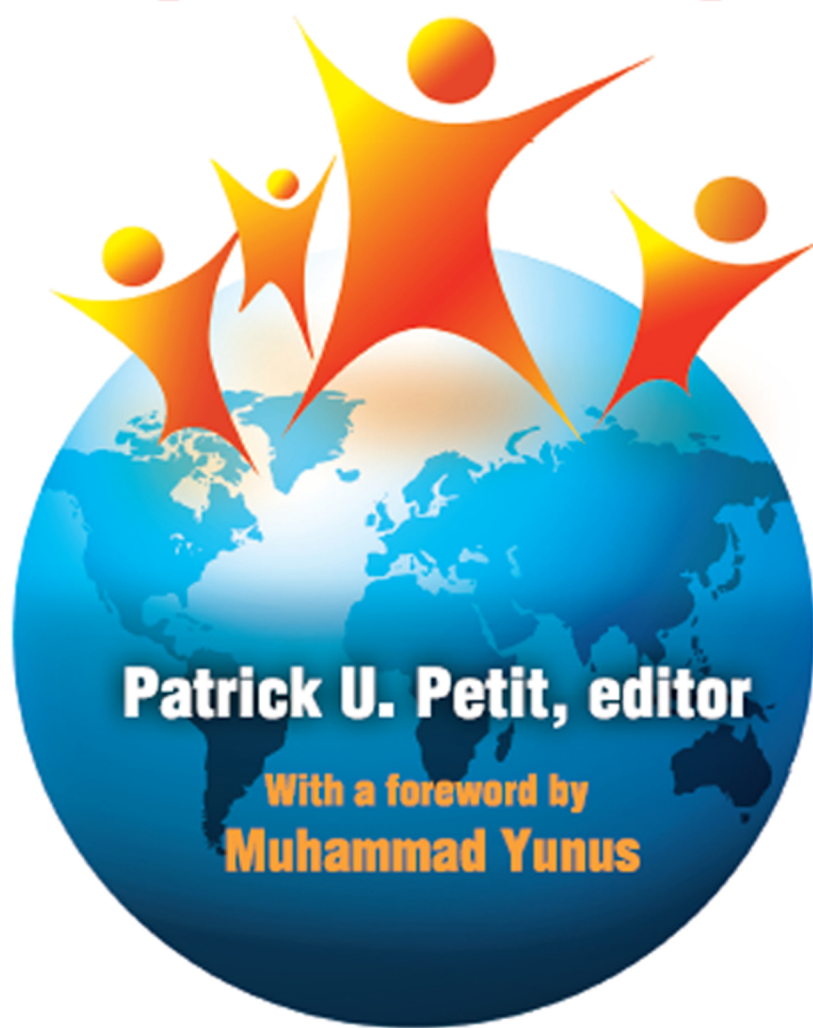


Creating a New Civilization through Social Entrepreneurship



Patrick U. Petit, editor

**With a foreword by
Muhammad Yunus**

Creating a New Civilization through Social Entrepreneurship



Taylor & Francis

Taylor & Francis Group

<http://taylorandfrancis.com>

Creating a New Civilization through Social Entrepreneurship

*Compiled by the
Goi Peace Foundation*

Patrick U. Petit, editor

**With a foreword by
Muhammad Yunus**

 **Routledge**
Taylor & Francis Group
LONDON AND NEW YORK

First published 2009 by Transaction Publishers

Published 2017 by Routledge

2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

711 Third Avenue, New York, NY 10017, USA

Routledge is an imprint of the Taylor & Francis Group, an informa business

Copyright © 2009 the Goi Peace Foundation.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Notice:

Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

Library of Congress Catalog Number: 2010030807

Library of Congress Cataloging-in-Publication Data

Petit, Patrick Uwe.

Creating a new civilization through social entrepreneurship / Patrick U.

Petit.

p. cm.

“Originally published in 2009 by The Goi Peace Foundation.”

Includes bibliographical references.

ISBN 978-1-4128-1094-4 (alk. paper)

1. Social entrepreneurship. 2. Social responsibility of business. 3.

Social change. I. Title.

HD60.P44 2010

658.4'08--dc22

2010030807

ISBN 13: 978-1-4128-1094-4 (pbk)

Contents

Foreword	ix
Social Business – Towards a Better Capitalism <i>Muhammad Yunus, Grameen Bank, Nobel Peace Prize Laureate</i>	
Preface	xvii
<i>Patrick U. Petit, Editor</i>	
Introduction	xix
<i>Hiroo Saionji, The Goi Peace Foundation</i>	
PART A—THE FUTURE OF ENTREPRENEURSHIP FROM A GLOBAL AND HOLISTIC PERSPECTIVE	
What Will Happen in Capitalist Societies in the Future? - A Dialogue on the Future of Modern Civilization - <i>Hiroshi Tasaka, The Japan Social Entrepreneur Forum</i>	3
Entrepreneurship for a Better World <i>Peter Spiegel, GENISIS Institute</i>	17
Entrepreneurs Creating the Economic Paradigm for the Future <i>Paola Babos and Monica Sharma, Leadership and Capacity Development, United Nations</i>	23
Transformative Entrepreneurship from a Global and Integral Perspective <i>Nancy Roof, Kosmos Associates-Kosmos Journal</i>	43

**PART B—SOCIAL ENTREPRENEURSHIP:
RISE OF AN INNOVATIVE CITIZEN SECTOR**

- Everyone a Changemaker – 53
Social Entrepreneurship’s Ultimate Goal
Bill Drayton, Ashoka: Innovators for the Public
- Social Entrepreneurship—Altering the Face of Business 63
Mirjam Schoening and Parag Gupta,
Schwab Foundation for Social Entrepreneurship
- Entrepreneurial Solutions to Insoluble Problems 75
John Elkington and Pamela Hartigan, Volans Ventures
- Be Bold – A Movement Begins with an Idea 87
Lara Galinsky, Echoing Green
- Young Volunteers as Social Entrepreneurs 93
Catherine Cecil, Youth Star Cambodia
- Social Enterprise and Social Entrepreneurship: 105
Tools to Achieve a More Balanced World
Kirsten Gagnaire, Social Enterprise Group (SEG)

**PART C—VALUABLE TOOLS
FOR (SOCIAL) ENTREPRENEURS**

- Social Entrepreneurship: 117
The Balance of Business and Service
Pamela Hawley, UniversalGiving
- Giving Donors What They Need 123
Andreas Rickert, Bertelsmann Stiftung
- Strategic Marketing for Social Entrepreneurs – 131
How to Make Tough Product and Service Decisions
Jerr Boschee, The Institute for Social Entrepreneurs

Teekampagne – “Citizen Entrepreneurship” for a Meaningful Life <i>Guenter Faltin, Tea Campaign, Stiftung Entrepreneurship</i>	143
Appendix: Declaration for All Life on Earth	157
Authors	161



Taylor & Francis

Taylor & Francis Group

<http://taylorandfrancis.com>

Foreword

Social Business – Towards a Better Capitalism

*Muhammad Yunus,
Grameen Bank, Nobel Peace Prize Laureate*

I became involved in the poverty issue not as a policymaker or as a researcher. I became involved because poverty was all around me, and I could not turn away from it.

In 1974, I found it difficult to teach elegant theories of economics in the university classroom, in the backdrop of a terrible famine in Bangladesh. Suddenly, I felt the emptiness of those theories in the face of crushing hunger and poverty. I wanted to do something immediate to help people around me, even if it was just one human being, to get through another day with a little more ease. That brought me face to face with poor people's struggle to find the tiniest amounts of money to support their efforts to eke out a living. I was shocked to discover a woman in the village, borrowing less than a dollar from the money-lender, on the condition that he would have the exclusive right to buy all she produces at the price that he decides. This, to me, was a way of recruiting slave labor.

I decided to make a list of the victims of this money-lending in the village next door to our campus.

When my list was complete, it had the names of 42 victims who borrowed a total amount of US \$27. I was shocked. I offered US \$27 from my own pocket to get these victims out of the clutches of those money-lenders. The excitement that was created among the people by

this small action got me further involved in it. If I could make so many people so happy with such a tiny amount of money, why shouldn't I do more of it?

That is what I have been trying to do ever since. The first thing I did was to try to persuade the bank located in the campus to lend money to the poor. But that did not work. They didn't agree. The bank said that the poor were not credit worthy. After all my efforts, over several months, I offered to become a guarantor for the loans to the poor. When I gave the loans, I was stunned by the result. The poor paid back their loans, on time, every time! But still I kept confronting difficulties in expanding the program through the existing banks. That was when I decided to create a separate bank for the poor. I finally succeeded in doing that in 1983. I named it Grameen Bank or Village bank.

Today, Grameen Bank gives loans to nearly 7.5 million poor people, 97 per cent of whom are women, in 80,678 villages in Bangladesh. Grameen Bank gives collateral-free income generating loans, housing loans, student loans and micro-enterprise loans to the poor families and offers a host of attractive savings, pension funds and insurance products for its members. Since it introduced them in 1984, housing loans have been used to construct 650,839 houses. The legal ownership of these houses belongs to the women themselves. We focused on women because we found giving loans to women always brought more benefits to the family.

In a cumulative way the bank has given out loans totaling about US \$6.68 billion. The repayment rate is 98.02%. Grameen Bank routinely makes profit. Financially, it is self-reliant and has not taken donor money since 1995. Deposits and own resources of Grameen Bank today amount to 155 per cent of all outstanding loans. According to Grameen Bank's internal survey, 64 per cent of our borrowers have crossed the poverty line.

This idea, which began in Jobra, a small village in Bangladesh, has spread around the world and there are now Grameen type programs in almost every country.

Second Generation

It is 30 years now since we began. We keep looking at the children of our borrowers to see what has been the impact of our work on their lives. The women who are our borrowers always gave topmost priority to the children. One of the Sixteen Decisions developed and followed by them was to send children to school. Grameen Bank encouraged

them, and before long all the children were going to school. Many of these children made it to the top of their class. We wanted to celebrate that, so we introduced scholarships for talented students. Many of the children went on to higher education to become doctors, engineers, college teachers and other professionals. We introduced student loans to make it easy for Grameen students to complete higher education. Now some of them have Ph.Ds.

We are creating a completely new generation that will be well equipped to take their families way out of the reach of poverty. We want to make a break in the historical continuation of poverty.

Free Market Economy

Many of the problems in the world today, including poverty, persist because of a too narrow interpretation of capitalism.

Capitalism centers around the free market. It is claimed that the freer the market, the better is the result of capitalism in solving the questions of what, how, and for whom. It is also claimed that the individual search for personal gains brings collective optimal result.

The theory of capitalism assumes that entrepreneurs are one-dimensional human beings, who are dedicated to one mission in their business lives – to maximize profit. This interpretation of capitalism insulates the entrepreneurs from all political, emotional, social, spiritual, environmental dimensions of their lives. Many of the world’s problems exist because of this restriction on the players of free-market.

We have remained so impressed by the success of the free-market that we never dared to express any doubt about our basic assumption. We worked extra hard to transform ourselves, as closely as possible, into the one-dimensional human beings as conceptualized in the theory, to allow smooth functioning of free market mechanism.

I have said that capitalism is a half told story. By defining “entrepreneur” in a broader way we can change the character of capitalism radically, and solve many of the unresolved social and economic problems within the scope of the free market. Let us suppose an entrepreneur, instead of having a single source of motivation (such as, maximizing profit), now has two sources of motivation, which are mutually exclusive, but equally compelling – a) maximization of profit and b) doing good to people and the world.

Each type of motivation will lead to a separate kind of business. Let us call the first type of business a profit-maximizing business, and the second type of business a social business.

Social business will be a new kind of business introduced in the market place with the objective of making a difference to the world. Investors in the social business could get back their investment money, but will not take any dividend from the company. Profit would be ploughed back into the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.

Once social business is recognized in law, many existing companies will come forward to create social businesses in addition to their foundation activities. Many activists from the non-profit sector will also find this an attractive option. Unlike the non-profit sector where one needs to collect donations to keep activities going, a social business will be self-sustaining and create surplus for expansion since it is a non-loss enterprise. Social business will go into a new type of capital market of its own, to raise capital.

Young people all around the world, particularly in rich countries, will find the concept of social business very appealing since it will give them a challenge to make a difference by using their creative talent.

Almost all social and economic problems of the world will be addressed through social businesses. The challenge is to innovate business models and apply them to produce desired social results cost-effectively and efficiently such as healthcare for the poor could be a social business, financial services for the poor, information technology for the poor, education and training for the poor, marketing for the poor, renewable energy – these are all exciting ideas for social businesses.

Social business is important because it addresses very vital concerns of mankind. It can change the lives of the bottom 60 per cent of world population and help them to get out of poverty.

We cannot cope with the problem of poverty within the orthodoxy of capitalism preached and practised today. With the failure of many Third World governments in running businesses, health, education, and welfare programmes efficiently everyone is quick to recommend – “hand it over to the private sector.” I endorse this recommendation whole-heartedly. But I raise a question with it. Which private sector are we talking about? Personal profit based private sector has its own clear agenda. It comes in serious conflict with the pro-poor, pro-women, pro-environment agenda. Economic theory has not provided us with any alternative to this familiar private sector. I argue that we can create a powerful alternative – a social-consciousness-driven private sector, created by social entrepreneurs.

Grameen's Social Business

Even profit maximizing companies can be designed as social businesses by giving full or majority ownership to the poor. This constitutes a second type of social business. Grameen Bank falls under this category of social business. It is owned by the poor.

The poor could get the shares of these companies as gifts by donors, or they could buy the shares with their own money. The borrowers buy Grameen Bank shares with their own money, and these shares cannot be transferred to non-borrowers. A committed professional team does the day-to-day running of the bank.

Bilateral and multi-lateral donors could easily create this type of social business. When a donor gives a loan or a grant to build a bridge in the recipient country, it could create instead a "bridge company" owned by the local poor. A committed management company could be given the responsibility of running the company. Profit of the company will go to the local poor as dividend, and towards building more bridges. Many infrastructure projects, like roads, highways, airports, seaports, utility companies could all be built in this manner.

Grameen has created two social businesses of the first type. One is a yogurt factory, to produce fortified yogurt to bring nutrition to malnourished children. It is a joint venture with Danone. It will continue to expand until all malnourished children of Bangladesh are reached with fortified yogurt. Another is a chain of eye-care hospitals. Each hospital will undertake, on an average, 10,000 cataract surgeries per year at differentiated prices to the rich and the poor.

Social Stock Market

To connect investors with social businesses, we need to create social stock market where only the shares of social businesses will be traded. An investor will come to this stock-exchange with a clear intention of finding a social business, which has a mission of his or her liking. Anyone who wants to make money will go to the existing stock-market.

To enable a social stock-exchange to perform properly, we will need to create rating agencies, standardization of terminology, definitions, impact measurement tools, reporting formats, and new financial publications, such as, *The Social Wall Street Journal*. Business schools will offer courses and business management degrees on social businesses to train young managers how to manage social business enterprises in the most efficient manner, and, most of all, to inspire them to become social business entrepreneurs themselves.

Role Of Businesses In Globalization

I support globalization and believe it can bring more benefits to the poor. But it must be the right kind of globalization. To me, globalization is like a hundred-lane highway criss-crossing the world. If it is a free-for-all highway, its lanes will be taken over by the giant trucks from powerful economies. Bangladeshi rickshaws will be thrown off the highway. In order to have a win-win globalization we must have traffic rules, traffic police, and traffic authority for this global highway. Rule of “strongest takes it all” must be replaced by rules that ensure that the poorest have a place and piece of the action, without being elbowed out by the strong. Globalization must not become financial imperialism.

Powerful multi-national social businesses can be created to retain the benefit of globalization for the poor people and poor countries. Social businesses will either bring ownership to the poor people, or keep the profit within the poor countries, since taking dividends will not be their objective. Direct foreign investment by foreign social businesses will be exciting news for recipient countries. Building strong economies in the poor countries by protecting their national interest from plundering companies will be a major area of interest for the social businesses.

We Can Put Poverty In The Museums

I believe that we can create a poverty-free world because poverty is not created by poor people. It has been created and sustained by the economic and social system that we have designed for ourselves; the institutions and concepts that make up that system; the policies that we pursue.

Poverty is created because we built our theoretical framework on assumptions which under-estimates human capacity, by designing concepts, which are too narrow (such as concept of business, concept of credit-worthiness, concept of entrepreneurship, concept of employment) or developing institutions, which remain half-done (such as financial institutions, where poor are left out). Poverty is caused by the failure at the conceptual level, rather than any lack of capability on the part of people.

I firmly believe that we can create a poverty-free world if we collectively believe in it. In a poverty-free world, the only place you would be able to see poverty is in the poverty museums. When school children take a tour of the poverty museums, they would be horrified to see the misery and indignity that some human beings had to go through. They

would blame their forefathers for tolerating this inhuman condition, which existed for so long, for so many people.

A human being is born into this world fully equipped not only to take care of himself or herself, but also to contribute to enlarging the well being of the world as a whole. Some get the chance to explore their potential to some degree, but many others never get any opportunity, during their lifetime, to unwrap the wonderful gift they were born with. They die unexplored and the world remains deprived of their capacity, and their contribution.

Grameen has given me an unshakeable faith in the creativity of human beings. This has led me to believe that human beings are not born to suffer the misery of hunger and poverty.

To me poor people are like bonsai trees. When you plant the best seed of the tallest tree in a flower-pot, you get a replica of the tallest tree, only inches tall. There is nothing wrong with the seed you planted, only the soil-base that is given to it is too inadequate. Poor people are bonsai people. There is nothing wrong in their seeds. Simply, society never gave them the base to grow on. All it needs to get the poor people out of poverty for us to create an enabling environment for them. Once the poor can unleash his or her energy and creativity, poverty will disappear very quickly.

Let us join hands to give every human being a fair chance to unleash his or her energy and creativity.



Taylor & Francis

Taylor & Francis Group

<http://taylorandfrancis.com>

Preface

Patrick U. Petit, Editor

Humanity is confronted with the gravest financial crisis and economic recession since the Great Depression. Political leaders, national ministries of finance and central banks around the world are trying to prop up their country's sinking economy and arrest a downward economic spiral by innovating financial rescue and bank bailout plans, as well as economic stimulus and recovery packages.

All these measures are being taken to reestablish trust in the economy and to trigger an economic revival. Despite these efforts, however, stagnation seems everlasting as uncertainty leads to collective fear, which puts spending and investing decisions by businesses and consumers on hold.

Collective fear and panic can sink humanity into another Great Depression. The latter was a worldwide economic downturn originated in the United States in 1929, when the stock market crashed and became a worldwide business slump throughout the 1930's affecting almost all countries. It was the largest and most significant economic depression in modern history. During that period, US President Franklin D. Roosevelt launched the New Deal, a sequence of governmental initiatives and social programs aimed to recover the economy, reform business and financial practices and create jobs. The New Deal had the objective to mitigate the effects of the Great Depression, and most importantly, to restore a sense of confidence to the people.

Today's economic crisis has spread joblessness and distress across the world and has opened many people's eyes to growing social inequalities. Resolving this crisis will require both boldness and creativity. There is an increasing sense of urgency that a new wave of innovation, creativity and entrepreneurial solutions are needed to meet the challenges of defeating inequalities, improving environmental stewardship, and boosting social and economical development for all people on the planet.

In the past decade, social entrepreneurship has come to the forefront of global development. Social entrepreneurs play a vital role in fostering societal change. Using entrepreneurial principles, they establish new ventures to improve the lives of millions of people by implementing system changes in education, environment, health, human rights, social equity and integration, economic development and other areas. One well-known contemporary social entrepreneur is Muhammad Yunus, 2006 Nobel Peace Prize winner and founder of the Grameen Bank, whose genuine motives behind his success is illustrated in the foreword of this book.

The global grassroots movement of social entrepreneurs is attracting growing amounts of attention, talent and money, and has become a major force in driving innovation to solve society's most pressing social problems. Today, social entrepreneurs are working in more than one hundred countries to create opportunity for people who otherwise would stay in poverty and continue facing deprivation. They and their fields of work are as varied as the communities they aim to serve.

While the New Deal in the 1930's was elaborated and implemented by government to mitigate the economic crisis, social entrepreneurship can be regarded as a People's New Deal, originating from the citizen sector. This People's New Deal is a powerful initiative of the 21st century to complement governmental economic stimulus and recovery packages.

Social entrepreneurs are essential to the restoration of a sustainable planet and the improvement of lives of billions of people, especially of those living in extreme poverty.

Therefore, social entrepreneurs deserve further recognition and support by the international community – by governments, multinational companies and philanthropic organizations. Furthermore, the establishment of a strong global partnership between governments, social entrepreneurs and the private sector at the national and international levels would be of great benefit to humanity.

We would like to extend our heartfelt gratitude to the distinguished authors and organizations, which have contributed to this book on social entrepreneurship. Their innovative initiatives and creative activities are inspiring examples for us to follow as we seek to achieve a harmonious and peaceful world with social equity and economic prosperity for all. As the father of social entrepreneurship Bill Drayton advocates, we are headed for a world where "Everyone is a Changemaker."

Munich, Summer 2009

Introduction

Hiroo Saionji, The Goi Peace Foundation

The Goi Peace Foundation is pleased to present this publication as a part of its Initiative for Creating a New Civilization.

The Creating a New Civilization Initiative, which our foundation launched together with our partners in 2005, brings together organizations and individuals who see the pressing need to respond to the environmental, social and economic crises confronting us today. Our aim is to network various innovative activities and people creating positive impact on the world, and build a critical mass of humans that could facilitate the transformation of our cultures and co-create a sustainable and harmonious planetary civilization based on reverence for all life, respect for our diversity, gratitude for nature, and emphasis on spiritual values.

As a way to synthesize fresh approaches toward creating a new civilization, the Goi Peace Foundation proposes the “4-S Concept” – an integrated platform with four foundational pillars: Sustainability, Systems, Science and Spirituality.

The first “S” – Sustainability – concerns the survival of the Earth itself, with its nature and ecological systems. Environmental, social and economic problems – such as global warming, resource depletion, wealth disparity and cross-cultural conflicts – are all interconnected global issues caused by human activities that are threatening our very survival. We are at a bifurcation point where we either continue on the present path toward destruction or choose the path to a sustainable future.

The second “S” – Systems – refers to the various systems we human beings have established, including our economic and political systems. Humanity is a part of the larger natural living systems of Earth. How can we harmonize our human systems with the principles of nature