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## 12. Hope for sustainable development: how social entrepreneurs make it happen

**Christian Seelos and Johanna Mair**

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### 12.1 INTRODUCTION

The massive scale on which social problems are conceived precludes innovative action because bounded rationality is exceeded and dysfunctional levels of arousal are induced. (Weick, 1984: 40)

Well into the first decade of the new millennium, we still cannot escape being confronted with social, environmental, political and economic problems on a scale that seems overwhelming in the sense of Karl Weick's statement. The emotional drama caused by pictures of war, terrorism, natural catastrophes that caught their victims unprepared, the hungry and the diseased – pictures that refuse to disappear from our daily newspapers and television screens – may indeed promote resignation, a feeling of hopelessness and powerlessness. At the same time, important decisions need to be made about how to address socio-economic challenges at a global level. This includes issues such as global warming, elimination of poverty, and allocation of funds to education, economic development and technological innovation. The aim is to balance economic growth and social development for all with the ability of the natural environment to sustain human life on this planet. To achieve this, international organisations are striving to define frameworks that enable local actions to result in a form of global *sustainable development*. Corporations are expected to identify and develop future growth markets and to allocate resources to the creation of new business models able to serve the needs of billions of low-income customers. Citizens are asked to support national policies that increase the spending of tax money for development efforts, and at the same time policies that reduce public debts so as to lower the constraints on future generations.

Unfortunately, the current level of uncertainty about the future and about political, economic and ecological development does not facilitate decision-making for public institutions, businesses or private individuals. This is

exacerbated by the failure of decades of effort to define what sustainable development might mean and how to achieve it. A way of acting without knowing all the answers might be to purposely shift our focus to those areas where possible solutions emerge. This chapter introduces and examines such solutions and presents reasons for hope that the idea of more sustainable development and the global goal of eradicating poverty are not empty words or dreams. We propose that so-called *social entrepreneurs* are transforming social dilemmas in *developing countries* into manageable problems, which they solve in innovative and entrepreneurial ways. These entrepreneurs therefore build hope and optimism from the ground up by focusing on what is achievable locally, rather than trying to implement global best practices as development organisations have attempted for several decades. Through sensible experimentation and discovery, social entrepreneurs often grow their initiatives to unexpected scale and scope, and change our concept of what is possible along the way. Our analysis is based on the initiatives whose founders were recognised as outstanding social entrepreneurs by the Schwab Foundation established by Klaus Schwab, executive director of the World Economic Forum. We have produced in-depth case studies using interviews and field-based research on a number of initiatives.

We start by describing Sekem, an organisation in Egypt, to give the reader an idea of the type of scope and scale that social entrepreneurs create. This is followed by our main arguments: why there is a need for innovative and entrepreneurial solutions to complement or even replace some of the more traditional efforts to achieve sustainable development. In a next step, building on in-depth field research, we contextualise the notion of sustainable development using a richer description of a social enterprise in Bangladesh, BRAC. The case highlights the processes as well as the ingredients we believe are necessary to achieve sustainable economic and social development in the poorest of countries. Additional cases are used to augment and further illustrate the frame that we use to evaluate the impact of social entrepreneurs on recognised sustainable development goals.<sup>1</sup>

## 12.2 SEKEM: A CASE STUDY

On 15 December 2003, Dr Ibrahim Abouleish was the first social entrepreneur to receive the Right Livelihood Award, which has honoured many great people and organisations since its inception in 1980 (Seelos and Mair, 2004). Widely known as the Alternative Nobel Prize, it is traditionally awarded in Stockholm the day before the Nobel Prize ceremony. From the 2003 press release:

Sekem (Egypt) shows how a modern business can combine profitability and engagement in world markets with a humane and spiritual approach to people and respect for the natural environment. The Jury sees in Sekem a business model for the 21st century in which commercial success is integrated with and promotes the social and cultural development of society through the 'economics of love'. (Right Livelihood Awards, 2003)

The award honoured the fruits of the 26-year mission of Abouleish and his family to build hope for the poor masses of his home country, Egypt. Abouleish had visited Egypt in 1975, after many years abroad, to show his Austrian wife and their two children the beauty of his home country. However, the picture was grim. The many social problems, widespread poverty and lack of hope left him in shock about the sad fate of his countrymen. Abouleish decided to find solutions for many of these problems and to contribute to the holistic development of Egypt's society. In 1977, Abouleish said goodbye to many friends, a secure and comfortable life, the senior position he held in a pharmaceutical company, and many memories from two decades studying and working in Austria. To give his vision structure, he started an initiative and named it Sekem – meaning 'vitality from the sun'. He wanted to prove that development was not necessarily dependent on donations, abundant resources, strategic plans or the application of sophisticated economic models. Abouleish's determination, coupled with a healthy element of stubbornness, led him to prove his point in a drastic way. He bought a piece of desert land in the poorest of surroundings as the starting point of his initiative. Using imagination and creativity and the support of people he had inspired with his vision, he built and acquired the resources that he needed in order to succeed – for example, a water source, buildings, roads, electricity – and transformed the desert soil into fertile land with the help of organic dung from cows that he had received as a donation from Germany. Throughout the 1980s and 1990s, Sekem developed into a modern business conglomerate based on organic agriculture and bio-pharmaceuticals. It also runs a modern and well-equipped medical centre, a kindergarten, primary and secondary schools, an academy, an orchestra and a university. Furthermore, Sekem has established many partner organisations and a network of many thousands of farmers to enable a wide variety of commercial, social and cultural activities that embrace the poorest sectors of Egyptian society.

## 12.3 SUSTAINABLE DEVELOPMENT AND THE MILLENNIUM DEVELOPMENT GOALS

In 1987, Gro Harlem Brundtland put forward the global objective of achieving sustainable development (SD). She had been tasked by the United Nations General Assembly with writing ‘a report on environment and the global problématique to the year 2000 and beyond, including proposed strategies for sustainable development’ (United Nations General Assembly, 1983: 132). Brundtland identified finding a path of balanced social and economic development compatible with a notion of social equity across space and time as the main goal for the proposed global efforts (United Nations General Assembly, 1987). At a minimum, SD should offer people a basic level of subsistence necessary to live in dignity, and an overall level of consumption and use of resources that does not limit the options available to future generations. The report left open the question of how such balanced development is to be achieved:

No single blueprint of sustainability can be found, as economic and social systems and ecological conditions differ widely among countries. Each nation will have to work out its own concrete policy implications. Yet irrespective of these differences, sustainable development should be seen as a global objective. (United Nations General Assembly, 1987: 51)

To instil new momentum in efforts to achieve SD, the UN Millennium Declaration was adopted in 2000 at the largest-ever gathering of international heads of state. It committed countries – rich and poor – to do all they can to eradicate poverty, promote human dignity and equality, and achieve peace, democracy and environmental sustainability. To operationalise the notion of SD, the United Nations defined a set of Millennium Development Goals (MDGs), based on a resolution adopted by the General Assembly in September 2000. The MDGs comprise eight specific, quantifiable and monitorable goals (with 18 targets and 48 specific indicators) for development and poverty eradication by 2015 (United Nations General Assembly, 2000). Goals included human rights, health, education and environmental issues. However, by 2002 it had already become clear that in many countries the targets might not be reached. The participants at the International Conference on Financing for Development held in Monterrey noted with concern ‘current estimates of dramatic shortfalls in resources required to achieve the internationally agreed development goals, including those contained in the United Nations Millennium Declaration’ (United Nations, 2002: 10). This concern was confirmed by other institutions that are monitoring progress against the MDGs (UNDP, 2003).

## 12.4 A NEED FOR INNOVATIVE ACTION

Reducing income poverty and many of the associated symptoms of poverty has become the overarching goal of sustainable development efforts. Economic development is considered essential to reduce poverty and to meet the MDGs (World Bank, 2004). However, three decades of experience with aid, foreign investment and policy reforms to kick-start economic growth have produced more stories of failure than of success (Stiglitz, 2002). For many decades, economic theory assumed that the relative backwardness of poor countries would drive them to ‘catch-up’ with richer ones. Unfortunately, that did not happen for many of the poorest countries (Pritchett, 1997). Aid and investment, in diverse forms ranging from general capital investment, adjustment loans and provision of fully equipped factories, to direct efforts towards large-scale education or birth control, did not achieve much in many poor countries.

Equally, within such countries the poor often remain stuck in poverty traps, unable to catch up. Both between countries as well as within countries, developed and underdeveloped, the distribution of wealth and resources is highly unequal (Gottschalk and Smeeding, 1997). Analysing positive and negative effects of the economic development in Brazil, Richard Trotter notes that ‘income inequality in Brazil remains one of the most extreme in the world’ and has resulted in dividing Brazil into a ‘first world and a third world country’, where an aggregate growth in income during the 1980s translated into the top 1 per cent earning as much as the bottom 50 per cent together (Trotter, 2004: 178–83).

### **Why Traditional Models Have Failed**

Development is a complex process and cannot be programmed through linear interventions (Easterly, 2001). More than 20 years ago, Dennis Rondinelli pointed to the problem of false assumptions in development projects, noting that ‘delays, cost overruns, changes in objectives, and other deviations are usually attributed to inadequate design, analysis, and administrative control’ (Rondinelli, 1982: 47). He emphasised the inherent unpredictability of many of the problems and the fact that rigid designs, rational analysis, and planning procedures may themselves be the source of many problems.

The realisation that decades of experimentation and large-scale efforts of multilateral development organisations have not revealed any replicable designs that would enable sustainable economic development on a truly global scale reflects Brundtland’s concerns for the lack of a blueprint for sustainability. Furthermore, we clearly have not achieved the original goal

of social equity – neither for today’s society nor for tomorrow’s. While consumption levels for the poorest are insufficient to yield decent living standards, consumption levels of the wealthy may increase the overall risk of sudden changes in the planet’s life-support systems. This is reflected in concerns over our level of usage of natural resources and production of waste that are a result of this process (Arrow et al., 2004). Because we have no agreed formulas or reference points that would guide decisions to balance today’s spending with saving for tomorrow, SD remains a learning process in dire need of innovative solutions and models for the creation of socio-economic development.

### **More Aid Alone Is Unlikely to Do the Trick**

The call for significantly more aid by leaders such as Tony Blair at the 2005 World Economic Forum in Davos highlights the fact that priority is still being given to continued attempts to finance achievement of the MDGs. How more aid is supposed to lead to positive outcomes for the poor, however, remains unclear. During the last decade, as development projects grew more sophisticated and complex, many poor countries were already overwhelmed by the need to administer an increasing number of development projects. Thus, the main argument of many observers critical to traditional development efforts is that SD cannot be designed or achieved merely through supply and central administration of resources. What might be needed is a fresh approach of finding solutions and changing the very systems that produced the problems in the first place – an approach that does not emphasise aggregate or average positive outcomes but is driven by the ownership of positive outcomes by individuals. This is at the heart of the phenomenon of social entrepreneurship – to change the lives of real people and to change the systems that create and sustain poverty.

## **12.5 THE PHENOMENON OF SOCIAL ENTREPRENEURSHIP**

In June 2006, an Internet search with the Google search-engine for the term *social entrepreneurship* (SE) produced more than 1 million hits. While SE as a practice seems to have taken off, academic research on the phenomenon is still scarce. Only in the last five to ten years, a number of business schools have established research centres for SE and offer MBA-level courses on the subject. However, research seems still preoccupied with terminology and defining the boundaries of the phenomenon. In his essay on ‘The meaning of social entrepreneurship’, J. Gregory Dees remarks:

Though the concept of 'social entrepreneurship' is gaining popularity, it means different things to different people. This can be confusing. Many associate social entrepreneurship exclusively with not-for-profit organisations starting for-profit or earned-income ventures. Others use it to describe anyone who starts a not-for-profit organisation. Still others use it to refer to business owners who integrate social responsibility into their operations. What does 'social entrepreneurship' really mean? What does it take to be a social entrepreneur? (Dees, 1998: 1)

Neither of the terms *entrepreneurship* nor *social* lend themselves to clear definitions. The development of social entrepreneurship as an area for research closely resembles the development of research on entrepreneurship itself. Geoff Williams argued that interest in entrepreneurship as a practice and a field of study was crucially stimulated by community leaders' belief that entrepreneurship was a defining trend of the twenty-first century (Williams, 1999). Similarly, we observe that the rise of scholarly interest in social entrepreneurship goes hand in hand with an increasing interest in the phenomenon among elites. Over the last few years, a number of successful business entrepreneurs have dedicated substantial resources to supporting social entrepreneurship. For example, Jeff Skoll, co-founder of eBay, created a foundation and donated £4.4 million to establish a research centre for social entrepreneurship. Jeff Bezos, founder of Amazon, recently announced a US\$1 million award for innovative approaches and breakthrough solutions to effectively improve communities or the world at large.

Sekem is among the first organisations whose founders were recognised as Outstanding Social Entrepreneurs by the Schwab Foundation. Klaus Schwab, founder and executive chairman of the World Economic Forum, endowed the Schwab Foundation for social entrepreneurship in 1998. The Schwab Foundation uses a number of criteria for awarding membership to the network. The successful social enterprise must demonstrate innovation, reach and scope, replicability, sustainability and direct positive social impact; it must also be a role model and add mutual value (for both the Schwab network and the social entrepreneur). Using these criteria, since its inception, the Schwab Foundation has selected an average of 10 Outstanding Social Entrepreneurs each year. In 2004, 15 were added to the network and in 2005 the Schwab network consisted of a total of 84 social entrepreneurs, who managed 74 social enterprises. Typically, the Schwab Foundation elects members to its network when their enterprise is in its growth and expansion phase, giving them the opportunity to network with members of the World Economic Forum and among each other, rather than offering cash grants.

A fruitful approach to understand the phenomenon of SE may be to study its importance for the achievement of desired social or economic outcomes

(Seelos and Mair, 2005a). To give meaning to the term social entrepreneurship we chose to examine its role for the overall goal of achieving sustainable development. Especially in the poorest countries, acting in a vacuum of effective government and market structures, we find that social entrepreneurs discover and create local opportunities and contribute to social, human and economic development. The dramatic need for development in these countries may explain how some small entrepreneurial initiatives were able to grow to an impressive scale and expand their scope to cover a wide range of human, social, cultural and economic activities. BRAC in Bangladesh, an organisation that has grown over 30 years and today is thought to be the world's largest social venture, exemplifies this dynamic.

### **BRAC: Social and Economic Development in Action**

After a bloody liberation war with Pakistan, Bangladesh became independent in 1971. Millions of refugees returned, mainly from India, only to find destruction, violence and human misery. A Bangladeshi account executive working for Shell in London, Fazle Hasan Abed, decided to do something about the situation. In 1972, he founded the Bangladesh Rehabilitation Assistance Committee (BRAC) with a small grant from Oxfam, an international non-governmental organisation (NGO), as a temporary relief project with a regional focus. However, by 1974 the name had been changed to the Bangladesh Rural Advancement Committee, reflecting a new vision for dealing with a multitude of social problems on a national scale and the failure of government agencies to provide sufficient relief. Experiences in the early 1970s demonstrated that relief measures failed to impact the poor and that different solutions needed to be found through experimentation and learning. BRAC set up a research and monitoring division to support systematic prototyping, evaluation and learning in order to roll out programmes that work and limit the risk of failures. Innovation and learning was thus an integral part of BRAC's culture and organisational set-up from the beginning. The operation switched from relief projects to building an organisation for the holistic development of the poor. It combined skills transfer, improvement of health and educational status, provision of capital and the opportunistic creation of income-generating activities. By charging small (sometimes symbolic) fees, the idea was to become economically self-sufficient as much as possible and to instil a feeling of ownership that creates positive incentives in the participants. Over the years BRAC became more sophisticated in segmenting the poor into several levels that have unique needs. It has established customised programmes for all levels of poverty and abilities, which have enabled even the poorest to climb a development path that integrates them into



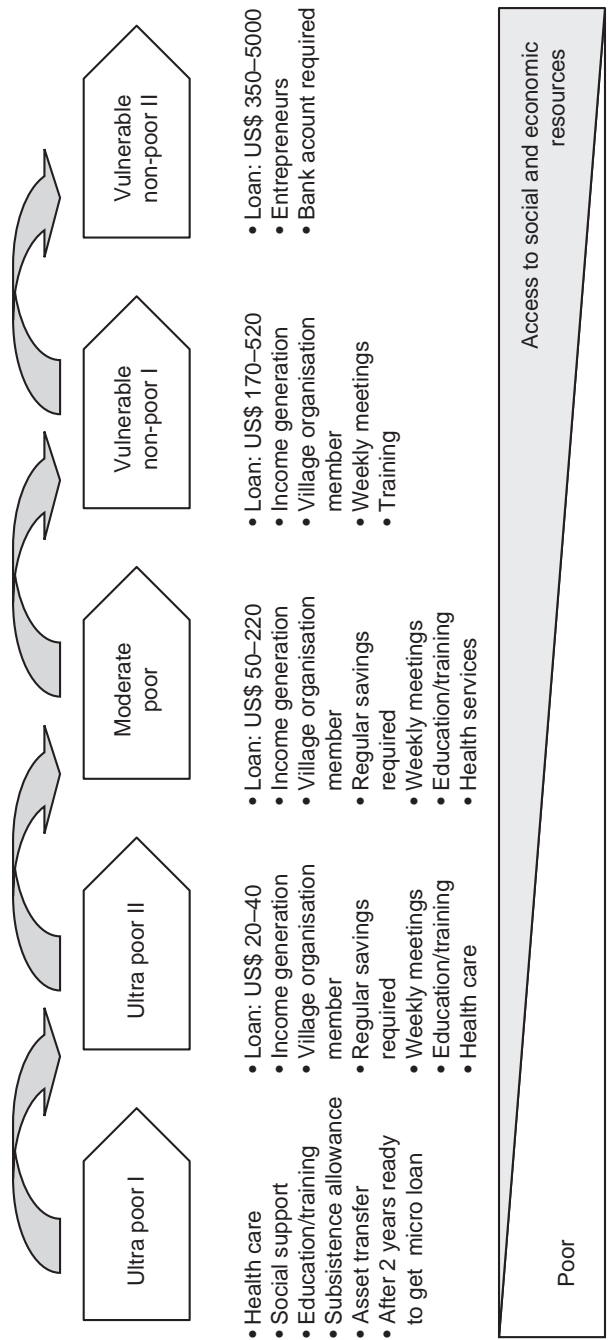


Figure 12.1 Poverty levels decline with access to social and economic resources

social and economic life. See Figure 12.1 for an illustration of the BRAC approach to segmented programmes for different levels of poverty.

BRAC coupled its microcredit provision with an elaborate economic development programme that ventured into various industries and helped people to find employment. It now also runs a commercial bank and a large dairy plant, shops selling the products of rural artists and other commercial ventures. The profits from these ventures enable BRAC to provide basic health services, to set up schools, adult education and training centres, and even a university. BRAC's ability to operate a large network of people in rural areas was recently acknowledged by the government, which increasingly seeks BRAC's support or even outsources to BRAC the implementation of large-scale health and education programmes (including a road safety programme). BRAC is now 80 per cent self-financed despite its many social and health-related activities for which costs cannot be fully recovered. Recently, BRAC began to transfer its model to Afghanistan to build a holistic development initiative based on insights from Bangladesh but adapted to the local context of Afghanistan.

### **Social Entrepreneurs and Sustainable Development**

BRAC's strategy and activities clearly exemplify many of the issues implicit in Brundtland's definition of SD as development that 'meets the needs of the present without compromising the ability of future generations to meet their own needs' (United Nations General Assembly, 1987: 24). Using the cases of BRAC and Sekem, and providing details on a social enterprise called WasteConcern, allows us to operationalise the abstract notion of SD. Specifically, we propose to decompose the notion of SD into three distinct sets of activities that aim at: (1) satisfying basic human needs; (2) creating communities that establish norms, rights and collaborative behaviour as a prerequisite for participating in social and economic development; and (3) translating the more abstract needs of future generations into action today (Figure 12.2).

### **Catering to Basic Human Needs**

In her report, Brundtland explicitly asked that priority be given to satisfying the essential needs of the poor (United Nations General Assembly, 1987). Given women's central position in the household, BRAC concentrates its efforts on poor women. Women are key to health, nutrition and family planning, and they are reliable savers and borrowers. Providing health services and educating women in how to prepare safe food for their families directly caters to basic human needs. To achieve this on a large

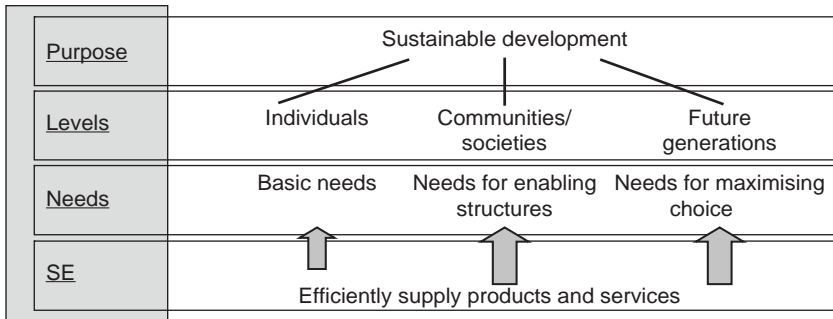


Figure 12.2 *An operational model of the contribution of social entrepreneurship (SE) to sustainable development*

scale, BRAC trained a cadre of village health volunteers to provide a comprehensive set of interventions to poor villagers, including preventive, promotive, curative and rehabilitative health services. The many vegetable, fish, poultry and dairy farms that BRAC operates are important sources of food for the poor. BRAC also provides small loans to repair or build houses and, as far as possible, also provides the means to repay the loans.

Sekem, the initiative briefly described in the introduction, opened a medical centre in 1996 to provide health care for the neighbouring community. The medical centre soon developed a high demand for its services. As a Sekem manager explained, ‘everyone in the area was sick’ (personal communication, 2004). When the medical staff visited the neighbouring community, it turned out that almost everyone had illnesses such as parasite infections or allergies. Soon the medical centre was providing treatment to around 30 000 people yearly, with comprehensive basic health-care services. The organic agriculture that Sekem introduced within its network of farmers protected thousands of people from the health damages of long-term pesticide exposure. Sekem also introduced a fair trade system that spreads risk along the value chain and provides a form of insurance to vulnerable farmers against becoming victims of famines caused by natural disasters.

### **Changing Norms and Behaviour to Create Opportunities**

A second crucial development aspect was emphasised by Brundtland when she called to provide the poor with ‘the opportunity to satisfy their aspirations for a better life’ (United Nations General Assembly, 1987: 25). Health and social issues needed to be taken care of before people could be economically productive. Consequently, BRAC provided services in

all the areas that prevent poor people from participating in economic life. Women were the most vulnerable group and had the least rights. Thus, changing the roles and perception of women in Bangladeshi society was key to reducing inequality and promoting learning and development. Education about rights and the provision of legal services was important to enable women to participate in economic life. This also meant a constant fight against fundamental religious tendencies, but BRAC management believe that they were successful in breaking many of the old norms that discriminated against people due to race, gender or hierarchy. BRAC used effective group processes to engage the poor in a structure called the 'Village Organisation'. This was usually a closed group of women who relied on each other for support and for monitoring progress. In weekly meetings with BRAC workers, the groups discussed ideas and problems and repaid their loans in small regular amounts. This instilled discipline, mutual support and individual as well as communal responsibility. The need to develop new norms for how people relate to each other, as well as to change the outlook on life for individuals, was always an important objective for BRAC's schools and education programmes. On a recent field trip, the authors of this chapter visited one of BRAC's schools. The 10- to 12-year-old children expressed their own expectations when asked what their future dream jobs would be (personal communication, 2005). They clearly did not want to become rickshaw drivers or housewives but, rather, wanted to be teachers, doctors or managers – expectations that also created a responsibility to provide these opportunities. It became clear to BRAC management very early on that the absence of markets and opportunities limited people's ability to use micro-loans productively and make use of their education. BRAC has built a finance industry for the poor in Bangladesh that ranges from microcredit for different levels of poverty to venture capital for micro-entrepreneurs to full-fledged commercial banks. Furthermore, it has ventured into six sectors to productively employ large numbers of poor people: poultry, fishery, livestock, sericulture, agriculture and agro-forestry. The absence of efficient markets to provide reliable inputs and the lack of infrastructure made it necessary for BRAC to manage the whole value chain, from training and organising the supply chain, to production, quality control, marketing and sales. A negative side-effect was that BRAC's growth and speed of development has thus far left little space for collaborations with the private sector. Rare examples include a joint venture with Renata Limited, a local pharmaceutical company that was founded and later divested by Pfizer. BRAC-Renata expanded poultry breeding capacity to one of the largest in Bangladesh. However, the joint venture has been dissolved at the request of Renata because it felt that BRAC was too large and diversified to consider their

joint venture of sufficient strategic importance. BRAC sold its stake at a significant profit to Renata.

BRAC today increasingly tries to connect the rural poor to existing markets in urban areas or international markets. Many other social entrepreneurs have succeeded in connecting the poor with markets. For example, Sekem pioneered organic agriculture in Egypt and sells its products in the local and international markets. A part of the profits of the Sekem Holding of companies provides financial support for its various non-economic activities.

### **Catering to the Needs of Future Generations**

The third aspect emphasised by Brundtland was that satisfying the needs of current generations must be achieved ‘without compromising the ability of future generations to meet their own needs’ (United Nations General Assembly, 1987: 24). Future generations have a current – albeit abstract – need for us to act on their behalf and in their interest as well. We do not know the exact nature of future needs, but certainly, future generations have a need to make their own choices. The concept of sustainable development thus implies that we should act in ways that do not increase constraints and thus lower the choices available to future generations. Inheriting a set of serious environmental and social problems will not support this goal. The costs of environmental degradation as a side-effect, or even a result of economic growth and modern lifestyles, accrue over long time periods and are spread over many stakeholders. The environment as a social asset is a shared common property; this characteristic of the environment does not maximise the incentives for individuals to best maintain it. In many poor countries, priorities understandably focus on current problems and the value of future benefits is heavily discounted. BRAC focuses on water and sanitation issues. Among other efforts of awareness building, it uses local entrepreneurs to build slab latrines – over 180 000 were installed in 2003 alone. In collaboration with the government and other NGOs, BRAC wants to achieve 100 per cent national sanitation by 2010. But BRAC is also concerned about the increasing disappearance of local culture and handicrafts. It considers this an important public asset that should be maintained for future generations. Connecting artists with the markets in the capital through BRAC-managed stores led to a revival of local arts because of the possibility of generating an income from this activity. It now involves over 35 000 artists. In Egypt, Sekem, as part of its mission to heal the land, targeted an important environmental problem. Cotton was Egypt’s most important cash crop. Unfortunately, it is also a magnet for countless insidious pests and has been known worldwide as one of the most pesticide-

intensive crops. Sekem developed a biodynamic concept for organic cotton cultivation based on the use of pheromones to control cotton insects. The results were so convincing that the Egyptian authorities officially promoted the methodology and implemented strict legislation that limited the use of pesticides. Over the following years, the total use of pesticides in Egyptian cotton fields was reduced to less than 10 per cent of the previous amount on nearly the same cultivation area, thus saving about 30 000 tons of pesticides per year. By 1999, these methods had been applied to nearly 80 per cent of the entire Egyptian cotton-growing areas.

Waste and pollution are common side-effects of early industrialisation and urbanisation that create costs for future generations. Dhaka, the capital of Bangladesh, produces more than 3000 tons of solid waste daily. For the government, this created an insurmountable problem – it had to spend almost 20 per cent of its total budget to transport less than half of the waste to a limited number of available open disposal sites. Women and children from city slums put themselves at great risk searching the disposal sites for items that could be sold, such as broken glass, metal, cloth or containers. The sites contain hazardous waste, are breeding grounds for disease vectors, pollute the ground water, constitute fire hazards and produce odour and significant amounts of methane – one of the greenhouse gases. Two entrepreneurs, Iftekhar Enayetullah and Maqsood Sinha, started an initiative called WasteConcern to address this problem in an entrepreneurial manner (Thurner et al., 2006). They recognised that the waste contained up to 80 per cent organic matter and that this could be composted to produce an organic fertiliser. WasteConcern also identified farmers as potential users of the compost. Farmland in Bangladesh was threatened by an overuse of chemical fertilisers that lowered organic matter in the soil to unsustainable levels. WasteConcern thus set up a marketing channel for their organic fertiliser by partnering with a local agrochemicals company. The demand from farmers for the product exceeded all expectations and the agrochemicals company then signed a contract stating that they would buy all the compost WasteConcern could possibly produce. It mobilised communities and orchestrated a simple but efficient waste collection mechanism that provided new jobs for several thousand poor people from city slums. The project is financially viable and is ready to be scaled up significantly. It also relieves the government of a huge social problem and saves tax money for other purposes.

### **Social Entrepreneurs Are Making an Impact**

The scale of the impact on social and economic development that many social entrepreneurs are having is significant. BRAC has distributed more

than US\$2 billion in micro loans, with a pay-back ratio of more than 97 per cent. It has built over 40 000 mainly one-room schools and operates a network of 70 million people in 65 000 villages all over Bangladesh. Between 1980 and 1990, about 2000 BRAC health workers trained 13 million women in the use of oral rehydration therapy, a cost-effective means of treating most instances of diarrhoea. This success story hugely improved the standing of BRAC vis-à-vis the government of Bangladesh. The recent drop in infant and child mortality is attributed largely to this effort. Its economic development activities have generated more than 5 million jobs and in 2003 alone it provided the government with tax revenue of US\$1.3 million.

Another example of social entrepreneurship, from Brazil, is the Committee for the Democratisation of Information Technology (CDI). Within 10 years of its founding, CDI has built a large network of schools that teach computer skills to the poorest children in the favelas of Rio, other disadvantaged areas in Brazil and many other countries in Latin America. In 2004, CDI had more than 500 000 alumni, many of whom found simple jobs for the first time after attending CDI schools.

In Kenya, an initiative called ApproTec was the idea of two entrepreneurs who started building simple technology using local resources that enabled poor people to start businesses. The income generated by these businesses amounted to 0.5 per cent of Kenya's gross domestic product (GDP) in 2004 and ApproTec created over 35 000 small businesses (Seelos and Mair, 2005a).

### **Social Entrepreneurs Contribute to Meeting Millennium Development Goals**

Using a more formal framework for SD, we mapped all enterprises constituting the Schwab Foundation network according to their contribution to the MDGs. Figure 12.3 shows the results of our impact analysis of the models, products and services of the current population of 74 social enterprises.

We considered 48 initiatives to directly contribute to targets defined by the MDGs (Seelos et al., 2005). From the information available, the remaining initiatives may not directly affect the specific MDGs, although many of them fulfil other UN goals that were, in fact, also outlined in the Millennium Declaration of 2000, such as human rights issues, landmine clearance and others. Thus, a majority of the Schwab Foundation social entrepreneurs have a direct and positive impact on achieving the MDGs. These social entrepreneurs are able to operate in some of the least developed countries (LDCs) as defined by the United Nations (UN), including

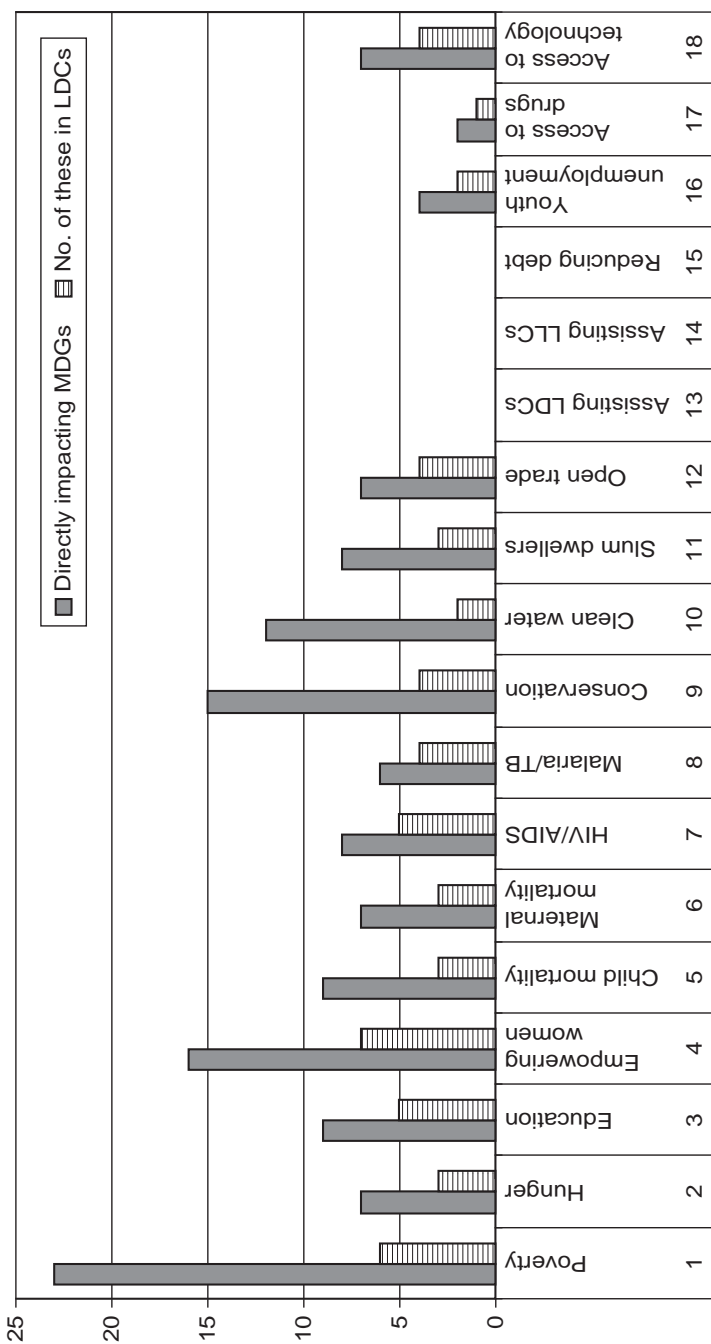


Figure 12.3 Number of Schwab Foundation SEs that positively impact the 18 MDG targets, and how many of these are operating in the least developed countries (LDCs)



Afghanistan, Angola, Benin, Chad, Congo, Ethiopia, Gambia, Lesotho, Malawi, Mozambique, Niger, Tanzania, Bangladesh, Cambodia, Laos and Nepal. Interestingly, we have no indication that any of the social entrepreneurs actually made a conscious attempt to directly contribute to the MDGs, especially as most of them were founded long before the MDGs were defined. Yet many of the models social entrepreneurs build through experimentation, trial and error are in line with the targets set by the development community. We therefore suggest that, by examining the models of successful social entrepreneurs, we will be able to generate a better understanding of how to address the MDGs and to achieve SD than by just focusing on the more traditional development projects undertaken by large multilateral institutions, local governments and non-governmental organisations.

## 12.6 CONCLUSION

Sustainable development goes beyond merely trying to achieve the Millennium Development Goals. It is about creating and discovering the many conditions necessary for the achievement of goals as an outcome. The social entrepreneurs we describe in this chapter are inspiring role models when it comes to devising innovative organisational models able to cater to the needs of the poor. The best models are profitable and continually expand in scale and scope. BRAC shows how economic development can be made possible by first investing in human needs in order to free people from a mere fight for survival. At the same time, BRAC invested in changing norms and rules in order to create communities that were consistent with productive economic activities. Several researchers have shown that social capabilities, in the form of individual education and skill sets as well as collective norms of cooperation and trust, are important prerequisites for economic development (Abramovitz, 1995; Chanda and Putterman, 2004; Temple and Johnson, 1998). After many years of investment in building these social prerequisites, BRAC now focuses more on economic development and builds commercial enterprises as an important driver to move the poor in Bangladesh out of poverty on a larger scale. So far this has happened with little involvement of the private sector.

However, the case of Telenor's joint venture with the Grameen Bank highlights how companies can leverage these dynamics to produce significant shareholder value and create large-scale positive social outcomes as well. Telenor, the incumbent telecommunications company in Norway, invested in a joint venture with the Grameen Bank to operate a mobile

phone licence in Bangladesh in 1997. It now has two organisational structures with different but mutually reinforcing strategic objectives: one maximises shareholder value by providing mobile services to the growing middle class; the other sells mobile phones to poor women in villages, who create their own small businesses selling phone calls to other villagers. The for-profit side now has a 60 per cent market share in a market of 150 million people. It is hugely profitable and growing rapidly, with a long way to go (3 per cent penetration so far). The non-profit side of the joint structure has created more than 100 000 jobs for poor women and already generates revenues equal to 10 per cent of the total revenues of the for-profit side (Seelos and Mair, 2005b).

A great deal of the work done by social entrepreneurship initiatives, such as BRAC or Sekem, focuses on changing the context that influences how people perceive the world. As a BRAC manager said: 'As soon as poor people understand that poverty is not a normal state but a symptom of things missing, their perception of life changes. All of a sudden there is hope of a different future' (personal communication, 2005).

## NOTE

1. The information in this study on Sekem, BRAC and WasteConcern is derived from interviews by the authors with the founders and managers of each organisation and from various secondary sources.

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