

I The B-School and Social Business

Today's turbulent economy has underscored the fact that capitalism isn't perfect. Even when capitalism is functioning well, there are chronic problems of hunger, poverty, homelessness, malnutrition, economic disparity, pollution, unemployment, illiteracy, and lack of healthcare for millions. I believe it is time to save the world from the undesirable consequences of unbridled consumerism and globalization. It's time to look at alternate models of business—businesses that sustain themselves and the planet, instead of existing merely to maximize profit. It's time for business schools to teach social business.

A social business is one that addresses an unmet need of the poor or is owned to a significant degree by the poor, or both. It works *with* the people it serves, helping them as they improve their own lives. Examples of social businesses are outlined in *Creating a World Without Poverty: Social Business and the Future of Capitalism*, by microfinance pioneer and Nobel Prize winner Muhammad Yunus.

Yunus expects that, eventually, entrepreneurs will found a range of social businesses, financed by both individual and institutional investors. The idea is to complement profit-maximizing businesses (PMBs) and nonprofit organizations with firms whose core missions revolve around redressing a societal problem. Although average investors seek high returns, that's not the case for social investors, who typically are willing to receive a smaller return for the chance of doing good in the world.

To me it seems clear that PMBs,

nonprofits, and the public sector all are at a disadvantage compared to social businesses. PMBs often draw short-term investors who care too much about maximizing wealth and too little about the environment, consumer safety, and the larger community. While some PMBs have started to remake themselves into socially conscious corporate citizens, their eventual gains are uncertain. Meanwhile, nonprofits and nongovernmental organizations (NGOs) have done a wonderful job addressing many social problems and attracting international support for their work. But their impact is often limited if they're underfunded or inefficient. Finally, while the public sector is large and often effective, it has typically lagged in innovations and efficiencies.

In contrast, social business has as its primary mission the goal of solving a social problem. Like a for-profit, it is designed to be competitive and succeed as a business, while it benefits from private investors. Unlike a charity, it treats its beneficiaries as customers, not victims.

Successful social businesses already exist around the world. An example is Grameen-Danone, established in 2007, which produces and sells nutritionally enriched yogurt for children in low-income households in rural Bangladesh. From design to operations, its mission has been to maximize social impact—improve the health of poor children, create jobs for women, add to the income of small farmers, and be environmentally friendly—while ensuring the company makes enough profit to grow.

Grameen Health Care Services Ltd., patterned after India's Aravind Eye Care, is also designed to serve both the paying patient and the poor. Both hospitals perform thousands of

eye surgeries a year, using a “Robin Hood” pricing scheme in which regular patients pay market prices, but poor patients receive high-quality care at a nominal cost.

There are other examples, but, in my mind, too few of them. That might be because there are three key challenges in developing hybrid businesses that have dual missions:

- Their concepts, theories, and practices remain largely untested, and no legal framework exists to support them.

- Social entrepreneurs have few role models and case studies to guide their efforts.

- It's difficult to determine what constitutes success, if the prime measurement is not going to be profits. For the social business, what would be the equivalent of stock returns? Yunus suggests that equity markets worldwide follow the example of the French stock exchange, which recently agreed to list “social business development fund” as a mainstream money market fund. Even in the most receptive environment, however, sometimes these new outcomes are not as measurable; they may take decades to come to fruition.

At least the first two of these challenges could be addressed by business schools with a bent toward social enterprise. If b-school deans take up the mantle of thought leadership in regard to social business, they can lead the way for an idea that might well transform both business and society.

Some schools are already bringing social concerns into the business curriculum. Today's niche programs focus on sustainability, corporate social responsibility, and the philanthropic sector, which includes traditional charities and NGOs. But

“We must work together to give social enterprises the same nurturing environment for-profits have enjoyed for years.”



in my opinion, management education could be doing much more to advance social enterprise worldwide, particularly in two key roles:

Research. Professors could conduct research that offers practical guidance to social entrepreneurs.

They could work out details of alternate business models, examine the existing regulatory and tax framework, and suggest policy changes that will encourage trends in corporate social responsibility. At the same time, they could write case studies about successful social businesses, which would become blueprints for new entrepreneurs.

Coursework. More schools could offer what Yunus calls a “social MBA,” which would cover traditional finance, marketing, management, and HR skills, but from a different perspective. Students in this program also could take courses focusing on the economics of poverty, maximizing social benefits to the poor, and finding solutions to social problems. This would give graduates not only the analytical tools they need to conduct business, but also the compassionate understanding they require to address the needs of the poor.

Some of these programs might be built around the ideas presented by C.K. Prahalad in his book, *The Fortune at the Bottom of the Pyramid*. Prahalad believes the world could “fight poverty through profits” if the private sector would capitalize on the enormous size and buying power of the impoverished household, designing products that benefit and can be purchased by the poor.

I am impressed by the efforts that are already under way at some schools. For instance, Harvard Business School’s Social Enterprise Initiative has the lofty goal of educating “leaders who make a difference in the world” by applying


“management skills to create social value.” SEI courses cover business at the base of the pyramid, effective leadership of social enterprise, entrepreneurship in the social sector, and more. The SEI also enjoys synergy with programs across the campus that have similar missions. Likewise, Stanford’s Center for Social Innovation offers initiatives such as the Social Innovation Podcasting Channel to facilitate multidisciplinary learning for social change. Stanford also disseminates knowledge in this area through its Social Innovation Conversation, which records the words of thought leaders and shares them with people who otherwise wouldn’t have access to them.

Many top business schools organize internal business plan competitions that focus on social enterprise, but I’m most impressed by a unique collaborative project called the Global Social Venture Competition. It’s run by the Haas School of Business at UC Berkeley in partnership with Columbia Business School, London Business School, the Indian School of Business, and Thammasat University of Thailand. Supporting partners include the University of Geneva in Switzerland, ESSEC Business School in France, The Yale School of Management, the Catholic University of Milan, and a consortium of business

schools in Korea. The participants’ mission is to build on their networks of global leaders, entrepreneurs, and academics to change “the way business measures success.”

And yet, while some schools are being proactive, most of them are being reactive, only offering a greater focus on corporate social responsibility when students and stakeholders demand it. At both the conceptual and practical level, much work remains to be done to truly make social business part of the business school curriculum.

Yunus believes that academics, business leaders, and policy makers must work together to give social enterprises the same nurturing environment for-profits have enjoyed for years. In his Nobel lecture, he describes the challenge of unfinished work, calling for a social stock market where only the shares of social businesses will be traded. He says, “We will need to create rating agencies, standardization of terminology, definitions, impact measurement tools, reporting formats, and new financial publications, such as *The Social Wall Street Journal*. Business schools will offer courses and business management degrees on social businesses to train young managers how to manage social business enterprises in the most efficient manner, and, most of all, to inspire them to become social business entrepreneurs themselves.”

The history of ideas shows that for an idea to succeed, timing is important. I believe the time is right now for business schools to embrace the idea of social enterprise. 

Munir Quddus is dean and professor of economics at the College of Business, Prairie View A&M University in Texas.