



Social Business? 10 Theses

- 1.** Social business has become a popular buzzword. Since the number of companies and consultancies with “social business” in their name is rising, there is a strong debate about the term’s definition. Why? Firstly, because the term is not trademarked. Secondly, because it links two broad notions that are in themselves a bit fuzzy. What is social? And what’s a business for? Without adding “Yunus” or “Grameen” to social business, the term remains vague and open to personal interpretation.
- 2.** There is another reason for that. Particularly in Germany, the core idea of social business is not that new. A large number of companies particularly in the German health and education sector reflect our long-standing tradition of social purpose companies that are self-sustainable and pay no dividends. They are organized as companies and are even subject to tax benefits (gGmbH).
- 3.** For the German context, this may be true. But think of developing countries like Bangladesh. In a poverty context, social business certainly brings about a new perspective. (Grameen) social business turns poor communities from aid beneficiaries into suppliers, producers, or customers, and time-bound development programs into commercially viable business solutions. In contrast with donor-funded initiatives, (Grameen) social business companies do not respond to donor priorities, but to market conditions.
- 4.** Market-orientation is certainly a cornerstone of a social business. At the same time, social business triggers a rethink of the global welfare state and revives the idea of the social market economy. It opens new avenues for the division of labor between politics, economy, and civil society. By focusing on results as currently experimented with in so-called social impact bonds, it also allows for new efficiencies and greater effectiveness in the social and public sector.
- 5.** The new generation of social business joint ventures between Grameen Group and multinational companies such as Danone, BASF, or OTTO certainly creates broad visibility. These joint ventures have generated huge public interest in Yunus’ social business concept and reflect a new avenue toward market-based poverty reduction. However, for the concept to flourish in the long run, we need a broad base of individual social entrepreneurs willing to take the risk of mission-driven ventures.
- 6.** In fact, social business joint ventures with multinational corporations imply a higher risk of top-down approaches than social business initiatives started by individual social entrepreneurs. Due to their mixed (social and financial) objectives, multinationals tend to look for social problems that fit their business portfolio and strategy, rather than searching for creative solutions to the most pressing problems and innovating from the bottom-up.
- 7.** Whether top-down or bottom-up: in poverty contexts, social business models are particularly promising when they address market failures. Both Grameen Bank and Grameen Phone exemplify how mission driven companies can contribute to frontier market development. Both companies managed to overcome so-called “poverty penalties” in terms of the higher costs the poor had to pay for loans or long-distance communication before. Through innovative systems and services, both companies have fostered micro-entrepreneurship among the poor and reduced their cost of living.
- 8.** However attractive the idea of social business sounds, it is certainly not for every social sector organization. The need for commercial viability can create a mission drift within social organizations. Focusing on revenue streams can lead to cherry-picking with respect to the beneficiaries of the business instead of a focus on those most in need.
- 9.** Dr. Humberg's empirical research on Grameen Danone and Grameen Veolia in Bangladesh suggests that: Despite various start-up challenges, both social business companies contribute to poverty reduction in terms of the sustainable livelihoods approach. They positively affect poor people’s livelihoods assets and access to economic resources. They provide access to water and nutrition and contribute to people’s income and food security. However, previous findings are not suggestive of a panacea. As long as the global economic system remains the same, individual social business companies will remain a drop in the ocean.
- 10.** To create a global movement going forward, we should define social business in a broader sense. The core of a general “social business” definition should focus on the “social and/or ecological impact” generated through a business rather than the abdication of dividends.

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"Poverty Reduction through Social Business? Lessons Learnt from Grameen Joint Ventures in Bangladesh" (Oekom Verlag)

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"Social Entrepreneurs at the Base of the Pyramid - An Exploratory Multi-Method Study of the Start-Up Stage of Social Ventures from a Resource-Based Perspective" (Universität Witten/ Herdecke)