



MUHAMMAD YUNUS

The visionary pragmatist

Muhammad Yunus's pioneering microloans for the poor brought him fame, acclaim and the Nobel Peace Prize 2006. An exclusive interview with the banker from Bangladesh on his dream come true: "Social Business"

■■ **INTERVIEW:** *Kerstin Humberg*

Your vision of putting poverty into the museum by introducing a new kind of business to the marketplace is appealing. On the other hand this endeavor seems impossible. What feedback do you get when you are promoting "Social Business"?

The general reaction is very positive – from the business side as well as from the academic side. New organizations are coming up to support "Social Business" like the "Institute of Social Business" at California State University Channel Islands or "Grameen Creative Lab" in Wiesbaden. Only recently people came from Glasgow Caledonian University, signing up a contract to promote "Social Business" among their students and the business community in the UK. Whether it's USA, Europe or Japan – wherever this idea is spread, I get a very good response.

What do hear from your critics?

On the negative side, we don't hear anything new, except the old argument. That it doesn't feel like this will draw attention of the business community, because after all people want to make money. "Who would like to be in business without money?" they ask.

How do you react?

I am replying that this is a kind of notion coming from the world, which has only one kind of business: the profit-maximizing business. Another kind doesn't exist. Once it exists, you will find out whether people do it or not.

What does the reality check look like?

We already have several "Social Businesses" in action. One is the "Grameen Danone Food Ltd.", a "Social Business" we established in 2006 in order to fight malnutrition among poor children in Bangladesh. This joint venture produces yoghurt enriched with crucial nutrients at a price of 6 Taka, which even the poorest can afford. Another one is "Grameen Veolia Water Ltd.", a joint venture that aims to make clean and safe water accessible to villagers in the poorest parts of Bangladesh.

What's next on your agenda?

There are several other "Social Businesses" in the pipeline. Like "Grameen Employment Services", a company that will train people from Bangladesh in order to find them jobs outside the country. We want to make sure that they can have a decent life, not being abused by people who are trying to make money out of them.

What do your followers appreciate about the "Social Business" concept?

The fact that there is room for it. Nobody is forcing them to get into it. "Social Business" creates a new option. For foundations for example. Instead of giving away their money as charity, foundations could invest in a "Social Business". Charity money has only one life, but a "Social Busi-

ness" can be financially self-sustainable. If your "Social Business" model works, the money will recycle and benefit even more people. It's a better utilization of funds, which we could apply also to bilateral and multilateral aid.

For charity organizations this might be true. But why should for-profit companies that need to hold their ground in competition get involved?

Money tagged as corporate social responsibility money, but used for public relation purposes, could be converted into a "Social Business" investment. No harm is being meant to the existing business. At the same time opportunities open up for using money in a better way to get involved with issues a profit-maximizing business cannot handle. >>

“If “Social Business” works, the invested capital will keep flowing back, benefiting more and more people”



The realities of "Social Business": Grameen Veolia Water Ltd. wants to give the poor rural population access to clean drinking water



What are your experiences after more than two years of “Social Business” experiments with multinational companies such as Danone, Intel or Veolia?

People coming from the traditional business world get very excited doing this work. The whole thinking process undergoes such a tremendous change. You are not the same person anymore. You look at issues you never looked at before and you do that with excitement, with thrills. There is no compulsion. Nobody is forcing you. Even employees not directly involved got very excited. Together we are developing tiny prototypes, and if we can demonstrate that these prototypes work, what we have done actually, we have developed a seed. The rest is a multiplication problem.

Like it was the case with the Grameen Bank?

There in fact the example of Microcredit comes very handy. Microcredit was developed in one village. Once it worked, the seed was developed. And once we started replicating, anybody could replicate. It became a global phenomenon. Some day probably our “Grameen Danone Food Ltd.” will become a global phenomenon too, because we all will know what to do. It will be a standard thing through which malnutrition issues can be resolved. One day maybe Veolia could be a seed, which can be replicated globally. That’s the interesting part of it – since there is no patent.

Patent means protecting your knowledge?

Yes, whereas in “Social Business” you publicize it. You publicize your

“People are gradually coming to realize that profit-centred business cannot be the only solution to the global challenges facing us now”

knowledge so that everybody else can join in and help. The seed development is the most important thing. Once you have developed the seed, it can grow.

How did the financial and economic crisis affect your “Social Business” activities so far?

It affects us in a positive way, because people feel that profit-maximizing business is not the solution to our global challenges. The confidence people had in market mechanisms – in the free market with maximization of profit – has been damaged. It didn’t work out. In that context, when people are full of doubts and frustration, when you talk about “Social Business”, it suddenly makes sense to them. Yes, why not? Why do we always have to go for making money? Why can’t we do something like this so that we can balance out? We can strain ourselves in the profit making side, but at the same time use our talent and creativity in “Social Business” to solve the world’s problems.

The financial crisis as a chance?

The financial crisis created a very right kind of environment where people are willing to listen. If everything is flourishing, the economy is moving very fast, expanding growth is ensured and there is no risk, people will say:

Who is Muhammad Yunus?

His nickname is “Banker to the Poor”: In 2006 Muhammad Yunus and his Grameen Bank received the Nobel Peace Prize for their battle against poverty. Yunus developed the concept at the core of Grameen Bank: banking without collateral for the poorest of the poor. Since the 70ies the Grameen Bank offers small loans for self employment – especially to poor women. Muhammad Yunus was born in 1940 in the village of Bathua, in Hathazari, Chittagong, the business centre of what was then Eastern Bengal. He was the third of 14 children. His father was a successful goldsmith who always encouraged his sons to seek higher education. Yunus studied economics at the Vanderbilt University, USA, and received his Ph.D. in 1970. Returning to Bangladesh in 1972, he joined the University of Chittagong as Head of the Economics Department

“Come on, its working. Don't disturb. Let it happen.” Today it's a different context.

What if your partner companies are just following their growth strategies? What if it's not about “Social Business”, but about entering new markets?

This might be their strategy. My strategy is to get them into “Social Business”! Some people say: “Oh, Danone is using you!” I am replying: “I thought I am using them!” Probably we are using each other. However, the process will change them. It will change everybody else. Assuming that Danone came with a business mind, an intention to enter a new market and maybe get some financial returns in the long run. In the meantime probably their idea has changed. Maybe “Social Business” is a good idea, because it has changed so many minds in our company. The initial idea and the later idea is not necessarily the same thing.

New joint ventures are in the pipeline. What are the main obstacles for implementing new solutions?

It's a question of people getting familiar with the concept. Now, after BASF has taken the first step in Germany, other German companies will say: “Are they crazy? Why are they doing something in Bangladesh and calling it Social Business?” Others will become interested and they will like it, because it costs you so little. “Why don't we do it? We get a million dollar publicity for a one dollar investment. Let's get the publicity!”

That's not a social mission yet.

No, but let them come from their business angle. In the meantime, lots of new things will happen – and that will change the mind of the young people in school: “When I grow up, I will have a Social Business. I know what sort of Social Business I want to do”, they will think. Varieties of experience will come up. Let's move forward step by step.

Early “Social Business” examples are trying to overcome malnutrition or to improve access to health care and information technologies in developing countries. What other “Social Business” opportunities do you see?

Poverty reduction is only one area of “Social Business”. Ultimately all the issues which are piling up – issues profit-maximizing businesses cannot handle – all these issues are the subject of “Social Business”. If you can create a “Social Business” that benefits the environment, everybody benefits from the work. It's a global issue for everybody, rich, poor, middle class – everybody. It's about health, nutrition, water, sanitation and all those things. “Social Business” is supposed to address all the un-addressed issues.

What about human rights?

I never thought about it, but some smart guy will find out that yes, human rights issues could be converted into a “Social Business” too. Not that it solves all the problems, but it helps. Somebody could say: “I will start an insurance business to ensure your human rights. If you pay the insurance fee, we will protect you on human rights issues. We will fight for the last!” Like you protect yourself from health problems, you protect yourself from human rights issues.

How do people in Bangladesh react to your activities?

In Bangladesh nobody really pays attention.

Why not?

No, it's not surprising, because basically they think knowledge always came from the west. People don't pay attention to somebody who is doing crazy things next door. <<

What's the Meaning of “Social Business”?

According to the Nobel Peace Prize Winner Muhammad Yunus there is a way to overcome global poverty: “Social Business”, a new type of enterprise in addition to traditional profit-maximizing business and poverty reduction through charity and donations. A “Social Business” is a non-loss, non-dividend business with a social purpose. A “Social Business” pays back only its original investment and reinvests its profits in innovations or further growth that advances its social and / or environmental goals. Although a “Social Business” is pioneering in its aims, it is traditional in its management. Its workforce is professional and does not rely on volunteers. It may or may not earn profit, but like any other business it must not incur losses.

A good example of “Social Business” in Germany is HelpGroup: www.helpgroup.de.

Right: **The mothers of these young boys sell yoghurt from the “Social Business” company Grameen Danone Food Ltd.**

Below: **Reporter Kerstin Humberg on the road in Bangladesh**



Kerstin Humberg

After her journalism education through the Catholic Journalism School in Munich, our author Kerstin Humberg studied Economic Geography, Politics and Psychology in Hamburg and Granada, Spain. Since January 2006 she is working for an international business consulting firm in Hamburg. Up to April 2011 she will be on educational leave from her job in order to focus on her Ph.D. in Economic Geography. In the context of her research on “Poverty Reduction through Social Business – Lessons Learnt from Bangladesh” Kerstin recently met Prof. Yunus in Dhaka. In November she will travel back to Bangladesh in order to conduct field research on site.