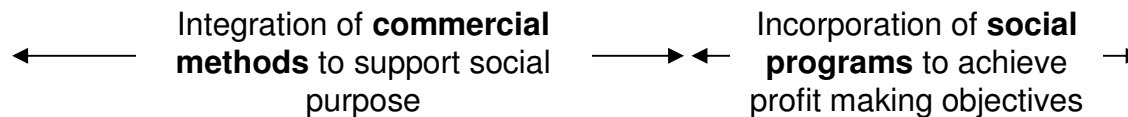
■ Loosely defined playing ground of social enterprises



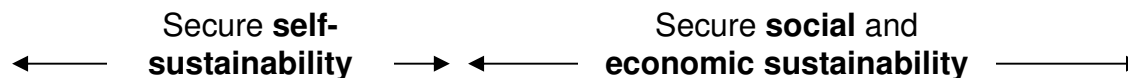
### ① Primary purpose



### ② Sustainability strategy



### ③ Reason for dual value creation



- New hybrid organizational form that combines elements of traditional non-profits and business
- Profit just as a means to an end

<sup>1</sup> Corporate Social Responsibility

## ② What are early lessons learnt from the field?

STATUS SPRING 2011

### Business analysis

- **Low performance** against own business objectives
- Challenges particularly in **rural marketing and sales**, mainly due to
  - lack of **infrastructure** (e.g., cold chain, water tubes)
  - consumers' limited **purchasing power** ( $\sim 30\% \leq \text{US\$ } 2$ )
  - **socio-cultural barriers** (e.g., local preferences, norms and values)
- However, rather few social business **trade-offs** (e.g., when it comes to pricing, salaries, and environmental sustainability)

### Livelihood outcome appraisal

- **Medium to low performance** against own **social objectives: Limited reach** in rural target markets, no official **proof of desired health effect**, and comparatively low **earning potential** in rural target market
- Nevertheless **overall positive effects**, in particular
  - Poor consumers' **improved access** to elementary micronutrients and arsenic-free water
  - Generation of new **employment** and **income opportunities** in rural area
  - Reduction of socio-economic **vulnerability** due to income and food security and new social capital
- Overall few negative effects (e.g., **plastic waste** and new health / **safety risks**)

- Effective contribution to **poverty reduction** in terms of the sustainable livelihood approach despite various entrepreneurial challenges
- But: No contribution to a general **proof of concept** yet due to still lacking commercial viability and proof of health impact
- Positive business development / learning curve pointing to primarily **start-up inherent problems** (initial **gross profits** and expansion after gradual business model adaption, e.g., product, pricing, channels)





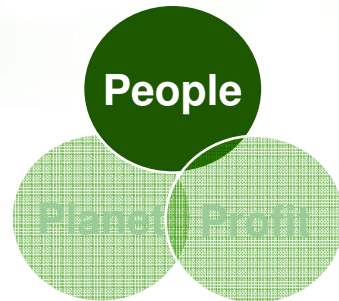








# What are the implications in terms of opportunities, limitations, and risks?



SELECTION

## Opportunities

- Improving poor people's **access** to basic **products, services, market information** and **markets**
- **Employment** creation / **income** generation
- Creation of **solutions** geared to **target beneficiaries** rather than donors' needs

## Limitations

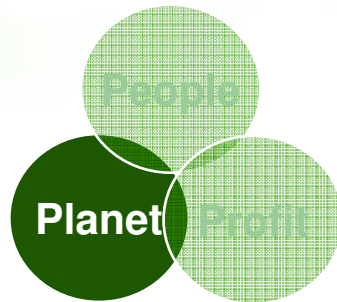
- Limited reach of **extreme poor** consumers
- Limited **income potential** for the poor (at least in Type 1 social businesses)
- **Behavioral barriers** (in terms of required awareness and acceptance)

## Risks

- Creation of unintended **side effects** (e.g., health risks or destruction of local market structures)
- **Exploitative business practices** for the sake of commercial viability
- **Lacking transparency:** abuse of concept for marketing purposes or cost-effective R&D



# What are the implications in terms of opportunities, limitations, and risks?



SELECTION

## Opportunities

- Propagation of **environmental friendly** and resource efficient technologies

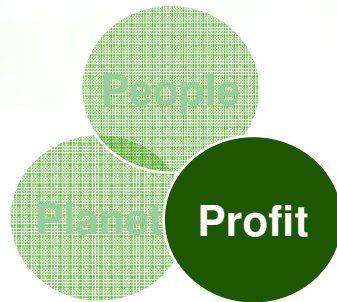
## Limitations

- Instant application in case of unexpected natural calamities **(disaster relief)**

## Risks

- **Environmental degradation** (e.g., due to increase in plastic packaging and waste)

# What are the implications in terms of opportunities, limitations, and risks?



SELECTION

## Opportunities

- Generation of economically **self-sustainable** (rather than donation based) solutions
- Mobilization of **private sector resources** and **capital accumulation**
- **Inclusive growth** due to poor people's increased productivity and purchasing power
- (Rural) **market development**

## Limitations

- Limited number of **significant** (scalable and replicable) social business **prototypes**
- Complexity and resource-intensity of **impact assessment**
- Little **impact** on **global poverty contexts**
- Lack of **capital / funds** for private social entrepreneurs

## Risks

- High **failure rate**
- **Commercialization** of formerly free goods and services
- **Mission drift** within a profitable social business or through profit-maximizing **replication**

## Conclusion – What contribution can Yunus' social business approach make to poverty reduction, using the example of Bangladesh?

1

- Promotion of **market-based** and thus scalable poverty reduction approaches that allow for **direct poverty reduction** in terms of the MDGs

2

- Integration of **"the poor"** into business cycles in terms of active **market participants** rather than treating them as passive aid beneficiaries

3

- (Rural) **market creation and development**, e.g. by means of new sales and distribution systems or innovative infrastructure

4

- Mobilization of additional **private sector resources** and trigger for new (cross-sector) **strategic alliances**

5

- Plea for **more entrepreneurship** within the social sector – calling for more efficient use of philanthropic resources, innovation, and scale

6

- **Changing mindsets** within profit-maximizing companies and donor agencies

7

- **No panacea**, but rather a **complementary approach** with its own specific opportunities, limitations and risks



