



CHAPTER TWENTY-FOUR

HOW SOCIAL ENTREPRENEURS ENABLE HUMAN, SOCIAL, AND ECONOMIC DEVELOPMENT

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The world's forecasted failure to achieve the UN Millennium Development Goals by 2015 paints a bleak picture for the more than two billion people who live in desperate poverty. Thus governments, multilateral institutions, and nongovernmental organizations (NGOs) continue their search for a recipe for global economic growth. Much of the economic growth and innovation found in free market societies has been credited to entrepreneurial activities.¹ Entrepreneurship, however, is sensitive to context and to the existence of economic reward systems. One necessary condition for growth is that innovation and entrepreneurial activities result in products and services that create value above input costs. Because many input costs—such as provision of infrastructure or legal institutions—are picked up by society in developed countries, the entrepreneur is able to capture a larger part of the value created. Where markets are too inefficient to cater to specific social needs, the government is expected to provide necessary services, as with the welfare system or basic education.

In many poor countries, neither governments nor markets cater to even the most basic needs of their citizens.² This indicates the existence of structural and behavioral barriers to growth and development in poor countries. Several authors have suggested

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that current models of economic development underestimate the importance of “social capability” as a prerequisite for growth.³ This capability builds on human capital, norms of behavior and social organization, and institutionalized property and contract rights, as well as adequate physical capital to enable people to productively participate in economic activities. In this paper, we investigate whether the related phenomenon of social entrepreneurship⁴ holds important insights into how entrepreneurs overcome hurdles to economic development in poor countries. We seek to learn from the case of Sekem, an Egyptian organization that aims to create integrated economic, social, and cultural development.

Sekem—A Holistic Vision for Development⁵

Sekem aims to “meet the challenge of the time by contributing towards the all-encompassing development of man, community, and the earth.”⁶ This mission is an aspiration that has guided its founder, Ibrahim Abouleish, for the last twenty-seven years. After many years abroad, he returned to visit his home country of Egypt in the 1970s. Shocked by the country’s widespread poverty and compelled to “heal the land and the people,”⁷ Abouleish resolved to change the situation through enterprise. This was the beginning of an initiative that earned him the “Alternative Nobel Prize” in 2003 for creating the “blueprint of the healthy corporation of the twenty-first century.”⁸

Building a Business from the Vision

In 1977, Abouleish left his career as a manager and researcher in the pharmaceutical industry in Austria to purchase some untouched desert land sixty kilometers north-east of Cairo. He wanted to prove that the desert could be reclaimed to produce healthy food and natural medicines in an environmentally friendly way. To succeed, he had to overcome numerous hurdles, including securing property rights from the government; negotiating with the local Bedouin population, who had begun to settle nearby; pacifying rural communities that adopted a hostile attitude toward the “intruder”; and battling the Egyptian army when it occupied his land.

Sekem’s first three years were devoted to developing basic infrastructure: electricity, roads, houses, irrigation systems, and a sewer system. Abouleish planted 120,000 trees to secure the area from frequent sandstorms. Fertile soil was built through composting, using the dung of forty cows that were a gift from friends in Austria. Finally, cultivation began on a small scale in accordance with international organic standards. Sekem’s first shipment of medicinal products arrived in the United States in 1981,

followed by a successful entry into the local Egyptian market two years later. Sekem expanded steadily thereafter both domestically and internationally through its four subsidiaries: Isis (established in 1985) packaged and distributed organic cereals, oils, spices, condiments, and a variety of herbs and teas; Atos (1986) was a joint venture producing phytopharmaceutical products; Libra (1988) coordinated organic production and packaged and exported fresh produce to Europe; and Conytex (1990) manufactured organic cotton textile products.

Broadening Impact

By 1990, Sekem's success prompted the Egyptian government to task the organization with development of an organic cultivation method for cotton. Cotton was Egypt's most important cash crop; it was also a magnet for countless insidious pests, making it one of the world's most pesticide-intensive crops. In close cooperation with scientists, farmers, consultants, and consumers, Sekem established use of pheromones to control cotton insects. The results were so convincing that the Egyptian authorities officially promoted the methodology, eventually reducing the use of pesticides in Egyptian cotton fields to less than 10 percent of that of previous years. By 1999, these methods were applied to nearly 80 percent of the entire Egyptian cotton crop.

An important prerequisite for success was changing attitudes toward organic agriculture within Egypt. This included transforming the deep skepticism of farmers, gaining the trust and support of public authorities, and raising awareness among customers. In 1990, the Center for Organic Agriculture in Egypt (COAE) was jointly established by Demeter, a German organic certification network, the Swiss-based Institut für Marktökologie, and Sekem as an independent inspection and certification body to ensure quality control in line with international standards for organic production. In 1992, COAE was appointed by the Ministry of Agriculture as a private inspection body, responsible for inspecting and issuing organic products to the European Union. From COAE's early activities grew the Egyptian Biodynamic Association (EBDA), a nonprofit organization under the Sekem umbrella and an important body in promoting the organic agriculture movement in Egypt as well as providing training, research, and advisory services.

The International Association of Partnership (IAP) was founded in 1997 by Sekem and eight business partners, most of them European, to foster dynamic interaction among farmers, producers, and traders. The IAP partners developed new forms of cooperation based on:

- Exchange of market information, joint strategic planning, marketing, and joint financing concepts
- Development of a code of ethics as a basis for a modern fair trade model

- Development of a contractual basis and an arbitration concept to improve cooperation
- Development of new association concepts that clarified the roles of traders, producers, farmers, and consumers, including property, asset management, and ownership issues

Embracing Culture and Community

In 1984, Sekem established the Egyptian Society for Cultural Development (SCD) in order to reach beyond its commercial activities in pursuit of Abouleish's goals of contributing to "the comprehensive development of Egyptian society" and to realizing "Egypt's unique contribution to global development." At the core of SCD was emphasis on cultivating moral and cultural awareness as a basis for improving living standards.

Education and Training. SCD set up a private kindergarten, primary and secondary schools, an adult training center, and a special needs education program for all the children of the employees and the neighboring community. Teachers were trained in modern pedagogical concepts to enable them to exceed the government standards set for recognized schools, and programs were specifically designed for the particular needs of the community. For example, many poor families depended on income from their children's labor. In response, a special education program was set up so that these children could do light work on the farm in the morning (such as picking chamomile) and then participate in a special educational curriculum in the afternoon.

Medical Center. Originally opened in 1996 for the Sekem community, the medical center was soon providing comprehensive basic health care services to approximately thirty thousand people from the surrounding villages as well.

Academy for Applied Arts and Sciences. The Academy for Applied Arts and Sciences was established in 2000 to promote scientific research that served the needs of Egyptian society and to strengthen the links between development-oriented researchers and development practitioners. It was active in the areas of medicine and pharmacy services, organic agriculture, sustainable economics, and the arts. It also organized a number of cultural events that encouraged the participation of all employees.

Sekem also established the Cooperative of Sekem Employees (CSE) to ensure that the democratic rights and values of workers were adequately implemented and to educate all members of the Sekem community about taking responsibility for society.

Sekem Today

By 2003, all economic activities were under the umbrella of Sekem Holding, comprising six autonomous companies, all with unique brands. The company had revenues of LE (Egyptian pounds) 76.2 million (about US\$13 million) and aimed to achieve LE 200 million by 2006. Sekem also started to plan for establishment of Sekem University in Cairo in 2006 to further its educational mission. Sekem's success may continue to have a strong effect on the entire region; high-level delegates from neighboring countries are knocking at its door, asking to implement the Sekem model in their own countries.

Concepts and Theory Building

Sekem had to overcome a series of hurdles to defining and enacting its value creation models. The nature of those hurdles is typical of many poor-country contexts. They include a lack of supply chains from which to secure inputs; inadequate general infrastructure, institutionalized rights (such as contracts), human capital, technology, and knowledge; and deficient health care and other social services.

Dimensions of Value Creation

Sekem explicitly sought to create value in the economic (jobs, income, taxes), social (health services, education, social inclusion and self-esteem), and cultural (music, reading, expression of creativity) spheres. It effectively institutionalized new norms in a number of areas (human rights, labor rights, reduced pesticide use, fair trade, and others) and established various institutions (medical center, academy, schools, COAE, CSE) over time. Moreover, the case illustrates how these various dimensions of value creation are interwoven and are necessary to enable broad-scale development and growth.

The Meaning of "Entrepreneurial"

Sekem represents a fascinating case to rethink the defining characteristics of entrepreneurship—resourcefulness, opportunity recognition, innovation, and creativity. For example, the case permits interesting insights on the notion of resourcefulness. Across the phases of Sekem's life cycle, the organization was able to configure its limited resources in ways that allowed it to develop unique capabilities. Also interesting in this context is Sekem's value network, which enabled it to secure essential resources. Another striking characteristic of Sekem was its ability to recognize and pursue emerging opportunities in

the absence of a detailed plan of action. Indeed, Abouleish began with almost no resources but with a solid knowledge base, which he used systematically. He had limited capital, could not rely on existing infrastructure, could not count on support from local partners (except for his family), and had no patents or products. But he possessed specific knowledge (pharmacology) and a propensity for scientific inquiry and systematic problem solving. Furthermore, he could draw from his knowledge of the local context.

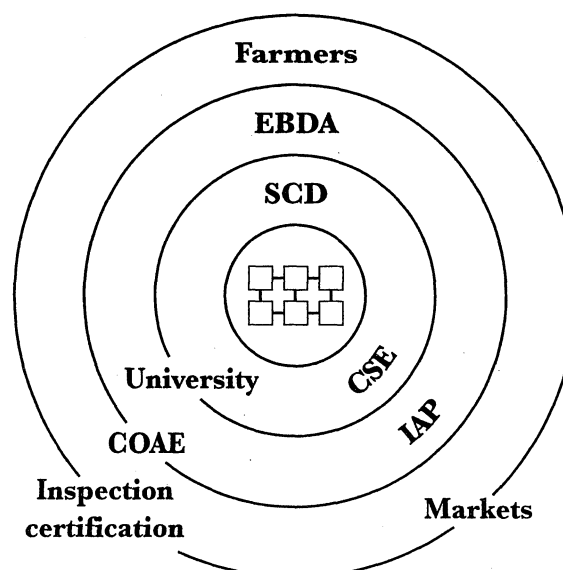
From the beginning, Abouleish adopted an opportunistic approach, cooperating closely with a number of individuals and partner organizations to access and build necessary resources. Partnering was crucial in building processes, facilities, and trust. In the case of the COAE and EBDA, Sekem was instrumental in establishing national organizations where none had previously existed. In other cases, Sekem formed strategic partnerships with international businesses.

Sekem succeeded in building an institutional infrastructure that allowed creation of a multibusiness firm; thus the firm and the infrastructure or network have a symbiotic and reinforcing relationship (see Figure 24.1; the six commercial entities of the Sekem Holding lie at the center, enabling but also depending on the various Sekem institutions that organize the economic, social, and cultural spheres).

A Focus on Outcomes from a Development Perspective

As we've seen, areas of contribution by social entrepreneurs in sustainable development can be operationalized on three levels: the basic needs of individuals, those of groups of communities, and those of future generations.⁹ Sekem catered to the very

FIGURE 24.1. THE SEKEM NETWORK.



basic needs of thousands of individuals. It also created formal institutions and institutionalized efficient norms and rules for cooperation within communities to everyone's benefit. Furthermore, Sekem addressed the need for choice among future generations. By pioneering organic agriculture in Egypt, it helped maintain the quality of the land as an important resource for the future. Table 24.1 lists some of the elements created by Sekem that contribute to sustainable development.

Reducing poverty and many of its symptoms has become the overarching goal of sustainable development efforts. However, three decades of experience with aid, foreign investment, and policy reforms have produced more stories of failure than of success.¹⁰ For many decades, economic theory assumed that the relative backwardness of poor countries would drive them to “catch up” with richer ones. Unfortunately, this did not happen for many of the poorest countries. Aid and investment—in diverse forms ranging from general capital investment, adjustment loans, and provision of fully equipped factories to more direct efforts such as large-scale education or birth control—did not achieve substantive gains in many poor countries.

Sekem points to a model of how development might be enacted. A growing number of innovative entrepreneurs, often referred to as social entrepreneurs, have shown that it is possible to create and serve markets in developing countries. They create social and economic value by offering products and services that address the most fundamental human and social needs. By scaling up and diversifying, many social entrepreneurs have developed their innovative models into viable businesses. In doing so, they contribute to the economic development of poor countries and the creation of a solid customer base for future markets. Inclusive models developed by social entrepreneurs have the potential for fast global penetration because of the huge latent demand waiting to be served. Furthermore, initiatives such as Sekem create a positive development spiral in which social and economic aspects reinforce themselves.

TABLE 24.1. SEKEM'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT.

Basic Needs	Institutions	Future Generations
<ul style="list-style-type: none"> • Education • Inclusion of disabled people • Dealing with child labor • Medical care • Jobs • Medicine • Food 	<ul style="list-style-type: none"> • Employee contracts • Health and safety standards • Norms and rules (fair play, CSE, IPA) • Formal institutions (COAE, EBDA, SCD) • Female participation in economic life 	<ul style="list-style-type: none"> • Healing the land • More land available • Maintain resources • Pesticide reduction

Discussion

The insights from this example of social entrepreneurship are valuable in the sense that Sekem emphasizes a multistage model of development and poverty eradication. People at various levels of poverty have divergent needs. Understanding that poverty is a symptom rather than a natural state helps to transform the poor into resources by creating human (education, health, and so on) and social capital by organizing them in new ways and changing norms and behaviors. For development organizations, this insight is relevant because it demonstrates that development need not be a linear outcome from isolated inputs delivered by salaried development employees. The fact that social entrepreneurs have direct ownership for development outcomes—and also the ability to experiment and learn in a local context—might point to essential success factors.

For corporations, this insight could be important on several fronts. First, the traditional bottom-of-the-pyramid approach primarily sees the poor as potential customers and less as resources for value creation models. Furthermore, it may be necessary to first invest in building the social capabilities the poor need to participate in economic life before economic growth and large-scale consumption of corporate products and services can occur. Supporting social entrepreneurs and building relationships to bring their initiatives to scale might help speed up this process. Corporations could thus play an important role in long-term development processes. Whereas social entrepreneurs concentrate on formation of social capabilities, companies could extend this to formation of economic capabilities, and indeed commercial activities.