

The Free Market Revolution: Social Business

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The impact of the business on people or environment, rather the amount of profit made in a given period measures the success of social business.

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The Free Market Revolution: Social Business

by ABC Knowledge Center

Definition of Social Business

Traditionally, business meant profit. People do business to gain profit or make money. However, in 1976, Dr. Professor Muhammad Yunus challenged the whole concept of business and presented the second type of business, social business. Social business is similar to profit maximizing business via the presence of exchanging between two parties. However, it differs in its objectives(s). Thus, it can be defined as a non-loss, no dividend company designed to address a social objective. It is executed to do good to the people and environment without regard to the producer's gain. Profit is used to grow and enhance business activities and reach. Also, it is not a charity.

Background/History

Though today the name of Prof. Muhammad Yunus is quite properly associated with the concept and success of Social Business, his ideas reflect traditions of the past. In the mid of the 1900s, the cooperative movement was influential in many European countries. It provided the increasingly impoverished rural population with access to loans on good terms, to means of production on advantageous terms and to channels of distribution – all without a monetary interest and based on the principles of self-help and mutual solidarity. Several decades earlier the savings bank movement that originated in England devoted itself to promoting the public interest and not economic self-interest. A good example for this is the founding of the “erste österreichische Spar-Casse” (first Austrian savings bank) in 1819 in Vienna, the predecessor of the ERSTE Foundation and the Erste Group, co-starters of the Social Business Tour 2010. The goal of the erste österreichische Spar-Casse, as stated in its founding by-laws, was to provide the means “to factory workers, farmers, and other hard-working tradesmen as well as the frugal young and elderly, so that from time to time they can put aside a small amount of their hard earned money in order to use it later for better care, for a dowry, for aid in times of sickness in old age, or to realize any other worthwhile goal.” Certainly Prof. Yunus would have had no objection to these aspirations.

Types of Social Business

According to Professor Dr. Md. Yunus, social business branches out into two types. Type one **“focuses on businesses dealing with social objectives only”**. An example would be products/services for the benefit of the poor. On the other hand, type two **“can take up any profitable business so long as it is owned by the poor and the disadvantaged, who can gain through receiving direct dividends or by some indirect benefits”**. For instance, crafts created by poor craftsmen are exported to the international markets and the profit put to the workers benefits.

Principles of Social Business

The seven significant principles of social business developed by Prof. Muhammed Yunus are as follows:

- Objective will be to overcome societal problems such as poverty, illiteracy, health, technology, etc that hamper socioeconomic progress, not profit
- Economic and financial consistency
- Investors get back only their investment, no dividends beyond investments
- Profit amount should only be used for company expansion improvement
- Environment-friendly
- Workforce gets market wage with improved working conditions
- Everything should be done with joy

Social Businesses in Bangladesh

Social business in Bangladesh is mainly done by microcredit organizations and NGOs. Examples include the following: Grameen Bank, ASA, BRAC, Proshikha, etc. Their programs mainly include alleviating poverty, eradicating hunger, distribution of free education, and providing of other basic needs, especially for women and children.

Grameen has also taken some initiatives like Grameen Danone, Grameen Veolia, Grameen BASF, Grameen Intel, and Grameen GC Eye Care Hospital as part of their social business projects.

Social Businesses Worldwide

Social entrepreneurs and businesses have spread all over the world. In India, NGOs and NPOs such as Child Rights and You, CRY, Youth United, etc represent social business work through raising funds through their services, fund raising activities (organizing events, donations, and grants) or sometimes products, to further their social and environmental goals.

In Kenya, many NGOs, like RISE KENYA, uses business models to improve lives of rural Kenyans. They run projects to ease climate change and provide weaving projects for women.

European countries are not behind either. For example, Finland passed a law in 2004 that defines a *social enterprise* as being any sort of enterprise that is entered on the relevant register and at least 30% of whose employees are disabled or long-term unemployed. As of March 2007, 91 such enterprises had been registered, the largest with 50 employees. In the UK the more specific term "social firm" is used to distinguish such "integration enterprises". On the other hand, UK defines social enterprises as organizations with community enterprises, credit unions, trading arms of charities, employee-owned businesses, co-operatives, development trusts, housing associations, social firms, and leisure trusts. Examples include John Lewis, Welsh Water, The Eden Project, The London Symphony Orchestra, and The Big Issue.

As for North America, Social Enterprise Alliance (SEA) advocates for the social enterprise field, acts as a hub of information and education for its members, and promotes the continued growth of this vibrant sector. It defines social enterprise as an organization that does its social work using business methods. The SEA organizes the Social Enterprise Summit annually, where social business leaders gather in great numbers. North American social enterprises include Roberts Enterprise Development Fund, Community Wealth Venture, Kidslink, Rubicon Program, and Greyston Bakery.

Possible Social Businesses

Recently in India, the Acara Institute of arrange the Acara Challenge 2010 which included eight innovative social business ideas. 3 of the ideas were as follows:

- Refurbishment of old plants and providing repair and maintenance services to village families through trained technicians. Clean burning gas from the plants will bring safer cooking practices. The high-quality fertilizer, generated as a by-product, will be used for increasing crop yield.
- Distribution of economical and high-quality drinking water using a low-pressure solar distillation technology and comparatively easy distribution system.
- Developing a hybrid cook stove which works on solar radiation (during the day when sun is there) and later can be used as a biomass stove (on cloudy days and at night!).

These ideas show us the possible areas that innovative thinkers have presented to work on. ■

The 3 Steps to Social Business Success

- Serving an extremely important purpose to human life so that you're entrusted a free loan to bring the organization to life
- Prove your business's sustainability by achieving a communal surplus of cash flow every cycle
- Reinvest profit to improve system or replicate its networking reach with partners who will need cooperation support

Negativities of Social Business

Despite of great social objectives, these businesses present some drawbacks in execution:

- Lack of clarity regarding final outcomes
- Lack of knowledge on developing business tools such as business plans, mission statements, and goal setting to improve progress
- Failure to identify cause and effect relationships in order to achieve intended impact
- Confusion over input costs
- Difficulty resolving dilemmas regarding costs and inputs

Improving Social Business Strategies

- As social entrepreneurs, new models for running the businesses should be applied.
- Some basic questions such as who are the main beneficiaries, what are the benefits, what to maximize and minimize, when can the business consider itself successful, etc should be considered.
- Picking out the most important elements of the program(s)
- Organizations should focus on mapping out their activities to allocate cost.
- Be as efficient as possible: choice must reflect priorities.

Tips for becoming a smart social entrepreneur

- Learn innovative ways of doing environment-friendly business by searching the internet
- Do a lot of social networking and networking in general
- Think selflessly, but act as a businessman
- Don't forget to layout plans, mentally and physically
- Follow proper business communications in presenting yourself
- Be sympathetic, but let not emotions overtake actions

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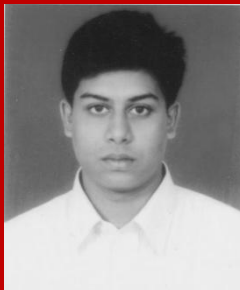
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