

Social Entrepreneurship for (Social) Profit

Dear Friends,

When Phili contacted me a fortnight ago to give a talk at the Annual General Meeting of the World Zarathushti Chamber of Commerce, he asked me to choose from four topics and the one that appealed to me the most was the subject of 'Social Entrepreneurship for Profit'. The world of business is what it is today because a large number of business entrepreneurs started commercial activities which were pioneering and unique when they started. Almost all the business empires we see around us today were once built by individuals who dared to be different and enter fields where few had ventured before. Their successes brought others into the same businesses and while some merely replicated the original discoverer's model or offering, others built differentiators and improvements so as to create their own unique brands or brand propositions.

But, recently we have seen the emergence of a new breed of entrepreneurs - people who commence an activity not just for commercial considerations alone but because, first & foremost, they wish to bring about social change. Their dreams and visions are not about making profit for their organisations or for themselves, but to ensure that their endeavors would profit the communities and constituencies for whom they entered a particular field. The big difference between social entrepreneurs and business entrepreneurs is that they enter a business not just for personal profit but for social profit or the benefit that their business can have for a large number of people. Most social entrepreneurs tend to avoid publicity so the achievements of only a handful get known. They also have this remarkable quality that they have no problem when anyone else copies their ideas. They in fact welcome people shamelessly copying their ideas because the more people who engage in the activity, the greater will be the social change achieved.

Many years ago Jamshetji Tata, one of the greatest entrepreneurs from among the Parsis made this very profound statement - *"In a free enterprise the community is not just another stakeholder in the business but, in fact, the very purpose of its existence"*. I will refer to some of Jamshetji's thoughts about philanthropy once again a little later, because the more I read about him the more I marvel at his perspicacity, wisdom and foresight.

There is one other reason why I chose to speak about Social Entrepreneurship to this audience. It is because I feel that we Zoroastrians are eminently suited to being Social Entrepreneurs and this is something that should come to us naturally. We believe that righteousness is the greatest virtue of all; we revere nature and the elements and do our best to preserve them. We have an amazing track record for parting with our wealth for philanthropic purposes. Our faith and scriptures teach us to think for others, to be charitable and to make the world a better place to live in. Lastly, we have an innate ability to distinguish right from wrong, a strong sense of duty and are always ready to take up a cause of the underdog and correct some of the social ills we see around us.

I will during this talk attempt to select a few examples of modern-day social entrepreneurialism to give you some idea of how simple and innovative ideas when driven with courage and conviction have made a significant difference to the people who they touch.

However, before that, as I said earlier, let me reproduce some of Jamshetji's thoughts on Philanthropy. In 1899, he was criticized by some members of our community for donating the princely sum of Rs. 30 L (£ 200,000) to the setting up of the Indian Institute of Science when he could have given this same amount for the charities for the community. He wrote in his own defense in the West Coast Spectator on 9th February 1899:

"There is one kind of charity, common enough among us, and which is certainly a good thing, though I do not think it is the best thing we can have. It

is that patchwork philanthropy which clothes the ragged, feeds the poor, and heals the sick and the halt. I am far from decrying the noble spirit that seeks to help a poor or suffering fellow-being. But charities of the hospital and poor asylum kind are comparatively more common and fashionable among us Parsees. What advances a nation or community is not so much to prop up its weakest and most helpless members, as to lift up the best and most gifted so as to make them of the greatest service to the country. I prefer this constructive philanthropy that seeks to educate and develop the faculties of the best of our young men."

Even today the Tata Trusts follow the above philosophy of the Founder and there are thousands of young men and women who proudly acknowledge that they are what they are today because of the small but important financial assistance they received in their early years as Tata Scholars. (Dr. R A Mashelkar, India's leading Scientist, is one such person who never hesitates to acknowledge this). However, Social Entrepreneurship is by no means the exclusive preserve of the Parsis and I would now like to share with you some of examples of social entrepreneurship that have made a difference to a substantial number of people in this world.

A few months ago, as some of you would know, I was associated with the task of rescuing a company which had once been one of the crown jewels of the India's IT world – India's 4th largest IT Services Company - Satyam Computer Services Ltd. The Company abruptly and unbelievably fell from grace, with a resounding thud that shook the corporate world both in India and around the world. On 9th of January 2009, its Founder & Chairman publicly admitted, in an unbelievable confession, that the company had for 8 years been fudging its accounts and that, far from being in the pink of health, as its accounts showed, it was in fact on the verge of bankruptcy. The exercise that I was fortunate to be involved in was a great learning

experience for me in many ways. The learnings were mostly of a financial and business kind, but, there were also certain human dimensions to the story which were indeed very powerful and which will remain with me for a long, long time to come. While working on that assignment, several times the words of the great bard, William Shakespeare, (in the famous Marc Anthony speech from 'Julius Caesar') leapt out at me and seemed to be almost written for this very situation - "***The evil that men do lives behind them. The good is oft interred within their bones***". While Mr. Ramalinga Raju will most certainly be remembered for the rest of his days as one of India's craftiest scamsters, people will unfortunately forget some of the truly commendable things the man did in his life-time. It is a huge paradox for all who knew the man that a person who was genuinely concerned about the well being of communities around him, who could do so much good for the common man, could also plot and plan the biggest fraud in India's corporate history.

Of the several social responsibility programmes that were either initiated by Satyam or its Promoters two programmes stand out in my memory and as I speak about them perhaps you will appreciate why. Both projects have already had a tremendous impact on the lives of the communities that they have so far been able to touch and the numbers are not small. A few years ago, Ramalinga Raju set up two organisations, HMRI ('Health Management & Research Institute') and EMRI ('Emergency Management & Research Institute'). The services of both these organisations are available to those who need them through two toll-free numbers 108 & 109. Raju personally funded 5% of the annual cost himself. 5% may sound small but it amounted to a little over Rs. 50 Cr. each year for both initiatives taken together. The balance 95% funding came from the State Governments of the states in which these organisations operated. The objective of HMRI was to have "Health available on Call" to all who needed urgent access to healthcare and the objective of latter, EMRI, was to provide "a Rapid Emergency Response on call" for a variety of emergencies – accidents, crimes, fire, calamities, acts of terrorism,

etc. for people in distress. According to those who knew Raju well he said when he started these initiatives with a personal objective - to save 1 million lives!

HMRI's operations were restricted to the state of Andhra Pradesh. In 2009 they had 318 mobile vans, 200 Doctors, 1400 Para-Medics and 6,000 staff engaged in the van operations. The objective for which HMRI was set up was to make healthcare available to 37 m. people out of a total population of 55 m. in the rural areas of AP. It was statistically found that ~80% of out-patients treated do not need the services of doctors, and, para-medics if properly trained to use certain statistically proven algorithms can provide the medical advice required for the majority of treatable illnesses. This increases the capacity of the qualified doctors in the team by 5 times. The HMRI Help-line today receives ~50,000 calls per day, which exceeds the number of calls received by the NHS in the UK (which receives ~18,000 calls per day) and this makes HMRI the world's largest health helpline – a little known fact! There are approximately 3.5 m registered users of the HMRI health helpline presently and approximately 15,000 new users are being added daily. A large proportion of patients assisted are women, children and the elderly.

EMRI operates in 9 states today and MOU's are in place with two more. Satyam (the company) is a technology provider for these initiatives and this assistance is given free of cost. Stanford University provides help by way of faculty and training. There is a very impressive real-time MIS for tracking performance and creating a data base of the operations carried out – e.g. no of minutes taken after the call for an ambulance to reach an accident site, the target being *within 10 minutes of a call*. 2/3rds of the RTA and Cardiac ambulances reached a patient within 10 minutes of the call, the average response time in 73% of urban areas was less than 15 mins and less than 25 mins in 68% of rural areas. Today there are: 1700 ambulances making 6 trips per day (i.e. responding to 10,000 emergency calls per day – which if annualized comes to 3.7 m). 368 m. people are covered by EMRI in the 9

states in which it operates. Cumulatively since HMRI & EMRI started, **60,000 lives have been saved** and **5 million patients have received timely high-quality medical care**.

EMRI has recently been taken over by the GVK Group who have stepped into Raju's shoes and have put up about Rs. 150 Cr. and taken on the 5% funding responsibility that comes from the promoter.

If one looks at the problems of the developing world one would probably put **healthcare** first followed by **education**. Let me now turn to an example of a Social Entrepreneur who decided to make a difference in people's lives through **Education**.

The gentleman's name is Bunker Roy who was educated at the Doon School and St. Stephens College in Delhi, which he claims "was the worst misfortune any Indian could ever have". He left the job he had with Grindlays Bank in 1972 and started the first **Barefoot College** in a remote part of Rajasthan known as Tilonia, styling his institute on the Barefoot Doctor concept started in China by Mao Zedong. The college was built by barefoot architects, mostly illiterate and is entirely solar powered. This Institute has now trained two generations of villagers who had no formal qualifications to become health-care workers, solar engineers, hand pump mechanics and teachers in their communities. These "graduates" from the Barefoot College, have electrified 136 Himalayan villages and 110,000 people now have access to safe drinking water, education, health and employment. Today there are 20 more such colleges in 13 states of India and the college is now involved in spreading its knowledge and experience with other underdeveloped and developing countries like Afghanistan, Bolivia, Camerons, Ethiopia, Bhutan, Mali, Senegal, the Gambia and Sierra Leone. Many of these overseas students have gone back and implemented what they have learnt. A group from Sierra Leone went back and built a roof-top water harvesting system in their

local school. A group from Afghanistan after 6 months of training purchased solar panels made locally and went back and electrified some of their villages.

The philosophy of the Barefoot College is so simple that it is irresistible. In the word of Roy, *"Traditional knowledge, village skills and practical wisdom are given greater respect than paper qualifications and reading and writing are not seen as being essential. Just because someone cannot read or write that does not mean that he or she is uneducated."* The college takes men women and children who are illiterate and semi-literate from the lowest caste and the most remote and inaccessible villages in India and trains them at their own pace to become "barefoot" water and solar engineers, architects, teachers, communicators, midwives, IT workers, accountants and marketing managers. They also learn skills like masonry, hand-pump repair, and water tank construction. They go back and work within their own communities, disseminating what they have learnt and making their villages less dependent on outside skills.

One of the wonderful innovations found in the Barefoot College is a "Children's Parliament" where children between the ages of 10 and 14 are made responsible of making sure that the school is run properly.

When one thinks of Social Entrepreneurs from this part of the world, 3 names and the institutions they built spring to mind: These are (1) Muhammad Yunus and his Grameen Bank, (probably, the most famous of all); (2) Dr. Verghese Kurien and Amul and (3) Dr. Venkataswamy and his Aravind Eye Care System.

As each of these are fairly well known, I shall not spend too much time going into their history and details but will just highlight some of the uniqueness of the 3 models that these entrepreneurs created.

Dr. Yunus, questioned the fundamental premise of banks wanting to restrict their lending only to “credit-worthy” customers. He found that for the rural poor even a small loan at a reasonable rate of interest can make a huge difference to their lives. The first loan he gave was \$ 27 (~Rs.1200) out of his own pocket to 42 village women who were making furniture out of bamboo. He found that it made a difference and that his money was faithfully returned. His dreamed of poverty alleviation on a huge scale and he realised that lack of funds was the biggest obstacle to self reliance. He had faith that lending tiny amounts of money to the rural poor at reasonable interest rates was a viable business proposition and in 1976 he founded the Grameen Bank which initially met with huge protests from the Muslim clergy who even threatened borrowers that they would be denied a Muslim burial if they opted for a loan from the bank. Yunus found that there were 2 inherent safeguards for loan repayment default: The first was peer pressure and the other was to place the money into the hands of women, particularly entrepreneurial women who want to generate additional income for their families by carrying out some small entrepreneurial activity. The conditions for eligibility for loans are really interesting and unique:

1. The applicant’s house should not have more than 1 room
2. The house must have leaks
3. There must be no salaried person in the family
4. Ignorance of banking is desirable
5. The applicant must convince and get the *acceptance of 4 acquaintances* of her business proposal

The Grameen Bank’s average loan size is around ~\$30 (<Rs. 1,500) and its default rate is 1.5%. In 2007 the Bank had disbursed cumulatively \$ 6.4 Bn. to 7.4 m. borrowers (94% of them being women). The Grameen Bank has now diversified into Fisheries, Agriculture, Knitwear and Telecom. The concept of microfinance has now spread around the world like wildfire and Dr. Yunus has

been recognised as a person who has made a difference to the lives of millions of people. In 2006 there were over 700 Microfinance Institutions around the world with 52 million customers. Today perhaps there are many more.

Dr. Verghese Kurrien of Amul is another legend in his time. He was Chairman of the National Dairy Development Board in 1970 and is today regarded as the father of India's White Revolution. Operation Flood had 3 objectives, an increase in milk production, the augmentation of rural incomes and ensuring fair prices for the farmer and the consumer. From around 18 milk-sheds at the start of Operation Flood, India today has over 170 and over 70,000 cooperative societies engaged in milk collection. From being dependant on imports of Skimmed Milk Powder in the early 1970's, India has now become the world's largest producer of milk and milk products. Amul, which was one of India's first successful Milk Cooperatives (set up in 1946), became the flagship for others to follow. Amul today has revenues of over \$ 1 Bn. and is 'owned' by 2.6 m milk producers.

Dr. Kurrien dared to challenge the domain earlier occupied by large global companies. He did this by doing certain things which were unique and had never been attempted by other cooperatives: (1) He employed the best technologies available in dairy farming anywhere in the world, (2) He matched the quality of the best milk products available anywhere in the world and (3) by aggressive marketing he built one of India's best known brands. Amul is now entering the world of energy and sports drinks with *Stamina* which will compete with global brands like *Gatorade* and *Powerade*.

The Amul model has shown the world how even a simple villager with just one or two buffalos can be a part-owner of a national (and now global) food

processing organisation and thereby connected to national and global markets.

The last story I would like to speak about is that of Dr. Venkataswamy and the Aravind Eye Care System. Dr. Venkataswamy, when he was around 58 realised that of the 45 m people in this world who are blind, 12 m are found in India. He hit upon a really unique but simple idea – to create an eye-care system that works like a MacDonald’s – a system that is so standardized and perfect in what it does that it can offer a product of unquestionable and consistent quality at a reasonable price, anywhere it is offered in the world. He recruits his patients from 1,500 eye-camps where the poor are tested for eye problems and then transported for surgical treatment at the Aravind Eye Hospitals (rather than in the eye-camps where sterile conditions are difficult to ensure). In his standardized process all the pre-surgical treatment as also post-operative care is carried out by trained technicians, mostly women drawn from the local areas around the hospitals. The Doctor’s role is to only carry out the surgeries and this enables a single doctor with 2 teams of technicians to carry out 50 surgeries per day with an outcome rate that is the best in the world. Intra-ocular lenses are now also made by a facility in Madurai and are of such a high quality that they are exported to the US. Payment is based on the patient’s ability to pay, and those that can, pay anywhere between Rs. 2,500 to Rs. 15,000 for a Cataract Surgery. This system ensures that 60 % of the patients who cannot afford to pay are treated absolutely free. The average cost of Cataract Surgery including the cost of the IOL to the Hospital is Rs. 1,200, making the model, despite being so low cost, economically viable. The Aravind Eye Care System is now the largest eye-care facility in the world and carries out over 200,000 cataract surgeries each year.

From just this small handful of success stories I am sure that you would have been convinced that Social Entrepreneurs can make a difference to the

world we live in and all economic activity does not have to be driven by the desire for personal gain. Before I move to the last person I wish to speak about, it may be useful here to list some of the qualities of an Entrepreneur and whether a Social Entrepreneur is a subset of a Business Entrepreneur or a unique animal with its own characteristics. I have found that most entrepreneurs have some or all of the following ten qualities:

1. Restlessness
2. Risk Taking ability
3. Ability to Dream
4. Strong sense of Intuition
5. Ability to spot opportunities that others don't
6. Innovativeness
7. High energy
8. Prepared to stake personal wealth & reputation – burn bridges
9. Do things not done before
10. Driven by sense of achievement (Results more important than energy and effort expended)

Social Entrepreneurs have a few more:

1. They have an ability to challenge that what others take as given
2. They work quietly and do not brag about their achievements
3. They are humble and ready to admit their mistakes and change till they get it right
4. They are value-driven
5. They work for the benefit of many

I personally believe they are a breed apart and certainly driven differently to business entrepreneurs.

I would like to conclude by referring to a person who some of you may not have heard of called Bill Drayton. Bill Drayton was the person who originally coined the term "Social Entrepreneur" in 1972 to mean someone who can combine the methods of a business entrepreneur with the goals of a social reformer.

Drayton who studied at Harvard, Oxford and Yale worked for 10 years with McKinsey before joining the Environment Protection Agency as an Assistant Administrator and was credited with the launching of the trading system for Carbon Emissions. At a fairly young age, he became an ardent admirer of Mahatma Gandhi, who he saw as someone who created a "new kind of ethics" based not on *rules*, but on *empathy*. He believes that empathy alone can change our world and advocates that every growing child between the age of 12 and 20 should master what he calls '*applied empathy*' because these young people – the next generation, will then change the world.

In 1963 when he was just 20 he drove overland from Munich to India and met Jayaprakash Narayan and Acharya Vinobha Bhave, both of whom made a huge impression on him. He witnessed how the power of a simple idea - the *Bhoodan* movement, could effect vast social change. He writes "*Long before sunrise, we'd start walking across dividing paths of rice fields, by the moonlight, stars and a few kerosene lanterns. At sunrise thousands of villagers dressed in their best clothes began appearing in the horizon. By teatime local land owners had voluntarily ceded their land holdings to Bhave. **Ultimately 7 million acres were peacefully redistributed based on the ability of one leader to turn a powerful idea into reality.***"

He regarded the *Emperor Ashoka* as one of the greatest "practical creators" of history, a visionary pragmatic who used economic power for social good. At Harvard he established the *Asoka Table* where he invited business leaders, politicians and thought-leaders for weekly dinners with students. In 1980 he

formed a non-profit organisation which he called "***Ashoka – Innovators for the Public***", based in Arlington, which could today be regarded as an apex body for Social Entrepreneurs around the world. His object was to find and create a network of change-making leaders around the world, provide them support and modest "social venture capital" and then watch as they changed lives exponentially. Started with just \$ 50,000, today Ashoka has a budget of \$ 30.5 m. and has funded 1600 '*fellows*' in 60 countries. Drayton warns that Ashoka should not be seen as a 'fund-box' and therefore he set very rigorous screening criteria for a social entrepreneur to become an *Ashoka Fellow*. Drayton judges the success of the Ashoka model by the fact that within 5 years more than 50% of Ashoka Fellows change national policy in their respective countries.

I would like to conclude this lecture with a powerful thought from Bill Drayton that sums up the subject of Social Entrepreneurship beautifully:

***"Social entrepreneurs are not content just to give a fish or teach how to fish.
They will not rest till they have revolutionized the fishing industry."***

Thank You

Homi R Khusrokhhan

13th September 2009