

## Era of Social Entrepreneurship

Devendra Prasad Pandey

*Director, Rajiv Gandhi Institute of Professional Management, Allahabad*

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### Abstract

*This paper documents success stories of entrepreneurs, entrepreneurial organizations through their commitment to a social cause. While wealth distribution is an important as wealth creation, wealth sustenance can be fostered through social entrepreneurship. Business Horizon is expanded through corporate owing up for social causes. Business mission, among other things should expand to temporal societal needs.*

*Key words: Social business, trusteeship, corporate social responsibility, sustainable development, social mission.*

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### 1. Introduction

Social entrepreneurs and social enterprises share a commitment to furthering a social mission and improving society. Some of the basic definitional issues that remain include the choice of for-profit / nonprofit structure, the necessity of earned-income strategies among nonprofits, and the degree to which social entrepreneurs/enterprises can manage the toughest social and environmental issues.

America's richest billionaires are competing against each other to see who can give the most to charity and fund close to their heart. With the announcement by Bill Gates for the establishment of Bill & Melinda Gates Foundation and to support the "Grand Challenges in global Health Initiative", he joined an increasing list of extremely wealthy individuals who had decided it was payback time. A report by 'Conde Nast Portfolio', aptly titled "The Generosity Index", has assessed their level of philanthropy by highlighting how much

these billionaires have donated to charitable causes over the years. Warren Buffet, second wealthiest businessman and promoter of Berkshire Hathaway with net worth of \$52 billion donated \$46.1 billion on social cause from 2002-06. Bill Gates, ranked No. 1 in wealth, and promoter of Microsoft with net worth of \$59 billion gave away \$3.7 billion in 2002-06 and \$10 billion in 2007-08 to manage healthcare initiatives. Eli Broad, the promoter of Sun America and KB Home with net worth of \$7 billion gave \$ 1.15 billion in 2002-06 and \$609.3 million in 2007-08 on the development of education, arts, science and healthcare. George Soros of Soros Fund Management with net worth of \$9 billion donated \$1.1 billion in 2002-06 and \$474 million in 2006-08 on poverty, education, science and healthcare. John Kluge, ranked No. 31 in wealth and promoter of Metromedia with net worth of \$9.5 billion gave \$ 76 million in 2002-06 and \$410 million in 2007-08 on education and arts. Michel Bloomberg with net worth of \$ 11.5 billion gave away \$ 715 million in 2002-06

and \$ 205 million in 2007-08. David Koch, ranked No. 9 in wealth ranking and promoter of Koch Industries with net worth of \$17 billion donated \$63 million in 2002-06 and \$ 228 million in 2007-08 on healthcare and arts. Pierre Omidyar ranked No. 32 aged 41 and promoter of eBay with net worth of \$8.9 billion gave \$ 549 million in 2002-06 and \$ 109 million in 2007-08 on education, science, healthcare and arts. Michael Dell of Dell with net worth of \$17.2 billion gave \$674 million in 2002-06. Now day's investors are looking for investment in socially responsible companies. Socially Responsible Investing (SRI) is the practice of making investment decisions on the basis of both financial and social performance of a company. SRI imposes moral, ethical, and environmental constraints on the investment process. A social enterprise is "a business with primarily business objectives whose surplus are principally reinvested for the purpose in the business or community, rather than being driven to maximize profit for share holder and owners" (Carnelius, et al (2007).

## **2. Social Entrepreneurs**

When multinational companies were setting up expensive health care facilities across the world, Dr. Govindappa Venkataswamy resolved to do something for the poor. He set up the Aravind Eye Care Hospital at Madurai, which offers the best facilities at rock bottom prices. Since its inception, Aravind has given sight to more than one million people in India. Dr. Venkataswamy may not run a business, but it is important to note that Aravind's surgeons are so productive that the hospital has a gross profit margin of 40%, despite the fact that 70% patients pay nothing or close to nothing, and that the hospital does not depend on donations. Aravind evolved an eye surgery technique that increases a surgeon's productivity by a factor of 10. This business model ensures that millions of poor, visually-impaired people can be operated for free or nearly free, and that the hospital still makes 40 percent operating profit.

Prof. Mohammed Yunus of Bangladesh set up the Grameen Bank, which pioneered the concept of giving micro loans to the people below poverty line. These micro loans have made a big impact in helping the poor people start their own business and uplift themselves from the clutches of poverty. The bank has till now

helped 7000 micro-lenders with 25 million clients world wide. In this process, Grameen Bank has made healthy margins for themselves and also contributed to the national economic growth in a big way. This Chittagong University economics professor who won the Nobel Peace Prize in 2006, first lent \$27 to a few poor farmers in 1976 now the Bank has 2422 branches with aggregate loans of more than \$6.8 billion. In his book "Creating a World without Poverty" subtitled "Social Business and the Future of Capitalism", he contends that the form of capitalism practised today, assumes the human being to be a one-dimensional creature, his sole objective being profit-maximization. This narrow view has led to systems that incentivize profit-seeking behaviour and discourage expression of the social, emotional and spiritual sides of the human personality. Prof. Yunus contends that we can enable the multifaceted and creative expression of human personality and hence alter the poverty equation by recognizing and encouraging a new kind of business - a social business. A social business is different from a conventional profit-maximizing business in that its bottom-line is not economic, but social. It measures its success by the promotion of social well-being. It also differs from a non-profit organization which is unlike the latter, it is self-sustainable and hence does not rely on a steady flow of donor funds.

A social business can achieve its objectives in two ways. In the first model, the business is owned by investors who seek social benefits such as poverty reduction, child education and so on. The investors, seeking psychological, spiritual and emotional rather than economic returns, invest in the social business for the same reasons as they donate money to charity. The investors can recoup their investment, as the social business attains full cost recovery after a certain period of time. However, rather than distributing to the owners/shareholders, profits obtained are fully reinvested in the business. Hence, this is a non-loss, no-dividend model. In the second model, the social business operates as a profit-maximizing business that is owned by the poor or the disadvantaged. Hence, profits incurred by the business go directly to the poor, thereby helping them reduce their poverty or to escape it altogether. What is wonderful about social business is that it recognizes

the human being for what he is – a multidimensional being. It provides a system for him to do good to his fellow-beings in a self-sustainable way. Social business offers alternative career and life paths to students and other individuals hungry for a life rich in meaning beyond profit. Most important, it will enable the poor to express their enormous gifts for entrepreneurship, creating newfound abundance for themselves, their families and communities (Mahipally 2009).

Ela R. Bhatt established Self Employed Women's Association in Gujrat with the formation of women group and cooperatives. Now SEWA has 8000 members and a SEWA Bank of which members and employees are women. Many other women social entrepreneurs have demonstrated their social activism through contribution in society. Dr. Ragini Prem always worked with Prem Bhai as co-worker in Banvasi Seva Ashram and is now managing the programems of the Ashram in the tribal dominated areas of Sonebhadra (UP). Medha Patkar, the Magsasay Awardee, always worked for the cause of common people. She led Narmada Bachao Andolan and other activism related organizations. Writer turned social activist Arundhati Roy has always fought for the cause of displaced community. Vandana Shiva established Navadanya and worked towards environment consciousness efforts. Spiritual mothers like Maa Amritandai have awakened their followers in behaviour modification, spiritualism and mass education. Arun Roy's efforts in the enactment of Rights to Information Act will be remembered always.

Rajendra Singh of Tarun Bharat Sangh decided to work for the improvement in the drought prone area of Rajasthan. He undertook massive work on water related infrastructure development with the cooperation of local community. He was awarded with Roman Magsasay Award for his contributions in community work.

The social entrepreneurship inspires a person or group to work for the betterment of community. Social entrepreneurship can be successful if it had a mix of creativity and innovation. A distinction can be made between creativity and innovation. The term creativity usually refers to the ability and power to develop new ideas. Innovation, on the other hand, usually means the use of these ideas. Creative process generally consists

of (1) unconscious scanning (2) intuition (3) insight and (4) logical formulation.

Eminent scientist and former chairman of the University Grants Commission Professor Yash Pal said that Indian industry and the education system lacked "creativity" and did not promote innovations that happen at local level within the country. Innovations happen in India too. He applauded National Innovation Foundation for scouting more than 51,000 innovations during the past five years from over 400 different places of which 15 technologies have been commercialized. He said that practical knowledge was not imparted to the students who were tested only on their cramming or memorizing skills; students are taught from some text-books and are not to think out of it. Creativity is not stressed in the curriculum and so the students do not think differently. Ability to think differently is an important factor that leads to future innovations.

The 21st century favours knowledge, ideas and creativity. This century is about young, restless minds pushing the digital age forward. This will require creative companies, quality educational institutions, and ideas pouring forth in all forms and an innovation system. Knowledge remains key to India's position in the world. IT services, jewelry, pharmaceuticals, handicrafts have powered India's recent economic performance. As in the past, our soft infrastructure (creativity, ideas and open borders) far exceeds our hard infrastructure (highways, ports, power and so on) in global competitiveness.

In Trichhirapalli, J.K. Tripathy led the transformation of the police force from an image of 'extortionist' to 'anna' (elder brother). Subsequently, the crime rate dropped by 40 percent – and that too in a communally sensitive town. With an innovative concept called 'community policing', wherein a group of four policemen took ownership for the law and order of a community, was adopted. They won their trust by engaging with them proactively, and preventing law and order problems rather than merely, reacting to them. Now 'community policing' is being exercised everywhere. Tripathy demonstrated that the real issue is absence of creative leadership and the capacity to lead change.

India's voluntary sector has been known for its creativity and innovation. Innovative and creative efforts have

been recognized from time to time. Now, with this result few programmes are being implemented exclusively by NGOs. People living in islands dotting Assam's Brahmaputra river no longer worry about isolation as a hospital floats up to them at least twice a month to check on their health. Akha – a boat with medical personnel and supplies – is a unique door-to-door service for the poor inhabitants of the state's islands. Akha, which means 'hope' in Assamese, is the brainchild of the Association for India's Development (AID) and Centre for North East Studies and Policy Research (C-NES). The NGO was sensitive to the vulnerability of those who lived in the rural islands, far away from hospitals and communication. The boat has space for on-board treatment of basic health problems and also provides referral services. It accommodates health professionals and can be turned into a training centre. This was funded by prize money from a World Bank competition won by C-NES volunteers and a group of grass-root boat-builders in 2004. With the India Country-level Development Market Place award of \$20,000 (Rs. 9,00,000), volunteers could realize their dream of treating the unreachable under-privileged sections. This creative thought is a true and successful example of public-private partnership under which Assam Medical College, Dibrugarh provides the medical facilitation while district administration supplies the fuel for vessel.

The Nehru Gram Bharati University has taken a leap in being social entrepreneurship centre. From organizing farmer's training, training of rural women on entrepreneurship, health camps on public-private partnership and cloth donation programme to imparting formal higher education to youths in different disciplines, the university embarked on innovation and creativity.

### **3. The Corporate Social Responsibility**

Corporates and business community are now taking interest in increased involvement in the implementation of socially responsible activities. The concept of Corporate Social Responsibility (CSR) in India is not new, the term may be. The process though acclaimed recently, has been followed since ancient times albeit informally. Philosophers like Kautilya from India of pre-Christian era, Philosophers in the West preached and

promoted ethical principles while doing business. The concept of helping the poor and disadvantaged was cited in much of the ancient literature. The idea was also supported by several religions where it has been intertwined with religious laws. "Zakaat", followed by Muslims, is donation from one's earnings which is specifically given to the poor and disadvantaged. Similarly, Hindus follow the principle of "Dharmada" and Sikhs the "Daashaans".

Philip Kotler and Nancy Lee (2005) define CSR as "a commitment to improve community well being through discretionary business practices and contributions of corporate resources" whereas Mallen Baker refers to CSR as "a way companies manages the business processes to produce an overall positive impact on society." According to World Business Council for Sustainable Development "Corporate Social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

According to the prolific American author on CSR, Archie B. Carroll, Harold Bowen was "The father of corporate social responsibility." In 1953, Bowen published the 'Social Responsibilities of the Businessman'; although Carroll points out that there were "references to a concern for social responsibility" in the 1930s and 1940's. In 1946, Fortune Magazine had already surveyed "businessmen" about their social responsibilities. (Carroll 1999: 270) and even earlier than this, Mary Parker Follett had written about "...the idea of service [in business] as expressing man's altruism" (Follett, [1925] 1973: 103).

While addressing the annual session of the Confederation of Indian Industry (CII), Prime Minister Dr. Manmohan Singh said, "the business community should resist excessive remuneration to promoters and senior executives so as to reduce conspicuous consumption because these aspects could sow seeds of social unrest." Advocating a "10-point social charter" for sharing the benefits of economic growth with the less privileged and partnering a humane and just society, he reminded the corporate sector of its social

responsibilities towards the common man. "Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions" (Dasgupta, 2007).

Companies have spread their wing in the remote rural areas through various initiatives like ITC's through e-choupal, DSCS through Hariyali Kisan Bazar, Godrej Agrovet through Adhar, Tata Chemicals through Tata Kisan Kendra. The 'commitment beyond the market' shapes the quality of company's partnerships with the various constituents of value chains- farmers, suppliers, employees and the government. Such a commitment propels these companies to contribute far beyond servicing financial capital to enlarging economic, social and environmental capital for the nation. This unique spirit of synergizing business objectives with a larger sense of social and environmental purpose is called 'triple bottom line approach'.

#### **4. The Trusteeship Doctrine**

Gandhiji advocated trusteeship doctrine all through his life. It is based on the principle that all people having money or property hold it in trust for society. Society is to be regarded as a donor to the individual and accordingly the latter is required to share part of his acquired wealth with the society for mutual benefit. According to this doctrine business organizations have to be viewed as socio-economic institutions to be run and owned by 'Trust Corporation' with considerably diluted shareholdings. Many industrialists of eminence like Jamna Lal Bajaj, G.D. Birla supported generously in the reconstructive assignments of Gandhiji. Most of the ideas of Mahatma Gandhi on trusteeship find expression in his speeches, short notes, and press interviews and informal discussions. Written in Nov. 26, 1932 issue of Young India, Gandhiji made the following observations with regard to doctrine of trusteeship.

'My idea of society is that while we are born equal, meaning thereby that we all have a right to equal opportunity, all have not the same capacity. It is in the nature of things impossible. For instance, all cannot have same height, colour or degree of intelligence.

Therefore, in nature of things, some will have ability to earn more and others less. Normally, people with talents will have more. Such people should be viewed to exist as trustees and in no other terms.

Organization and individual possessing surplus wealth over and above their legitimate and genuine needs should spend it on community welfare programmes as part of their social responsibility. Echoing such views on the subject, Gandhiji added:

'Suppose I have earned a fair amount of wealth either by way of legacy or by means of trade and industry. I must know that all that belongs to me is the right to an honorable livelihood no better than what enjoyed by million of others, the rest of my wealth belongs to the community and be used for the welfare of the community.'

In his address to the trade unions in Sri Lanka during 1927 visit, Gandhiji observed that principles of trusteeship doctrine are applicable to the trade unions in the same way as these are to the business organization. According to him:

'Each of you should consider yourself to be a trustee for the welfare of the rest of your fellow labourers treatment from your employers, proper sanitary lodgings, you will recognize that you should treat the business of your employers as if it were your own business and give to it your honest and undivided attention.'

Corporations, under pressure from governments and civil society, have recognized the need to be more responsive to societal concerns, and are beginning to address some challenges. Consequently, a number of industry-wide and sector-specific voluntary norms and agreements on human rights, accountability, and environmental stewardship have emerged.

#### **5. Status of Social Entrepreneurship in India**

India has a proud history of social entrepreneurship. Jamnalal Bajaj and GD Birla generously supported Gandhiji in his efforts of fight with British and promotion of rural reconstruction. JN Tata and other promoters of Tata group have been actively involved in the implementation of various development and welfare programmes in the country. The group

established Tata Institute of Social Sciences, Tata Institute of Fundamental Research, Indian Institute of Science to impart good quality education and research opportunities for students. Sudha Murthy, Rohini Nilekani, Rajshree Birla and other business ladies are now actively involved in social entrepreneurship. Government and industry associations have established awards to honour social entrepreneurs. Arbind Singh won Nand and Jeet Khemka Social Entrepreneur Award 2008 for his contribution in the field of social entrepreneurship.

## 6. The Road Map Ahead

XLRI Jamshedpur has established a Social Entrepreneurship Trust to promote social entrepreneurship among students and alumnus. SP Jain Institute of Management, Mumbai and SAVJ Institute of Management, Ludhiana has Centre for Corporate Social Responsibility which acts for the development social entrepreneurship among students. Tata Institute of Social Sciences, Mumbai conducts MA (Social Entrepreneurship) course to prepare. But, education and training in social entrepreneurship is yet limited considering its application and need of professionals. Universities, IITs, management institutes and other institutions are required to promote social

entrepreneurship among youths. Ford Foundation, Ashoka Trust and other organizations offer scholarships to individuals and organizations to work for the social entrepreneurship.

Corporates, voluntary organizations and social activists are coming together to pool resources and expertise to further social mission, a good journey towards social entrepreneurship.

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