



CENTER *on* PHILANTHROPY *and* CIVIL SOCIETY

“Social Business”

Opportunity or hype?

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ERSTE Foundation - Social Integration Award
Prague, June 2011

“Social” Innovation, Entrepreneurship, Business

Why should we care?

Health check for societies

- Mature democracies – rejuvenating
- Democracies ‘in the making’ – stabilizing and anchoring

Why now?

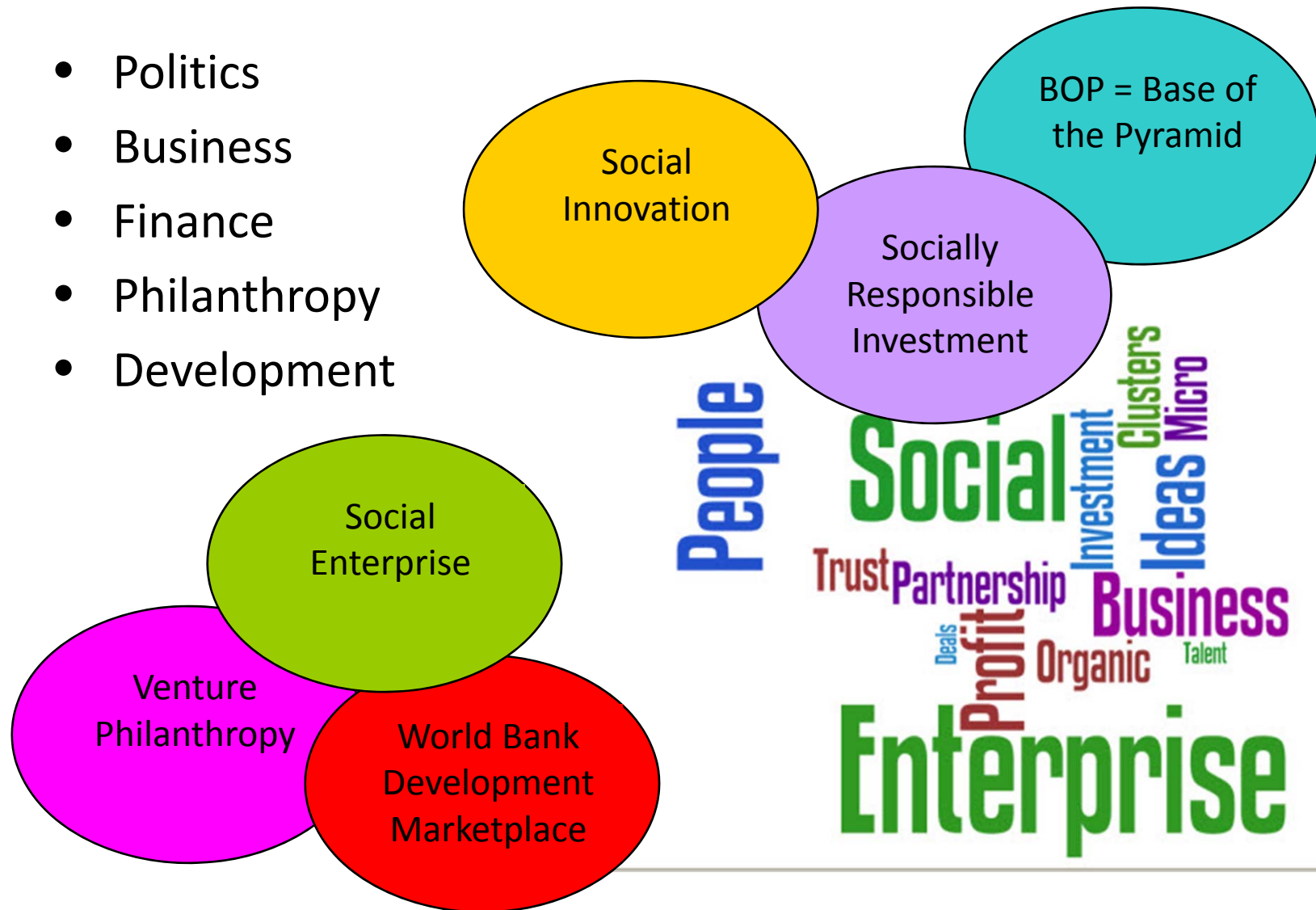
Ecosystem is in sight

- Public awareness
- Empowered innovators
- Good intentions of resource providers
- Willingness of policymakers

Is it just the swing of the pendulum?

Different meanings in different worlds

- Politics
- Business
- Finance
- Philanthropy
- Development



The promise ...

The new laboratories for society

- Pioneer innovative models to address persisting and newly created social needs and environmental problems
- Market based methods and succeed with limited resources
- Transformative effect on marginalized communities but also on entire sectors



addresses literacy in the US. Today books for low income school systems represent a \$150m market.



ordable technologies for rural Africa. Helped to create over 800 businesses that generate revenues equal to 0.5% of Kenya's GDP.

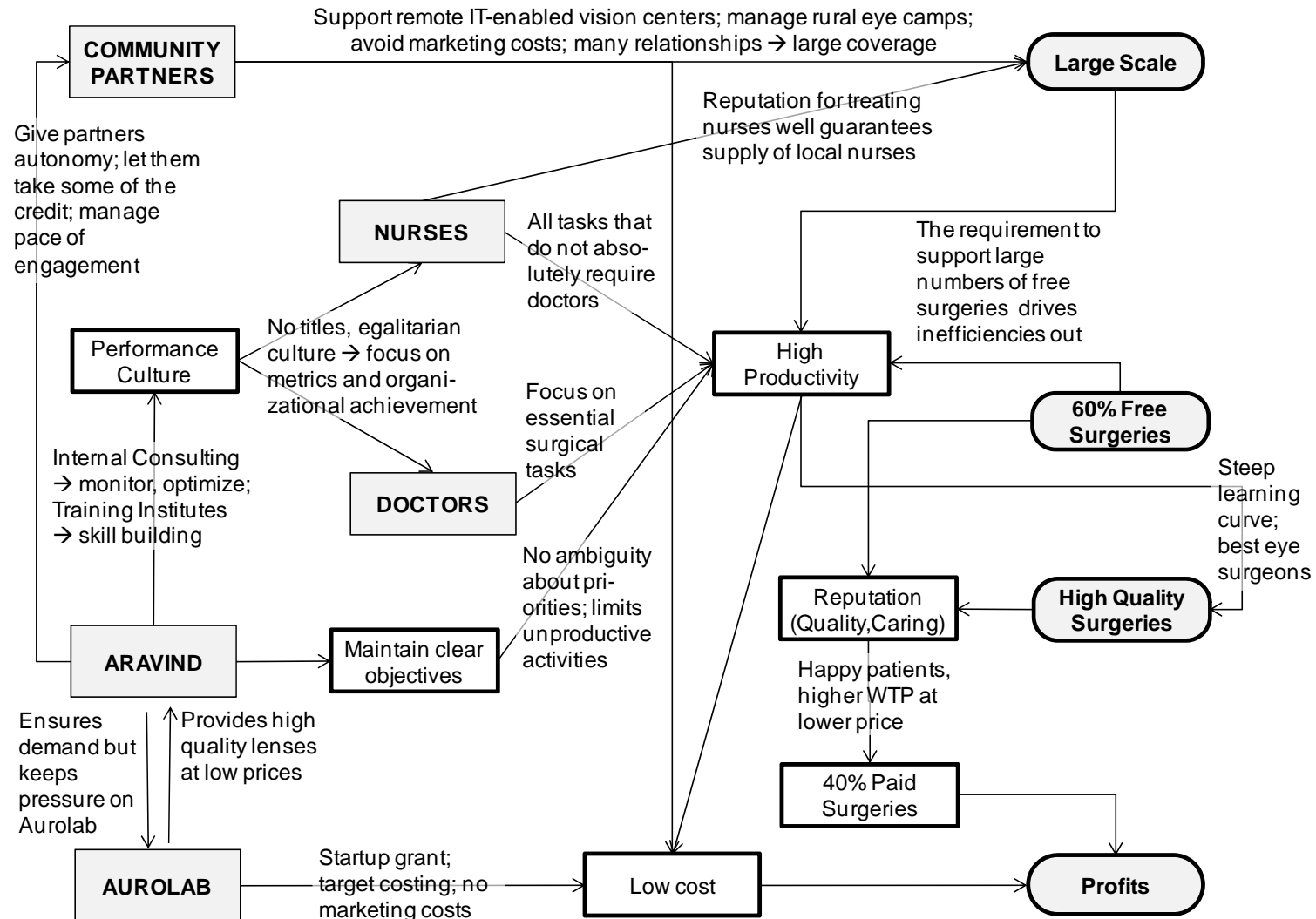
More cost effective and more efficient

...than government, donor programs and corporate solutions and therefore more sustainable solutions



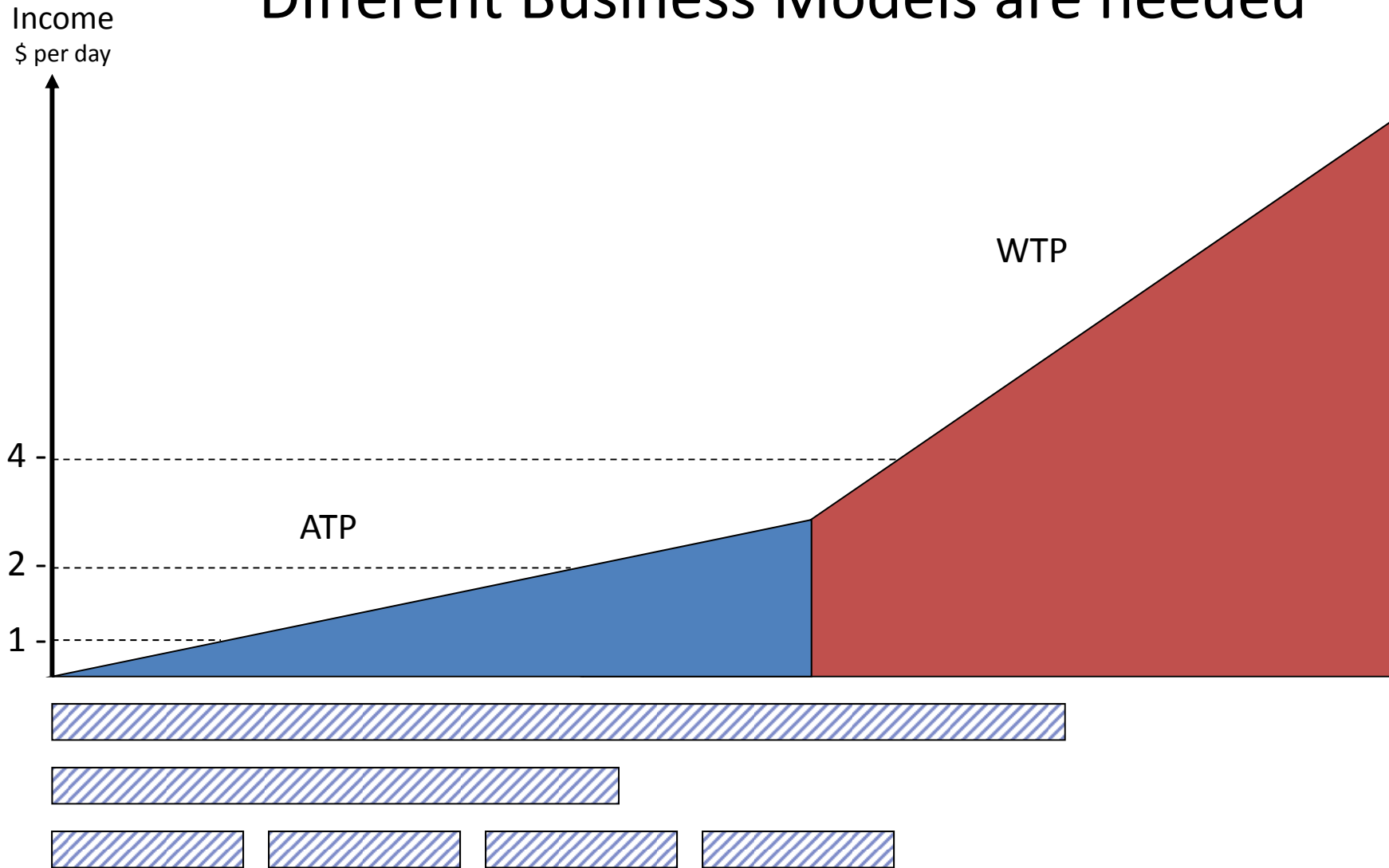
- 300.000 eye surgeries per year
- 60% of eye care procedures performed in UK per year
- Costs:
 - Aravind £ 8m
 - UK £ 1.6bn
- Labor costs and capital infrastructure cannot explain the difference, rather the efficient operational model to provide free care for millions

The Role of Business Models



Evidence on how are activities and resources configured to achieve strategic objectives

Different Business Models are needed



BUSINESS approach as a panacea?

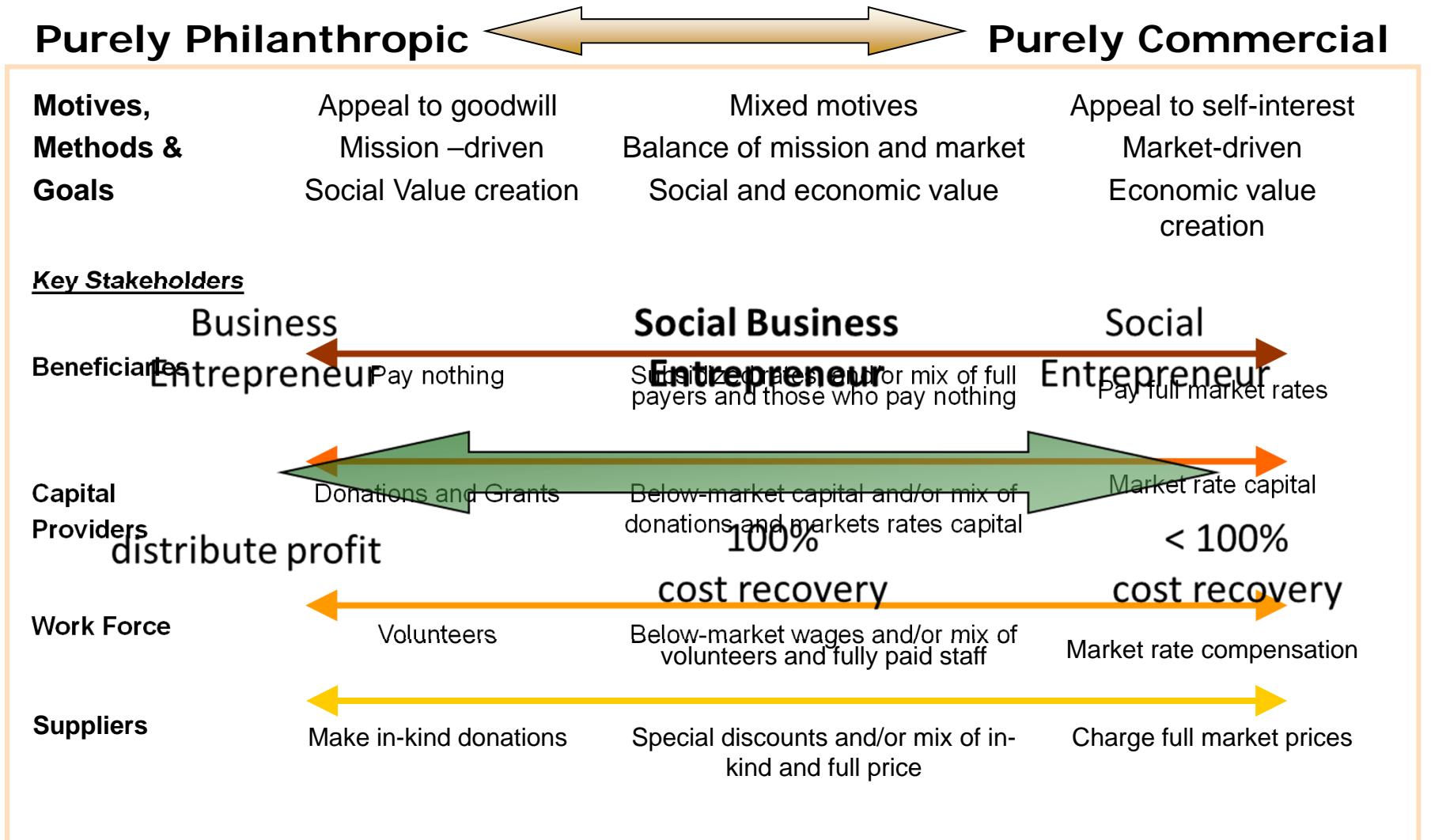
Business and market principles do make sense in many cases but not in all ...contingent on issue domains and geographies

Some useful concepts

- Ability/Willigness to pay
 - Customer vs beneficiary
- Prioritizing of objectives
 - Social change vs addressing a specific need in a financially sustainable way

Requires education and training of social innovators but most importantly of new entrants into ecosystem

Choosing a Business Model



The 7 principles ...

Six Principles of Grameen Social Business

1. Business objective ^{will be} to overcome poverty, or one or more problems (such as, education, health, technology access, environment, etc) which threaten people and society; not profit maximization.
2. Financial and economic sustainability.
3. Investors get back the investment amount only. No dividend is given beyond investment money.
4. When investment amount is paid back, company profit stays with the company for expansion and improvement.
5. Environmentally conscious
6. Workforce get market wage with better working condition.
- 7 do it with joy

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Caution!

2.
 - Good intentions vs ideology
 - Neglect historical and also locally existing models that work
 - Self-impose possible limits to grow / scale impact
 - Discourse creates expectations for investors, funders and policy makers

stays with expansion and improvement.

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7. ...do it with joy.

.....of *Grameen Social Business*

Discourse and awareness alone are not enough...



- Social Business Day (28th of June)
- Social Business Summit
- Social Business Tour

Important inflection point to turn this into an **opportunity** or leave it at yet another **hype** and unfulfilled promise

Move the debate

- Local and global action is required
- Co-educate new entrants in ecosystem
- Empower and guide the work of support groups
- Influence policy makers at the national and international level

The EU and Social Business

Social business has been identified as a key lever in renewing the single market and ensuring social cohesion.

*.... the only way for Europe to be successful economically is for there “to be a **social market economy**, where financial services are at the service of the real economy, and that the real economy is at the service of human progress”.* Michel Barnier (DG Markt)

Report launched in the Fall 2011: official recognition of role of social business. How to use policies, programs and influence to promote it?

Why does the EU care ... now?

- Buy the cost effective story
- Outcomes of interest: inclusion and job creation

What is at stake ...

The opportunity – intended consequences

- Varieties *of* capitalism to variety *within* capitalism
- Develop competitive career paths to attract the “best”
- Systemic change with a sustainable and lasting impact

The challenges – possible unintended consequences

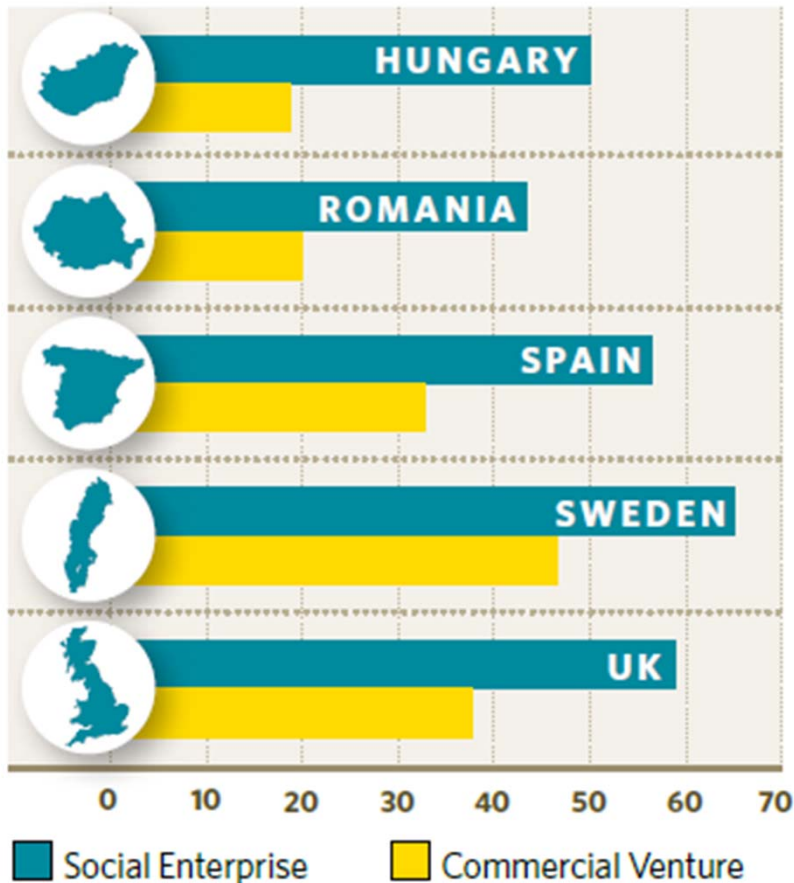
- Narrow categories - Leaving many behind, twisting and tweaking
- *Ideal* types at the expense of *real* types
- Hero-izing – setting standards for individuals involved that are too high

Connecting Brussels with local realities

SELUSI- first evidence: Representative sample of 581 social innovators in Europe (UK, Sweden, Spain, Hungary, Romania)
(www.selusi.org)

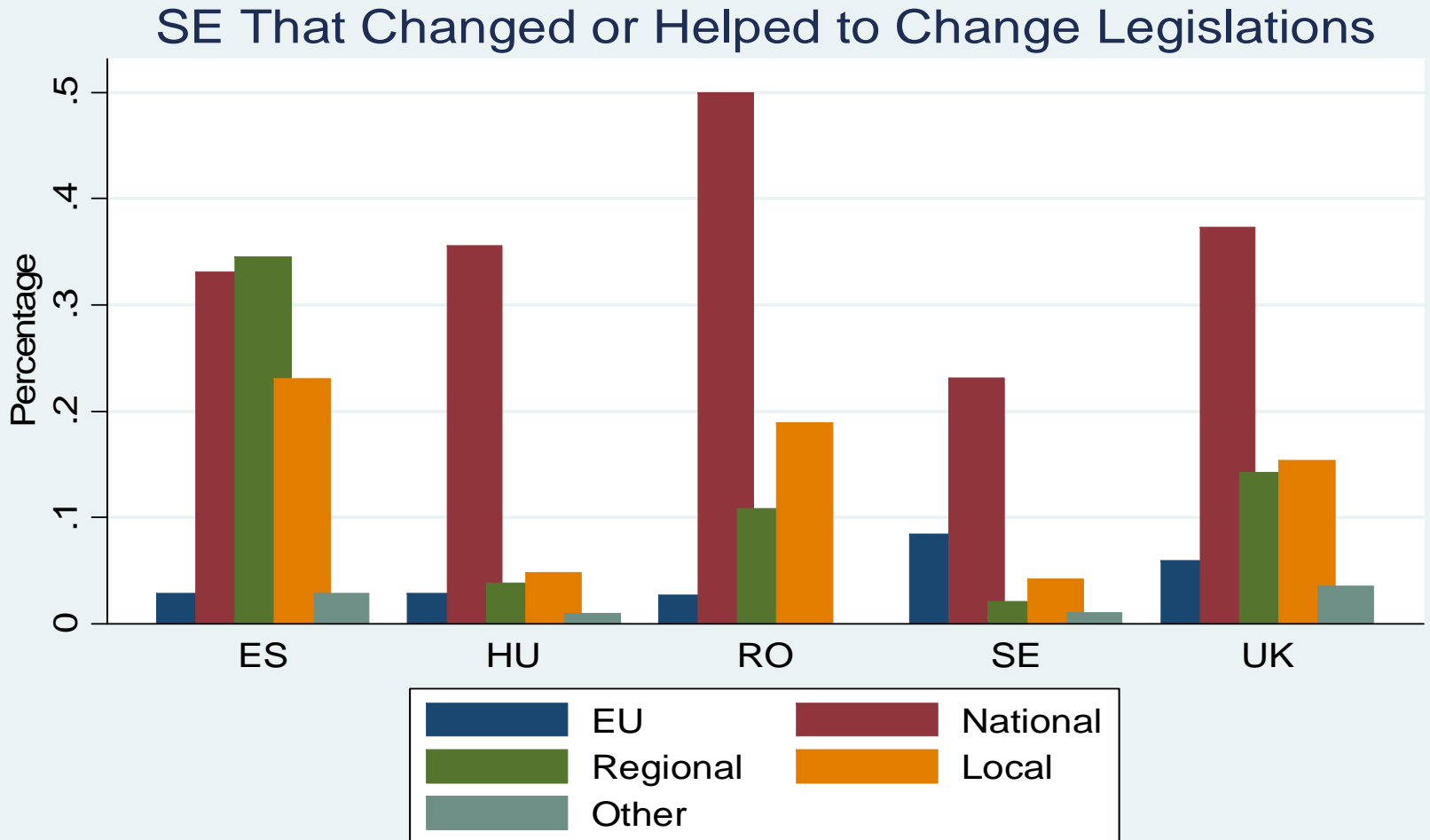
- Social enterprises largely unaffected by crisis
- Patterns: 63% radical innovation; services and processes
- Collaborative approach: 79% collaborate , 90% contribute
- Europe a level playing field?
 - Barriers to innovation: cost related and national regulation
 - Perceived trade offs: economic vs. social
 - Human capital as a bottleneck – three markers
 - Impact on legislation at different levels

Patterns of innovations



- 63% of SES's are 'radical' new to market innovators
 - Romanian SE significantly less likely to introduce new-to-the-market innovation (32%)
- Mainly innovate in service and process domain

Levers of Influence



Source: SELUSI 2009 Panel

... it is on us to shape discourse and action