Social Business

Die Revolution der Wirtschaft zum Dienst an der Menschheit
**Situation:** A wall between social and economic goals

- **Welfare state** (bureaucratic)
- **Economy** (Friedman: "the social responsibility of business is to increase its profits")
- **Society** (wealthy philanthropists)
- **Individuals** (Adam Smith misunderstood: egoistic prosperity benefits all)

"do good" (public)  "make money" (private)

Population: 1900 2000

Wealth per capita: 1900 2000

Complication: Money as end in itself leads to greed while 1bn people starve

Population of 6.8bn

- 3.36
  - 0.04 = malnourished
  - 3.36
  - 2.4
  - 1

- Fall of Iron Curtain
  - No systemic competition
  - Lack of correctives

- Money as an end in itself
  - Unlimited greed
  - Financial crisis

1-2$ per day = “poor“

What is enough?

**Solution 1**: Micro-credits empower the poor – the revolution of aid

**Group of 5 borrowers**
- No collateral
- Small business ideas
- Willing to be liable for one another

**Grameen “bank”**
- Only poor customers (new: beggars!)
- 90% local money/savings as loans
- Profitable

High social impact: World Bank found family income, quality of clothing, housing, education etc. to increase significantly (<90%)

Grameen originated the idea of “Social Business”: a business with a social purpose, owned by the poor

**Solution 2: Social (Impact) Businesses revolutionize economy**

**Social Business**

- Business **objective** is to **overcome poverty**; not profit maximization. BUT **financial sustainability** is achieved.

- Investors receive back their investment amount only. **No dividend is paid.** After that, all company profit stays with the company for expansion and improvement.

- Environmental consciousness and market wages are self-evident.

→ **Investors benefit long-term from the high social impact which turns the poor into relatively affluent buyers.**

**Social Impact Business**

as **Social Business**, except: **Investors can receive a limited dividend** (e.g. 2% above inflation) outside poverty (BOP) markets.

→ **More growth by attracting capital which does not benefit (financially) from the long-term social impact.**

**Solve social problems without charity!**
- Win-Win situation for all involved (along entire Value Chain!)
  - Money as a means to an end

Source: Genisis (2009), Yunus (2008)
Mindset: New paradigm abandons numerous preconceptions

- Competition
- Help
- Protectionism
- Wage dumping & job-loss
- Teamwork & Empathy
- Self help
- Booming export markets
- Fair wages for all

Overcome confidence crisis through authenticity and credibility

Source: Alt/Spiegel (2009)
Example 1: Grameen Danone Foods (Bangladesh)

- Local sourcing
- Essential vitamins
- Eatible container
- No cooling for transportation

Social Joint Venture Grameen & Danone

- Local job creation  →  higher family incomes
- Healthier children  →  lower medical costs
- Better education   →  higher economic growth

Source: Genisis (2009)
**Example 2: SRISTI (India)**

**Shodhyatra** to collect knowledge from villagers

**Honey Bee Network**
database collection

**Marketability**
- Prototypes
- Patents
- Distribution

→ *Money goes to villagers* → *economic empowerment of rural areas*
→ *Entrepreneurship and inventiveness become exemplary*

Source: Genisis (2009)
Example 3: Zahra Rosewater (Iran)

Poppies

- $9,000 per hectare
- High demand of water
- Illegal and against religion
- Dependence on opium mafia

Roses

- $7-8,000 per hectare & 1/3 of profits
- 1/3 of water necessary
- Good conscience
- Long-term international contracts

→ Livelihood for 1,500 families
→ Poppy cultivation crowded out by 100%

Source: Genisis (2009)
**Example 4: Specialisterne (Denmark)**

- **Concept of humankind**
  (doing what you do best)

- **Working conditions**
  (noise-reduced offices)
  → concentration

- **Responsibilities**
  (bridging computing & human planning)
  → specialization

- → 40 people with autism in well-paid jobs
- → Blue-chip customers (break-even after just 3 years)
- → Expansion (franchise) to dozens of countries?

Source: Genisis (2009)
Demarcation: Social Entrepreneurship focused on (social) change

Social Entrepreneurship as a term defined 25 years ago by Ashoka

Focus on
→ Social (and often political) change/effectiveness
→ Efficient use of resources
→ Innovative ness and scalability of approach

Source of funding irrelevant
(though often of effect on scalability)

Source: Nicholls (2006)
Demarcation: Corporate Social Responsibility focused on PR

CSR emerged due to pressure from consumers

- Original focus on risk prevention
- Located in Marketing departments
- Most frequently charity
- Only now beginning to shift to strategic outlook and profit potential (bottom-of-the-pyramid)

Social aspects inherently 2nd or 3rd priority

Source: Bartels/KPMG (2008)
Functions: New and old players share the field

Social Business becomes a thriving sector of economy

Source: Kuhlemann (2009)
Opportunity: Social Business offers benefits to all players in society

"do good and make a living"

**State**
New forms of privatization

**Economy**
Innovations and new markets

**Society**
More problems solved more sustainably

**Individuals**
Multi-dimensional fulfillment, “enterprise your life”

So all is well?

Source: Kuhlemann (2009)
**Goal:** The walls of poverty, exclusion and discrimination must fall!

- 20 years ago, the wall of ideology came down.
- 20 years from now, we should inaugurate the museum of poverty!

**YOU can bring those walls down, start today!**
Questions: Please get in touch!

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### Action: How to get started NOW

<table>
<thead>
<tr>
<th>Activities</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Read & give away publications      | - Read the books available  
- Use them as presents to friends, family, … |
| Donate & invest                    | - Donate to GENISIS  
- Invest in social or ethical funds |
| Get educated                       | - Subscribe to our newsletter  
- Visit our workshops and seminars |
| Network                            | - Come to the VISION SUMMIT  
- Join us on facebook, XING, etc. |
| Support our campaigns              | - Send letters to politicians (G20 Global Marshall Plan)  
- Identify good examples & best practices (Parliament of Action) |
| Set up a Social Business           | - Start from scratch  
- Transform an NGO  
- Transform a CSR-project |
Recommendation: Reading list

- Franz Alt/Peter Spiegel: **Gute Geschäfte.** Eine humane Marktwirtschaft als Ausweg aus der Krise (erscheint Mai 2009)


- Muhammad Yunus: **Die Armut besiegen.** Das Programm des Friedensnobelpreisträgers. (2008)