

Case Studies on
Social Entrepreneurship – Vol.I

Edited by

Girija P

Icfai Business School Case Development Centre



Icfai Books

71, Nagarjuna Hills, Punjagutta, Hyderabad – 500082

Icfai Books

71, Nagarjuna Hills,
Punjagutta, Hyderabad – 500082
Andhra Pradesh, INDIA
Phone: 91 - 40 - 23435387/91, Fax: 91 - 40 - 23435386
e-mail: icfaibooks@icfai.org, ibscdc@icfai.org
Website: www.icfaiexpress.org/books, www.ibscdc.org

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Editorial Team: Vamseedhar P and Deepa Verma

Visualiser and Designer: Cherukuri Chinna Mabu

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OVERVIEW

“[Sufia Begum] earned the equivalent of 2 US cents a day and it was this knowledge which paralysed me. In my university courses, I dealt in millions and billions of dollars, but here before my eyes, the problems of life and death were posed in terms of pennies.”¹

There are far more grievances unheard like the above instance mentioned by Nobel Laureate Muhammad Yunus in his autobiography *Banker to the Poor: The Autobiography of Muhammad Yunus*.

Consumerism – A Disguised Bane?

While globalisation, consumerism, technology are the buzz words in one part of the world; hunger, poverty, epidemics is just the way of living on the other side of the world. The UN’s Human Development Report of 1998 on global consumption reveals shocking statistics. “Inequalities in consumption are stark. Globally, the 20% of the world’s people in the highest-income countries account for 86% of total private consumption expenditures – the poorest 20% a minuscule 1.3%.”² Given below is a comparison between the global priorities of spending in both developed and developing nations (Exhibits I (a) and I (b)).

Exhibit I (a)	
Global Priorities of Spending in Developed Countries as of 1998	
Global Priority	In \$billion
Cosmetics in the United States	8
Ice creams in Europe	11
Perfumes in Europe and the United States	12
Pet foods in Europe and the United States	17
Business entertainment in Japan	35
Cigarettes in Europe	50
Alcoholic drinks in Europe	105
Narcotics drugs in the world	400
Military spending in the world	780

Source: Shah Anup, “Poverty Facts and Stats”, <http://www.globalissues.org/TradeRelated/Facts.asp>, March 4th 2008

¹ “Muhammad Yunus’s two cents”, <http://www.socialedge.org/resources/edge-wiki/MuhammadYunusTwoCents>

² Shah Anup, “Behind Consumption and Consumerism”, <http://www.globalissues.org/TradeRelated/Consumption.asp>, January 8th 2008

Exhibit I (b)	
Global Priorities of Spending in Developing Countries as of 1998	
Global Priority	In \$billion
Basic education for all	6
Water and sanitation for all	9
Reproductive health for all women	12
Basic health and nutrition	13

Source: Shah Anup, "Poverty Facts and Stats", <http://www.globalissues.org/TradeRelated/Facts.asp>, March 4th 2008

But the scenario did not change over a decade...

Efforts in Vain

Statistics reveal, as of 2008, the Gross Domestic Product (GDP) of the 41 Heavily Indebted Poor Countries (HIPC) constituting of 567 million people, is less than the wealth of the world's seven richest people combined.³

The efforts to resolve these trivial problems began much before – in the form of charity, social services, philanthropy, etc. In the later decades, the idea of sustainable development grew from numerous environmental movements. Although theoretically the concept of sustainability is existing, in reality a bigger chunk of population around the world is still deprived of basic necessities.

For eradicating poverty, most of the governments introduced policies that never benefited the poor while corporate, to enhance their brand image, parted with some of their profits by partially contributing to social causes in the name of Corporate Social Responsibility (CSR). According to Muhammad Yunus, a Nobel Laureate and founder of Grameen Bank in Bangladesh, in the 20th century, markets not only failed to address social problems, but in turn created social problems like environmental hazards, inequality, health, unemployment, crimes, etc.⁴ In his view, as these markets did not provide solutions for social causes, it was the turn of the State to take over the responsibility. Till 1980s, few of the governments abolished open markets and created command economies to solve the existing economic gaps. Gradually, due to globalisation, most of the command economies perished. Markets gradually turned into personal gain seekers ignoring the interests of the common man. Thus, they aimed at setting up a business to generate profit first and then figuring out how to be socially and environmentally responsible.

³ Shah Anup, "Causes of Poverty", <http://www.globalissues.org/TradeRelated/Poverty.asp>, March 4th 2008

⁴ "Social Business Entrepreneurs Are the Solution", <http://www.grameen-info.org/bank/socialbusinessentrepreneurs.htm>

The Social Transformers

Then a few set of entrepreneurs flipped the equation round – rather than keeping profit as the primary motto, they “start out with the premise that the bottom line is social and environmental transformation, and build for-profit activities around making that happen.”⁵

Called as social entrepreneurs, they began sharing the knowledge of the developed countries with the developing nations regarding education, agriculture, technology, etc. These individuals are critical in developing the economy of a nation as well as in bridging the gap between the rich and the poor. Before the term social entrepreneurship came into vogue, there were people who rendered social service. People like Florence Nightingale, Maria Montessori served society in their own noble ways, even before the conceptualisation of social entrepreneurship. But the new generation social workers did not stop by just lending help. To name a few, people like – Nobel Laureate Muhammad Yunus (founder of *Grameen Bank* in Bangladesh), Bill Drayton of *Ashoka*, Dr. Bindeshwar Pathak of *Sulabh Shauchalaya Sansthan*, Nick Grant of *StreetShine*, Dr. Govindappa Venkataswamy of *Aravind Eye Hospital*, etc., strived to bring change in the lives of the poor – by helping them earn their livelihood through their organisations, at the same time bringing accountability for their deeds.

Going by the Maslow’s Hierarchy of Needs Theory (Exhibit II), “Maslow saw human needs arranged like a ladder. The most basic needs, at the bottom, were physical – air, water, food, sex. Then came safety needs – security, stability – followed by psychological or social needs – for belonging, love and acceptance. At the top of it all were the self-actualising needs – the need to fulfil oneself, to become all that one is capable of becoming. Maslow felt that unfulfilled needs lower on the ladder would inhibit the person from climbing to the next step.”⁶ These entrepreneurs, who are in the self-actualisation phase help the people at the lower order (the physiological side), generate employment opportunities to them and make them self-sustainable.

The Business of Social Entrepreneurship

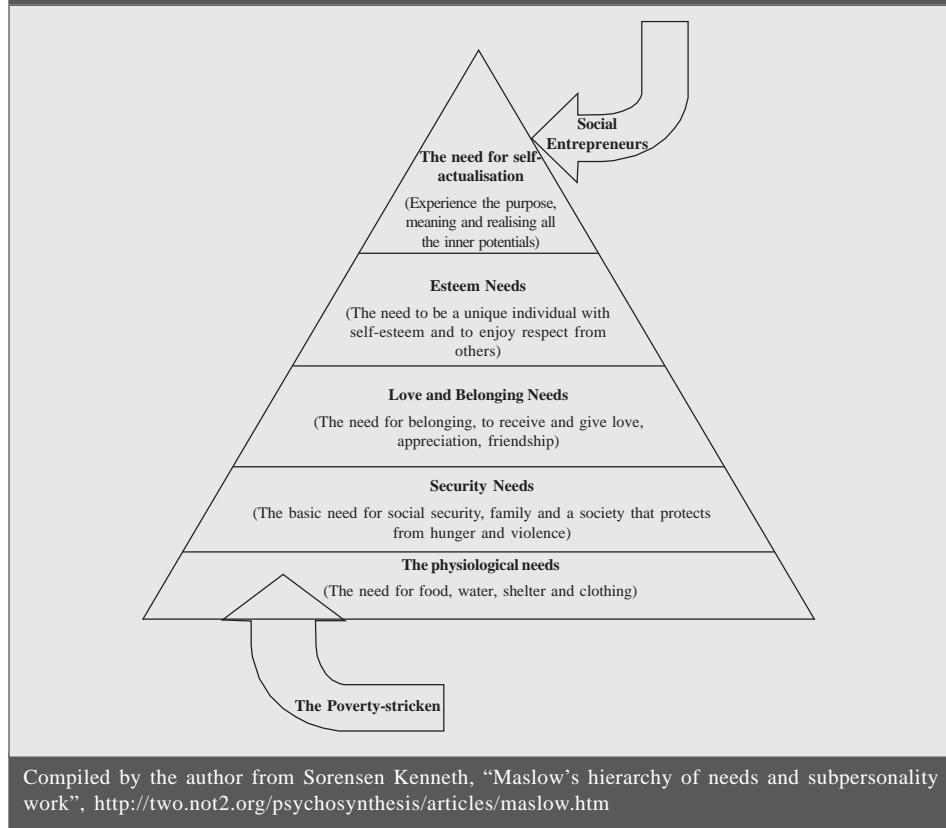
While there are many companies trying to create a positive value as part of an emerging sense of corporate social responsibility, social ventures share an intent to create social or environmental value for other stakeholders besides making a profit for shareholders and owners. In addition, these ventures are often able to define their potential or actual social impact in tangible ways.

As the common motive being social welfare, gradually, many kinds of social enterprises evolved with slight differences – for-profit social venture, non-profit business ventures, socially responsible businesses (Exhibit III).

⁵ “The Challenge for Social Entrepreneurship”, <http://www.schwabfound.org/docs/The%20Challenge%20for%20Social%20Entrepreneurship.pdf>

⁶ “Abraham Maslow: 1908-1970”, <http://www.pbs.org/wgbh/aso/databank/entries/bhmasl.html>

Exhibit II
Maslow's Hierarchy of Needs in Relation to Social Entrepreneurship



Social entrepreneurs follow “a distinct approach, a way of catalysing social transformation that is independent of sector or discipline. Deeply committed to generating social value, these entrepreneurs identify new processes, services, products or unique ways of combining proven practice with innovation, driving through pattern-breaking approaches to resolve seemingly intractable problems. Social entrepreneurs work at the bleeding edge of the market, where the risks are the greatest but the potential positive social impact is also enormous. These are men and women who seize the problems created by change as opportunities to transform societies.”⁷

In the words of Jeff Skoll, founder and chairman of Skoll Foundation⁸, “Social entrepreneurs have a unique approach that is both evolutionary and revolutionary. Social entrepreneurs

⁷ “Fostering social entrepreneurship”, <http://www.linklaters.com/community/Schwabsummary.pdf>, December 2005

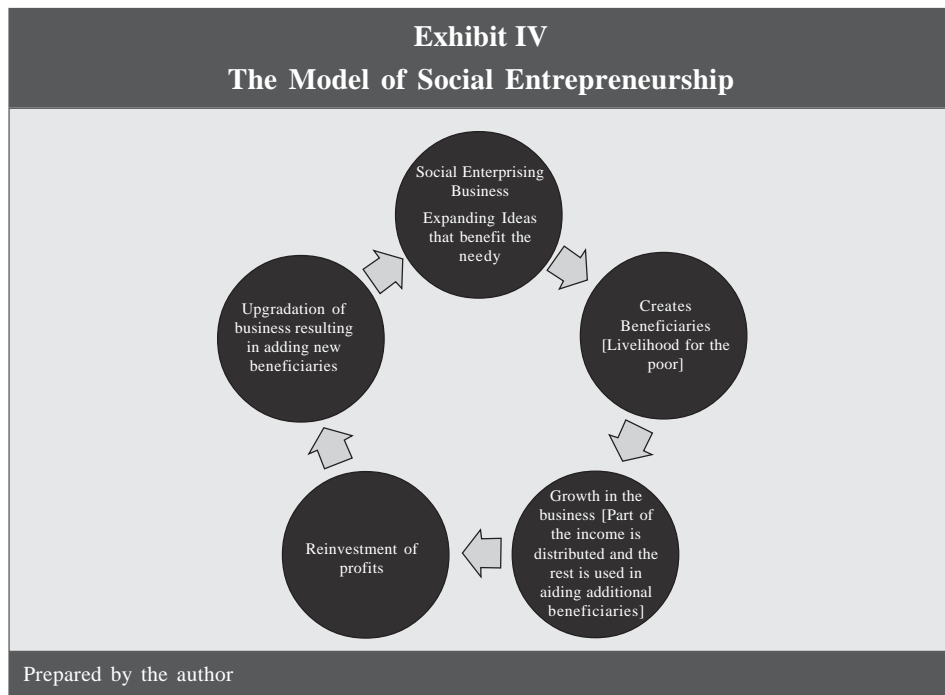
⁸ It was created by Jeff Skoll (ex-president of auction firm eBay) in 1999 to pursue his vision of a world where all people regardless of geography, background or economic status, enjoy and employ the full range of their talents and abilities. The foundation's mission is to advance systemic change to benefit communities around the world.

Exhibit III	
The Different Kinds of Social Enterprises	
Types of Social Enterprises	Definition
For-profit Social Venture	They are legally incorporated as for-profit entities, with one or more owners who have the formal right to control the firm and who are entitled to its residual earnings and net assets. For-profit forms include proprietorships, partnerships, corporations, limited liability companies, and cooperatives. Explicitly designed to serve a social purpose while making profit. Having social purpose involves a commitment to create value for community or society rather than just wealth for the owners or personal satisfaction for customers.
Non-profit Business Ventures	While similar to for-profit social ventures in their objectives and operations, non-profits are legally prevented from distributing economic surplus. They are also free to use philanthropic support to subsidise their start-up costs and their on-going operations. Thus, they do not face the same capital markets and profit pressures as for-profit social ventures.
Socially Responsible Businesses	A socially responsible business achieves commercial success in ways that respect ethical values, people, communities, and the environment. These businesses may even provide resources to and actively engage with public or non-profit organisations to serve a specific social cause. However, unlike for-profit social ventures, their primary goal is the creation of economic value.
Source: Dees Gregory J. and Anderson Beth Battle, "For-Profit Social Ventures", http://www.fuqua.duke.edu/centers/case/news/documents/DeesAndersonCASE.pdf	

create self-sustainable models that operate in a free market, where success is measured not just in terms of financial profit, but also in terms of the improvement in the quality of people's lives. Social entrepreneurs take workable business models and adapt them for the benefit of all our communities."⁹ (Exhibit IV).

To make a successful venture, social entrepreneurs have to start with an innovative idea that would make a strong social impact and combine it with an efficient, sustainable, measurable and scalable business model. For that, in the first stage, social entrepreneurs study the problems of the disadvantaged, and then expand their ideas. They, like any other

⁹ Skoll Jeff, "Skoll World Forum – "Social Entrepreneurship: The 21st Century Revolution" - Delivered at Saïd Business School, Oxford University", http://www.skollfoundation.org/media/published_works/jskoll/033004.asp, March 30th 2004



entrepreneur, first set goals and then search for necessary resources to fulfil them. They will then acquire the necessary skills and experience.

In the next stage, they try to create a base for their operations by initiating programmes. They try to gather funds and establish institutions. They work towards earning quantifiable returns through formulation and implementation of strategies. They start the business and cater those services to the market. So far so much like a normal entrepreneur. But, the similarity is limited to that point itself.

As the motto is not wealth creation, the revenue earned in the business is directed towards solving the identified social problems, elevating the downtrodden and adding new beneficiaries. As discussed earlier, the income earned through the business is reinvested in further expanding the business and generating employment for more number of underprivileged.

The Challenges

Starting any kind of business is a challenge. Social entrepreneurs, just like other business entrepreneurs, have to find resources, deal with perhaps unfamiliar administrative tasks and survive until the business begins reaping income.

Many of the biggest challenges surround performance metrics. In traditional for-profits, while it does require judgement, there is accepted, regulated practice for determining the

financial bottom line. However, measurement of social impact is far more complicated. First of all, many social benefits cannot be translated in terms of currency. This makes direct comparison of financial and social performance difficult. Even when not trying to convert social impact into economic terms, social benefits are often difficult to measure in efficient, timely, and reliable way. Social benefits are often intangible and hard to quantify; it can be difficult to determine causality; the impact may be best evaluated in the distant future. Thus, it becomes easy to focus on tangible and straightforward economic measures of success. Despite the fact that many organisations are making great progress in this arena, social impact measurement challenges make it extremely hard to demonstrate success convincingly and to make strategic decisions about investments, resource allocation or practical cost-quality tradeoffs that will affect both economic and social bottom lines.

In addition, combining objectives from two different fields can be difficult to build an integrated organisation. These social ventures require individuals who have skills and interests traditionally associated with two different worlds – business and social sector. Hiring employees who can function well in both worlds can be challenging. Furthermore, external pressures on for-profit social venture – from competitive markets, investors, and even consumers – may compromise social value creation. On the other hand, social and political pressures may threaten financial performance.

Mission Future – Bridging ‘The Great Economic Divide’

Rather than relying on governments or organisations to lend support, the individuals must gain courage to help themselves and also help others learn to live on their own. Individuals must unite to build a society where the terms like rich and poor become extinct. This is what social entrepreneurs try to accomplish.

According to Tim Brodhead, president and executive director of J.W. McConnell Family Foundation¹⁰, “Nothing worth doing can be accomplished by money alone, therefore we must have humility. New solutions will not be found using old approaches, and therefore we must have courage. Finally, anything worth building must have a solid foundation, therefore we must always work with integrity.”¹¹

¹⁰ Established in 1937 by John Wilson McConnell, it is a Canada-based private family foundation that seeks to improve the quality of life by building communities that help people to develop their talents and contribute to the common good.

¹¹ Brodhead Tim, “Philanthropy in the Era of Globalization”, <http://www.charityvillage.com/cv/archive/acov/acov05/acov0502.html>, January 17th 2005