

DIE ÖSTERREICHISCHE INITIATIVE FÜR WIRTSCHAFT UND GLOBALE ARMUTSBEKÄMPFUNG



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Social Entrepreneurs
The Power of
Unreasonable People

in Kooperation mit



Social Entrepreneurs – The Power of Unreasonable People!

Pamela Hartigan sprach am 29. Mai im corporAID Multilogue, dem Learning Forum zu Wirtschaft und Entwicklung und globaler Verantwortung von Unternehmen, über Social Entrepreneurs und warum Kooperationen mit diesen Unternehmern Sinn machen.

The concept of Social Entrepreneurship is something that is contagious. I want to show you why it is that businesses are becoming increasingly interested in working with these new change agents and hopefully infect you with the exciting world of Social Entrepreneurship.

One of the things we found over the years when working with social entrepreneurs, is that when they start off, people think they have gone crazy. They have a vision that nobody else quite understands. Imagine Muhammad Yunus coming in here and saying, 'I'm going to give credit to the poor'; everybody knows the poor can't pay back, so they told him he was crazy. The famous Irish playwright George Bernard Shaw wrote, 'The problem of the reasonable man is that he tries to adapt himself to the world; the unreasonable man, refuses to accept the way the world is and tries to shape the world to fit his vision. This means that any hope of progress depends on the unreasonable man'.

Who are Social Entrepreneurs?

1. They are **innovators**. They always see the opportunity – they always see the glass as half full.
2. Lack of funds will not be an impediment to undertaking their idea.
3. They defy what is traditional and are able to **see revolutionary possibilities**.
4. Social Entrepreneurs are **highly practical and non-ideological** – as opposed to traditional activist NGOs
5. Social Entrepreneurs want to find practical solutions that actually work. They are **operational**.

Social Entrepreneurs are a new breed of entrepreneur. The word 'social' can be misleading though. They are still entrepreneurs but what they have defined as value – in terms of what means something to them – is different to our regular business entrepreneur values. The word social is used only to differentiate between the two, but their characteristics and the way they operate is very similar. **The differentiator is the motivation.**

This is how I like to explain a social entrepreneur: take Richard Branson – the business entrepreneur – always ready to make a deal, with an opportunistic mind, figuring out how to make money, and combine him with someone on a social mission, like Mother Theresa. Richard Branson + Mother Theresa = Muhammad Yunus

Why should businesses be interested in social entrepreneurs and social enterprises?

I will give you **four reasons** and illustrate them by examples

1. They are helping companies to identify new markets, new products and new ways of doing things.
2. Traditional business models see companies going where they can make huge margins at low volume – where they target one aspect of the market and make a huge profit. They need to reengineer their business models if they are going to work with the

- different populating markets that are out there.
- Major global companies have a huge problem recruiting talent, retaining talent and developing talent. If employees are required to use their individual talents working on social ventures companies have much higher rate of employee retention and leadership development.
 - Enhancing the corporate brand.

CSR has high business value but in terms of fundamental impact it is not achieving what it could. **Big value comes when social entrepreneurs and corporate businesses get together.** Social value needs to be absorbed into the core of the business!

Identifying new markets

Companies invariably cannot operate where the risks are too high in relation to the possible profits. Social entrepreneurs specifically work where the market does not yet exist because the client base is too poor to be able to afford what the company offers. **The social entrepreneur creates a market as he turns the need of the poor into market opportunities.**

Case Study 1: KickStart

Martin Fisher and Nick Loom started KickStart, in Kenya, Tanzania and Mali. They were tired of the donor mentality in Africa, in which NGOs were giving the poor technology and teaching them how to use it, but in a year it was no longer being used. Nothing was being achieved. Their main question was, how to create a vibrant, entrepreneurial rural middle class who can actually benefit globalization. After conducting significant market research they decided that what small-scale farmers in Kenya needed was easy to use technologies to help with the farming – such as water pumps.

They created two tools: the moneymaker pump and an oil-seed press, then they taught manufacturers in the country how to make them and marketed the tools in a wide distribution of small shops across the country. They put a huge effort into monitoring the impact of the technologies two and three years after the tool has been bought. Social entrepreneurs are passionate about monitoring their impact!

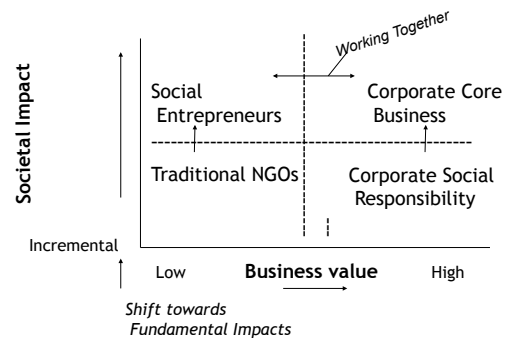
These were some of the parameters in designing their technologies:

- Nothing is free: Identify profitable new small-scale businesses that can be established by thousands of local entrepreneurs with an initial investment that can be recovered in 3-6 months
- The tools have to be affordable, manually operated, energy efficient, durable, easy to transport
- The tools should require minimum installation training and maintenance

The results are impressive! Since its inception in 1991

- 1.000 pieces of equipment were sold
- 64.000 new businesses were started (800 new businesses/month!)
- USD 79 Million per year in new profits & wages were generated – this means new revenues of 0.6% of Kenya's and 0,25% of Tanzania's GDP

Aligning Social Impact with Business Value



The KickStart and John Deere collaboration

Why would a company like John Deere be interested in KickStart? John Deere's main focus in this collaboration is to strengthen the rural economy in Africa. Why? – So they can sell more machinery, and in this market 80% of the population are farmers. The farmers who have worked with KickStart already have increased their income significantly and will be future customers of John Deere products. Of course John Deere cannot work like KickStart because the risks are perceived as too high, but by linking up with a partner like KickStart John Deere will enter a new market and cultivate new customers. And both partners will learn from each other: technicians from John Deere are now working in KickStart, and entrepreneurs from KickStart are working with John Deere.

Social Entrepreneurs want to expand to maximize what they are doing so more people can benefit. And as **Social Entrepreneurs are not idealistic, they have no problem linking up with mega-businesses** like John Deere.

Identifying innovative business models

What is the corporate challenge in terms of new business models? Firstly, the growing importance of emerging markets and the growth in those markets in terms of domestic and export capabilities. Also investors are really interested in how companies begin to think about volume based growth, rather than just huge margins and low volumes. As a result we see many more mergers between emerging markets and western firms, meaning there is more accountability and competition.

This is especially true for pharma multinationals because there is a continued risk around access to medicines, there are uncertainties around licence to trade and future opportunities and how risk is managed is very important to investors. Investors will accept an impact on profits and losses in the short term to deal with such risks but it also means that more partnership approaches are needed. Pharma multinationals have identified emerging markets as an opportunity to develop appropriate business models because of their growth potential. In 2006 more than 30% of incremental sales were coming from emerging markets while in 2007 the US market grew at slowest rate since 1961. The causes of death and morbidity in emerging countries are becoming a lot more parallel to those in industrialized countries, meaning disease patterns are becoming more similar. Also emerging countries have a fast growing middle class – only with much lower relative incomes to the industrialized countries.

Case Study 2: Aravind's Vision & Dr V.

The mission of the founder of the Aravind Eye Hospital "Dr. V" is: **Eliminate needless blindness by providing high quality, high volume, compassionate eye care to all.** In 1976 Aravind had 11 beds located in Dr V's house. Now Aravind has up to 6.000 patients at the hospital every day and they do 850 to 1.000 surgeries a day. Aravind is also a major training clinic for ophthalmologist all over the world. Most of these surgeries are done for free but **the company still turns a profit even though only 45% of the patients pay.** In the meantime this company has spread to 120 countries. How?

Aravind had the help of another Social Entrepreneur, David Green – founder of Aurolab, the manufacturing division of Aravind. Green helped crack the pricing code of intraocular lenses IOL. They used to cost 100 USD and now cost 2 USD. He demystified the costs and technology and made cataract surgery affordable. Green calls his approach forensic accounting: if you truly want to serve as many people as possible, analyze the most expensive item involved and then figure out how much it really costs to make. Today Aurolab is the second largest maker of intraocular lenses in the world by unit volume.

Aurolab & the Global market

- Worldwide market for IOLs is 15 Million lenses
- Aurolab's Share is 7.5%
- World market for IOLs is \$1 billion
- Aurolab's Revenue is \$ 5 million (0.5%)
- Aurolab reinvents pricing
 - Suture - US\$240 vs \$25
 - Ofloxacin 5ml \$60.00 v.\$0.45
 - Intraocular Lenses \$150 v. \$2



A WHO Collaborating Centre for the Prevention of
Blindness



The corporate challenge of recruiting, retaining and developing talent and building up the corporate brand

The unprecedented competition for new markets needs new or improved products and services. This puts businesses in the situation to compete for the human talent to deliver these products and services.

In my vision the successful company of the future

- will look beyond short term financial gains, and expand to create services that improve the quality of life of all people unable to afford it at the current price
- will no longer separate where they do their CSR work, and where they do their core business. Both elements will come together.
- will be a place where people are eager to work if their work connects market and meaning
- will be fundamentally innovating, philosophically positive and morally compelling

Case Study 3: Grameen-Danone Venture



In 2005 intrapreneur Jack Riboud, CEO of Danone – one of the world's leaders in dairy products – and Social Entrepreneur Muhammad Yunus got together and decided to develop a social business. The idea was to develop a food that could be given to babies in Bangladesh whilst they were in between the breastfeeding stage and solid foods stage that was more nutritious than rice water. Yunus had been trying to do this for a couple of years already but had had loads of failures; here is a point to remember: failures are okay! Yunus thought that if he teamed up with Danone he could do better. So Yunus convinced Riboud to **start a social business with no dividends, where the profits would go towards expanding the company and where sale prices are calculated to make the enterprise self-sustaining.** It should be mentioned here that dividends are not necessary bad or wrong. Where the dividends are going and who are they being paid to is the crucial factor.

After extensive market research, the baby food idea turned into a **creating highly nutritious yogurt** idea. Not only was new yogurt invented, one which could be kept un-refrigerated for up to 48 hours, but a **brand new kind of factory was built** in Bangladesh – a smaller, more efficient and greener factory than the huge Danone plants in other countries. All the distribution was done by local women meaning the company had no transportation costs. These women are borrowers of the Grameen Bank and became the key to the sales program. They are selling cups of yogurt door-to-door, among friends or small grocery shops on a commission basis. And all the milk supplies come from local farmers.

What did Danone get out of this?

This project revolutionized their factories – they now had an eco-friendly and economically efficient micro-factory, as well as a new kind of yogurt that could be kept un-refrigerated. Also, this project brought meaning to the business life of many. This was a challenge, an opportunity and hugely exciting – all highly motivational factors. Danone also started a new fund called Danone Communities Social Business Stock Exchange. 90% of the funds are invested in low-risk-return assets, 10% are invested in social businesses that pay no dividends. The fund stands now at 60 Million USD and 12 social businesses are in the pipeline for investment.



Guy Gavelle, Danone



« Professor, I want to report some very happy news, I have designed the plant you wanted - a very small plant. But it is not only small. It is very cute and very efficient, equipped with a full range of state-of-the-art technology. In fact, it is more advanced than the huge plants I have designed in Brazil, Indonesia, China and India. »

I have presented you with only three examples of successful co-operations between businesses and social entrepreneurs. If you are curious as to whether your company is ready to work with social entrepreneurs, take a look at the following questions. I have mentioned before that Jack Riboud is an Intreprenuer. An Intreprenuer is an entrepreneur who is working from inside a company driving for change.

This is how we can tell how intreprenuerial your company is:

- Are you in a company that is interested in finding new markets?
- Are you in a company that is keen to find new business models for new markets?
- Are you in a company that spends a lot of money on leadership training, but has trouble keeping your talent?
- Are you in a company that wants to be perceived as a good corporate citizen; a company that is interested in more than just making money?

And this is the readiness test for yourself:

- Am I ready to learn from others. Especially those who may not have the same paper qualifications as me?
- Am I a good listener?
- Am I patient?
- I don't have to be right 100% of the time
- Do I love challenge?
- Am I flexible?
- Am I non-judgmental?

If you have answered 'yes' to all of the above question, you possess all the requirements needed to be able to work with Social Entrepreneurs! I hope that in the future there will be many more co-operations between businesses and social entrepreneurs, and that my vision of the future becomes reality.

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Social Entrepreneurs

The Power of Unreasonable People



Pamela Hartigan startete 2008 den Think Tank Volans Ventures zur Entwicklung innovativer, skalierbarer Lösungsansätze für die großen „Global Divides“ unserer Zeit. Zuvor hat sie sieben Jahre als Geschäftsführerin der Schwab Foundation for Social Entrepreneurs den Aufbau und die Strategie der Stiftung entscheidend mitgestaltet. Sie ist eine international ausgewiesene Experte für das Thema Social Entrepreneurship.

Friedensnobelpreisträger Muhammad Yunus ist das weltweite Aushängeschild einer neuen Generation von Unternehmern: Social Entrepreneurs schaffen es, Lösungen für die dringlichsten Probleme unserer Zeit anzubieten und dabei erfolgreiche Unternehmen und rasch wachsende Märkte aufzubauen. Und das dem Anschein nach entgegen jeder Vernunft. Als Unternehmer folgen sie dabei klassisch dem Gebot von Angebot und Nachfrage – als soziale Innovatoren bringen sie eine neue Sichtweise auf die Lösung von gesellschaftlichen und ökologischen Problemstellungen in ihr Geschäftsmodell ein.

Dass das Phänomen Social Entrepreneurs in Entwicklungsländern entstanden ist, ist dabei kein Zufall. Denn gerade in Regionen und Gesellschaften, die an vielen Fronten gleichzeitig für eine Verbesserung ihrer Lebensumstände kämpfen, ist der Bedarf an nachhaltigen und lösungsorientierten Konzepten groß.

Was macht Social Entrepreneurs aus? Was motiviert sie und was sind die Faktoren, die zum Erfolg führen? Wie schaffen sie es, soziale mit unternehmerischen Zielsetzungen zu vereinbaren? Welche Rolle werden diese unkonventionellen Unternehmer in Zukunft spielen? Haben sie das Potenzial, die Welt zu verändern?

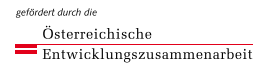
Pamela Hartigan zeigt, wie Social Entrepreneurs einen Social Return on Investment schaffen, welche Geschäftsmöglichkeiten sich für Unternehmen aus einer Kooperation mit Social Entrepreneurs ergeben können und was man von ihnen lernen kann.

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Darüber hinaus trägt ICEP zur Sensibilisierung der Gesellschaft für die Anliegen der Entwicklungsländer innerhalb Europas bei. Mit corporAID hat ICEP 2003 eine Plattform geschaffen, um globale Armutsbekämpfung auch als Nutzen für die Wirtschaft zu thematisieren und österreichische Unternehmen im Rahmen ihrer CSR Strategien zu motivieren, sich global zu engagieren. Sprachrohr dieser Initiative ist das corporAID Magazin, das 4 Mal im Jahr als Supplement im Wirtschaftsblatt sowie im Eigenversand erscheint und über Globalisierung, Wirtschaft und Entwicklung, globale CSR und Sustainability informiert.

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