

UGEC 2819
Grand Challenges for Global
Citizens in the 21st Century

Lecture 9

How to eradicate
poverty:
Rise of Social
Business

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Social Innovation → Social Change → Social Impact

Social
Innovation

- Build or transform Institutions

Social
Change

- Advance solutions to social problems

Social
Impact

- Sustain and expand the changes
-
- 

A Social Business in Dhaka: Grameen Shakti

- ▶ As in other developing countries, the rural market is incredibly tough to serve and villagers are very poor. So how is Grameen Shakti selling them 'expensive solar'?



Mr. Majid needed: a 25W solar system to light his grocery cart and power his cassette player. They then coupled tailored solutions with finance providing him with a loan he could afford to repay because he doubled his monthly income by working after dusk and attracting more customers with popular Bangla music.

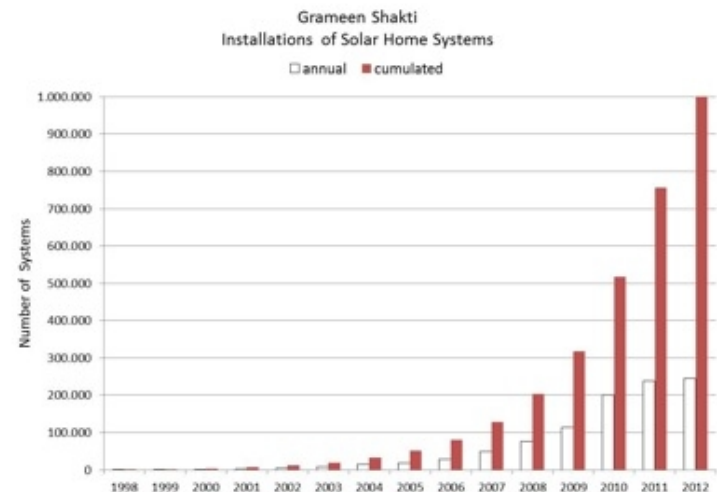
-- Adequate Level and Affordable Technology

Bring your product and service to the poor



Serving village customers on the delta means traveling bumpy mud paths and crossing rivers—on foot, by bike, boat and by rickshaw. It can take hours during the rainy season to reach a few customers.

Shakti meets this challenge by creating rural supply chains and after sales service. Its engineers and technicians live, work and are trained on the job in the villages. They become part of the community, keep in close contact with their customers and make sure the solar systems are running. If there is a problem, Shakti is onsite to solve it—even in times of disaster.



My TRIP



MNO-MNO10101 - [a] - Shehida Alara




Box 1: The Heart of Social Entrepreneurship

Social entrepreneurship at its essence is a process by which individuals “build or transform institutions to advance solutions to social problems” (p. 1).

Bill Drayton, founder of Ashoka, learned through his travels in India that powerful examples of social change share two things in common: —the organizations that were making a difference had both a good idea and an unusually committed, creative and action-oriented person at the helm: an idea champion or entrepreneur (p. 19).

Social entrepreneurs are the idea champions: people who advance change, working within, between and beyond established organizations. The social entrepreneur also helps others discover their own power to change by helping them envision a new possibility and recognize how it can be broken down into doable steps that build momentum for change (p. 25).



Qualities of a Social Entrepreneur

- ▶ is a process – involving a long-term commitment and continual set-backs.
- ▶ To overcome apathy, habit, incomprehension, and disbelief while facing heated resistance (p. 21);
- ▶ To shift behavior, mobilize political will, and continually improve their ideas (p. 23);
- ▶ To listen, recruit and persuade (p. 24);
- ▶ Encourage a sense of accountability, and a sense of ownership for the change (p. 25).
- ▶ Comfortable with uncertainty
- ▶ High need for autonomy (p. 26).
- ▶ Capacity to derive joy and celebrate small successes



- ▶ Successful social entrepreneurship involves well established behaviors which can be acquired.
- ▶ While some people appear to be born with more entrepreneurial inclination than others, most people can learn to behave like entrepreneurs

What is Social Enterprise/ Social Entrepreneur/ Social Entrepreneurship

Social Entrepreneur

Social Enterprise

Social Entrepreneurship



Recombination of knowledge

- ▶ Over specialization, and the divisions between fields and social groups, can be another hindrance to social change. Society is comprised of specialized fields that rarely overlap, people move vertically throughout their career paths, and many people live in homogenous communities.
- ▶ All of these factors result in significant blind spots within society while tending to reinforce pre-existing beliefs. In order to achieve innovation and change, society needs a recombination of knowledge.
- ▶ Social entrepreneurs are the — creative combiners who can help with this. They can carve out space in society to foster whole solutions and bring people together who would not coalesce naturally. When it comes to solving social problems, the integration of labor, rather than the —division of labour, is likely the way forward (p. 74)



Sustain and Expand the Changes

- ▶ Fostering an innovating society will require a shift in mindsets that are commonly held across society, and social entrepreneurs will play a key role in helping enact these shifts.
- ▶ Members of society hold many preexisting beliefs, and follow established patterns of behavior that are no longer suitable to today's global society and that hinder advancement of certain groups based on their perceived deficits (e.g. the poor, the disabled).



Social entrepreneurs shift mindsets

- ▶ by helping society to see trapped potential, and to appreciate the interconnectedness of our world.
- ▶ shift society's viewpoint from “me” to “us” and eventually to “all of us”. Building a stronger sense of connection builds empathy, and with empathy comes a stronger base for structural changes.
- ▶ about what can be done on an individual basis. Expose how we systematically undervalue people with perceived deficits and simultaneously show how to bring out group's agency for change.



Value-driven social entrepreneurship (Martin & Osberg, 2007)

- ▶ Aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large.
- ▶ Social entrepreneur's value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own.



Three components of social entrepreneurship (Martin & Osberg, 2007)

- ▶ **Identifying a stable but inherently unjust equilibrium** that causes the exclusion, marginalization, or suffering of a segment of humanity;
- ▶ Identifying an opportunity in this unjust equilibrium, **developing a social value proposition**, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony;
- ▶ **Forging a new, stable equilibrium** that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the **creation of a stable ecosystem** around the new equilibrium ensuring a better future for the targeted group and even society at large



Boundary of social entrepreneurship

- ▶ It is **not social service provision**.
 - ▶ Unless it is designed to achieve large scale or is so compelling as to launch legions of imitators and replicators, it is not likely to lead to a new superior equilibrium. These types of social service ventures never break out of their limited frame. [Reflection: Assisted Employment “SE” in HK, close shop after funding end]
- ▶ It is **not social activism**.
 - ▶ motivator is the same— an unfortunate and stable equilibrium.
 - ▶ actor’s characteristics are the same – inspiration, creativity, courage, and fortitude.
 - ▶ Different: nature of the actor’s action orientation.
 - ▶ Social entrepreneur takes direct action, social activist attempts to create change through indirect action, by influencing others – governments, NGOs, consumers, workers, etc. – to take action. [Reflection: Consumer Co-op of the CSSA recipients]



Hybrid Models in practice

- ▶ In the pure form,
 - ▶ the successful **social entrepreneur** takes **direct action** and generates a **new and sustained equilibrium**;
 - ▶ the **social activist influences others to generate a new and sustained equilibrium**; and
 - ▶ the **social service provider** takes **direct action** to improve the **outcomes of the current equilibrium**.
- ▶ It is important to distinguish between these types of social ventures in their pure forms, but **in the real world there are probably more hybrid models than pure forms**.
 - ▶ Yunus used social activism to accelerate and amplify the impact of Grameen Bank, a classic example of social entrepreneurship.
 - ▶ By using a sequential hybrid – social entrepreneurship followed by social activism – Yunus turned microcredit into a global force for change.



Locate SE/SB at the intersection of Nonprofit & Business Sectors

EXHIBIT 2 | Social Businesses Are at the Intersection of Nonprofit and Business Sectors

| | NGO | Business-inspired NGO | Social Business | Balanced social/profit business ¹ | Business |
|--|--------------------------|------------------------------------|------------------------------|--|--------------------------|
| Primary objective | Social impact | Social impact | Social impact | Social impact and commercial success | Commercial success |
| Products/services priced for sale | ✗ | ✓ | ✓ | ✓ | ✓ |
| Pricing | N/A | Price < Costs | Price ≥ Costs ² | Price > Costs | Price > Costs |
| Business model | Maximizes social impact | Maximizes social impact | Maximizes social impact | Maximizes social impact | Ensures social standards |
| Funding | Funded through donations | Partially funded through donations | Financially self-sustainable | Maximizes profitability | Maximizes profitability |

Social entrepreneurs

Source: BCG analysis.

¹These include legal entities such as B-corporations (benefit corporations) in the U.S., Patagonia is one example.

²At least over the long term.

Redesigning Economics to Redesign the World

The present system is like an impersonal sucking machine which thrives on continuously sucking juice from the bottom to the top. The higher you are in the system, the more juice you are able to suck.

It is not because bad people are running the machine; just that the machine is built that way. The system was not designed to have any moral responsibilities. At least that is not in practice. (Yunus, 2015, p. 13)



I have been proposing and practising a new kind of business which is based on selflessness, replacing selfishness, of human beings.

This type of business runs parallel to the selfishness-driven business that rules the world. Conventional business is personal-profit seeking business. The new business is personal-profit forsaking business.

Owner can take back his investment money, but nothing beyond that. (Yunus, 2015, p.13)





Grameen Bank

vs.

Conventional Banks

- To bring economic and social change to the poor.
 - Based on trust
 - Looks at what the borrower can have
 - Located in rural areas
 - The bank goes to the customer
 - Flexible payment scheme
 - Most owners and borrowers are poor women
 - Loans are for productive activity, not consumption
- To make profit
 - Based on collateral
 - Looks at what the borrower already has
 - Located in urban areas
 - Customers have to go to the bank
 - Strict payment scheme
 - Most owners and borrowers are wealthy men
 - Loans could be used for consumption or other activities.

Pioneering Social Entrepreneur– Muhammad Yunus

- ▶ The Grameen Bank embarked in 1976
- ▶ More than 8.4 million borrower ins 2014
- ▶ 94% are women
- ▶ Only rural bank is owned entirely by its borrowers
- ▶ It proved for the first time the poor, and especially the women among them, were not only bankable but usually more bankable than the rich.
- ▶ More than 200 million people, mostly women, now have access to microcredits around the world.
- ▶ Studies show that they have brought a host of positive impact to their families and their communitities



From Education to Social Business

Village Hut: Day learning centre to pre-school kids/ 16
Decisions 100% children of Grameen families go to school

Scholarships for primary secondary school, colleges. Go to college needed money. Education loan from Grameen Bank

New Entrepreneuers (NU): College graduates were no jobs. Redirect their mind from hunting for jobs to creating jobs for themselves and others





Seven Principles of Social Business proposed by Prof. Yunus



1. Overcome Poverty

A black and white photograph of a hand holding a white, oval-shaped pill. The pill is positioned directly over the word "poverty", which is written in a green, cursive font. The hand is shown from the right side, with the thumb and index finger gripping the pill. The background is plain white.

poverty

- Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization.



2. Financial & Economic Sustainability



3. No Dividend



- Investors get back their investment amount only. No dividend is given beyond investment money

4. Profit Stays



- When investment amount is paid back, company profit stays with the company for expansion and improvement



5. Gender Sensitive & Environmentally Conscious



6. Provide Decent Jobs



decent work
decent life

- Workforce gets market wage with better working conditions

7 ...Do It With Joy



Grameen Danone Foods, Bogra Plant, Exterior



Grameen Denone Food

The Grameen Group

- ▶ In 1976, Prof. Muhammad Yunus launched a research project to examine the possibility of designing a credit delivery system to provide banking services to the poor. By 1983, Yunus's project, the Grameen Bank, had become an independent bank, which provided "credit to the poorest of the poor in rural Bangladesh, without any collateral." In 2006, the Grameen Bank and Yunus were awarded the Nobel Peace Prize



From Grameen Bank to Grameen Group

- ▶ As of April 2010, the Grameen Bank had 8.29 million borrowers, 97% of whom were women. The bank had 2,564 branches and provided services in 81,355 villages, offering services in more than 97% of the villages in Bangladesh.
- ▶ The bank had loaned \$9.54 billion, of which \$8.50 billion had been repaid. The loans outstanding totaled \$93.97 million. The bank's loan recovery rate was 96.83%.
- ▶ The Grameen Bank had 25 sister companies. Four of the companies made up the Grameen Group — Byabosha Bikash, Grameen Kalyan, Grameen Shakti, and Grameen Telecom — that cofounded Grameen Danone Foods with Groupe Danone



Groupe Danone

- ▶ Groupe Danone was a multinational company headquartered in Paris. The company's mission was to “bring health through food to a majority of people.”
- ▶ In 2009, the company was first worldwide in fresh dairy products, second in bottled waters, second in baby nutrition, and first, in Europe, in medical nutrition .
- ▶ The company's brands included Evian, Volvic, Aqua, Activia, and Dannon. In 2009, the company employed 80,976 people and had a net income of \$2.1 billion



Need

- ▶ 30% of all Bangladeshis and 56% of Bangladeshi children under the age of 5 suffer from moderate to severe malnutrition. |
- ▶ highest child and maternal malnutrition rates.
- ▶ This in itself is a human tragedy. Malnutrition, however, is also a major impediment to development:
 - ▶ malnourished people become sick more easily,
 - ▶ can work less and
 - ▶ find it more difficult to study.
- ▶ While Bangladesh produces sufficient rice to nourish its people, diets often lack vital nutrients such as vitamins and minerals.



Theory of change

- ▶ The lack of protein and the micronutrient deficiencies due to the lack of dietary diversity had an impact on survival.
- ▶ They also affected cognitive and physical development, productivity, and, much more broadly, economic development, and caused illnesses



Exhibit 1 Groupe Danone: Income Statement and Balance Sheet (in millions of US\$ except for per share amounts)

| | December 2009 | December 2008 | December 2007 |
|-----------------------------------|---------------|---------------|---------------|
| Income Statement | | | |
| Revenue | 21,472.20 | 21,452.60 | 18,805.00 |
| Cost of Goods Sold | 9,672.70 | 10,108.90 | 9,390.70 |
| Gross Profit | 11,799.50 | 11,343.70 | 9,414.30 |
| Gross Profit Margin | 55% | 52.90% | 50.10% |
| SG&A Expense | 7,980.10 | 7,743.80 | 6,538.70 |
| Depreciation & Amortization | 786.8 | 740 | 618.2 |
| Operating Income | 3,598.80 | 3,082.60 | 2,275.60 |
| Operating Margin | 16.80% | 14.40% | 12.10% |
| Non-operating Income | -322.5 | 0 | 0 |
| Non-operating Expenses | -378.4 | -823.1 | -260.5 |
| Income Before Taxes | 2,897.90 | 2,259.40 | 2,015.00 |
| Income Taxes | 607.7 | 624.4 | 603.5 |
| Net Income After Taxes | 2,290.30 | 1,635.00 | 1,411.60 |
| Continuing Operations | 2,179.90 | 1,722.40 | 1,539.60 |
| Discontinued Operations | 0 | 379.2 | 4,845.50 |
| Total Operations | 2,179.90 | 2,101.60 | 6,385.10 |
| Total Net Income | 2,179.90 | 2,101.60 | 6,385.10 |
| Net Profit Margin | 10.20% | 9.80% | 34% |
| Diluted EPS from Total Net Income | 3.55 | 3.88 | 12.82 |
| Dividends per Share | 1.72 | 1.55 | -- |

The handshake

- ▶ In October 2005, Franck Riboud, chairman and CEO of Groupe Danone, and Muhammad Yunus met for lunch in a Paris restaurant. The two men discussed how their two organizations could work together to improve the health of children in Bangladesh by providing nutritious food.
 - ▶ By the end of their lunch, the two men had agreed, with a handshake, to create a new company called Grameen Danone Foods Ltd., which would operate as a social business.
 - ▶ They intended it to be “**the world’s very first consciously designed multinational social business.**”
-



Rapid establishment

- ▶ In November 2005, individuals from Groupe Danone and the Grameen Group met to further develop the business plan.
- ▶ At this meeting, they determined that the product the company would produce and distribute would be a nutritious yogurt and that the target market would be young children.
- ▶ Just four months later, in March 2006, Grameen Danone Foods was founded



Yunus:

- ▶ This represents a unique initiative in creating a social business enterprise, i.e., an enterprise created not to maximize profit, but **created with a declared mission to maximize benefits to the people served, without incurring losses.**
- ▶ It is a small project to begin with, but **contains the seed of a new breed of business, which can change the economic world fundamentally**



Riboud:

- ▶ I'm deeply convinced that our future relies on our ability to explore and invent new business models and new types of business corporations.
- ▶ This partnership with a company as iconic and visionary as the Grameen Bank is for Danone a huge step in that direction and in better achieving our mission: **to bring health through food to the largest number of people.**



Start-up

Grameen Danone Foods, Bogra Plant, Interior



- ▶ Once the company was formed, things continued to move quickly;
- ▶ It acquired land to build its first plant in July 2006, and in February 2007, the plant produced the first cup of yogurt.



Business Model

- ▶ Yunus : “We would run the business in such a way as to incur no losses and to generate a small surplus. Out of this surplus, the initial investment of the two parties would be repaid as early as possible.”
- ▶ Any profit paid to investors was to be reinvested in the business to enable it to grow.



Company's objectives

- ▶ To **bring health through nutrition** at a very affordable price to all Bangladeshi children.
- ▶ To **improve living conditions** of the poorest of the community by **involving them in all stages of the business model** (supply, production, sales), creating jobs, and improving local competencies.
- ▶ To **preserve nonrenewable resources** as much as possible.
- ▶ To be **profitable** to ensure economic sustainability.



A yoghurt that brings the strength of a lion!



yogurt sold daily to school children



Farmers selling their milk to Grameen Danone



The product: Shoktidoi

- ▶ Groupe Danone's R&D team, together with the nongovernmental organization Global Alliance for Improved Nutrition (GAIN), developed Shoktidoi, which literally means “yogurt for power.” It was a yogurt made from cow's milk, date molasses, and sugar. Shoktidoi was a natural source of calcium and protein.
- ▶ Being a yogurt, it contained active cultures, which helped to promote good intestinal health and reduced the severity and duration of diarrhea.
- ▶ Shoktidoi was also enriched with micronutrients; a single 60-gram cup provided 30% of a child's daily requirement of vitamin A, zinc, and iodine.



Production

- ▶ Groupe Danone traditionally operated large factories that served a wide geographic area. In Indonesia, for example, Groupe Danone had one plant that served the entire country.
- ▶ This was not the model Yunus wanted for Grameen Danone Foods. He pushed for “the smallest plant technically possible, located in a rural area, surrounded by the village people it would serve.”



Production

- ▶ Yunus: Our goal is not only financial efficiency, but also maximum social benefit. Grameen Danone will make tasty, nutritious food, but also maximize social benefit. The milk we use to make our yogurt should come from local suppliers. . . .
- ▶ These people should be our suppliers as well as our customers. If the factory is small and produces food that is sold immediately to the people who live nearby, they will think of it as their factory.



Production

- ▶ The job of designing and building the plant fell to Guy Gavelle, the company's design engineer. Gavelle was accustomed to building large plants for Danone, so designing and constructing a small plant was something new.
- ▶ After completing the design of the plant, he told Yunus: "Professor, I want to report some very happy news. I have designed the small plant you wanted—a very small plant. But it is not only small. It is very cute and very efficient, equipped with a full range of state-of-the-art technology"



State-of-the-art technology

Production

- ▶ In fact, it is more advanced than the huge plants I have designed in Brazil, Indonesia, China and India. I am very happy today.”
- ▶ After the plant was completed, Yunus noted: “Guy Gavelle says that designing and building the Bogra plant has been one of the richest learning experiences of his decade-long career at Danone.



Energy-saving Production

- ▶ It was designed to be a “green” plant to limit the use of fossil fuels by avoiding wasted energy.
- ▶ Energy-saving light bulbs were installed, and timers placed on light switches, so the lights would automatically go off when the area was not in use.
- ▶ The plant also used solar water heaters and collected rainwater, which was stored and used by a boiler that produced steam for the processing lines



Degrade polylactic acid residues

- ▶ A system that produced and consumed biogas, a mixture of CO₂ and methane, through the anaerobic digestion of effluents generated during the manufacturing process. This biogas, along with biogas produced by the plant's biodigester, which was used to degrade polylactic acid residues (also part of the manufacturing process), were used to light the plant's outer walls by gas lamps.
- ▶ When the production volumes increased, the plant hoped to provide the local community with natural gas.



Price

- ▶ In February 2007, when the first yogurt was produced, it was sold in an 80-gram cup for 5 takas (\$0.08). By September, Grameen Danone Foods was selling around 350,000 cups per month.
- ▶ However, in April 2008, the price of raw milk increased by more than 100%, and, to remain economically sustainable, the company decided to increase the price of Shoktidoi by 60%.
- ▶ The result was that the demand for the product dropped to almost nothing, and the network of Grameen Danone Ladies, who distributed the yogurt, collapsed.



Market Segmentation

- ▶ Grameen Danone Foods decided to produce a 60-gram cup (the smaller cup still contained 30% of the recommended daily allowance of nutrients) for 6 takas (\$0.09). The company also decided to expand sales to Dhaka, and in November 2008, it began to send a refrigerated truck to the capital city twice a week.
- ▶ The product sent there was an 80-gram cup priced at 12 takas (\$0.18). Yunus explained why the product was priced higher in Dhaka: “We sell our products in Dhaka with a margin aiming to sell those at lower prices to poor people in remote areas to get them nutrient-rich food.”



Specific Product for different Market

- ▶ With the increase in raw milk prices, Grameen Danone Foods also decided to move ahead with expanding its line of products. By September 2010, it sold six different products. The three lowest-priced products—plain Shoktidoi (6 takas [\$0.09] for 60 grams), mango Shoktidoi (8 takas [\$0.12] for 60 grams), and the Shoktidoi pouch (5 takas [\$0.075])—were sold in rural areas.
 - ▶ The more expensive products—plain and mango Shoktidoi that were packaged in 80-gram cups for 12 takas (\$0.18)—were sold in urban areas. The plain-plus-protein Shoktidoi was sold in 60-gram cups for 8 takas (\$0.12) in both urban and rural areas.
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Distribution

- ▶ Shoktidoi was distributed primarily within a 30-mile radius of the Bogra plant. Rickshaw vans and small motorized vehicles powered by natural gas transported the Shoktidoi from the plant to Grameen Bank locations. From there, the products would either be delivered to shops or picked up by the Grameen Danone Ladies



Grameen Danone Ladies

- ▶ The Ladies were micro-entrepreneurs who were trained and coached on how to sell Shoktidoi by staff from Grameen Danone Foods.
- ▶ They had a one-day sales credit, and they would remit to the company the revenue from the previous day's sales, plus any unsold cups.
- ▶ They were paid a margin on sales volume. Each Lady had a goal of selling 50 cups a day, which meant her daily income would be 67 takas (\$1.00) if she was successful.



To Dhaka

- ▶ Grameen Danone Ladies accounted for about 20% of Shoktidoi sales; the remaining 80% was sold in shops or small stores located in both rural and urban areas. The shops were provided with refrigerators or an insulated box to store the products.
- ▶ Shoktidoi could keep for 48 hours without refrigeration. For the most part, the company sought to produce and distribute the product so that it would be consumed within this time frame. In late 2008, Grameen Danone Foods started to transport its products by truck to Dhaka



Results

- ▶ By 2009, Grameen Danone Foods had sold 35,319 cups of Shoktidoi per day, a significant increase over the 3,414 cups per day it sold in 2007. Sales were divided between rural and urban areas, with approximately one-third of sales in Dhaka.
- ▶ In December 2009, there were 3,863 shops and 500 Grameen Danone Ladies; at the start of the year, there had been only 621 shops and 42 Grameen Danone Ladies.
- ▶ While not yet profitable in 2009, the company projected it would reach profitability by 2011 or 2012.



Yunus

- ▶ Yunus called Grameen Danone Foods a “well-known example of a social business” and went on to say: “By investing in this joint venture with Grameen Group, Groupe Danone can help to eradicate malnutrition in Bangladesh, one of the least developed countries in the world, by doing business, not simply by donating money.”



Riboud

- ▶ For Riboud the enterprise is about expanding into new markets with nutrition-enhancing products. “It’s really a growth strategy for our company,”
 - ▶ “We are convinced that in this world, when you are a consumer-goods company and the country is a developing country, it would be crazy to think only about the peak of the pyramid.” But it’s clear also that Riboud agrees with Yunus’s worldview. “Is the classic economic model working?” he asks.
 - ▶ “No! But I told him, ‘I don’t want to make charity.’ The strength is that it is a business, and if it is a business, it is sustainable. Your shareholders are happy.”
-



Impacts

- ▶ **100,000 cups of yogurt sold daily**
- ▶ **300,000 beneficiaries**
- ▶ **475 farmers living better by selling their milk to Grameen Danone**
- ▶ **250 women micro-entrepreneurs**



Outlook

- ▶ Grameen Danone plans to expand. Within the next 10 years, more plants will be established and several hundred distribution jobs will be created. The [Danone Communities Fund](#) has been created to support this endeavor. At the beginning of 2007 the independent NGO [The Global Alliance for Improved Nutrition \(GAIN\)](#) launched a trial designed to test the benefits from a regular consumption of the yoghurt. In November 2011, the [preliminary study results](#) were released saying that the impact of the Grameen Danone yoghurt shows a positive impact on growth and cognitive performance of children
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Social Business

(Yunus, Moingeon & Lehmann-
Ortega, 2010)

Social business vs. profit maximizing business

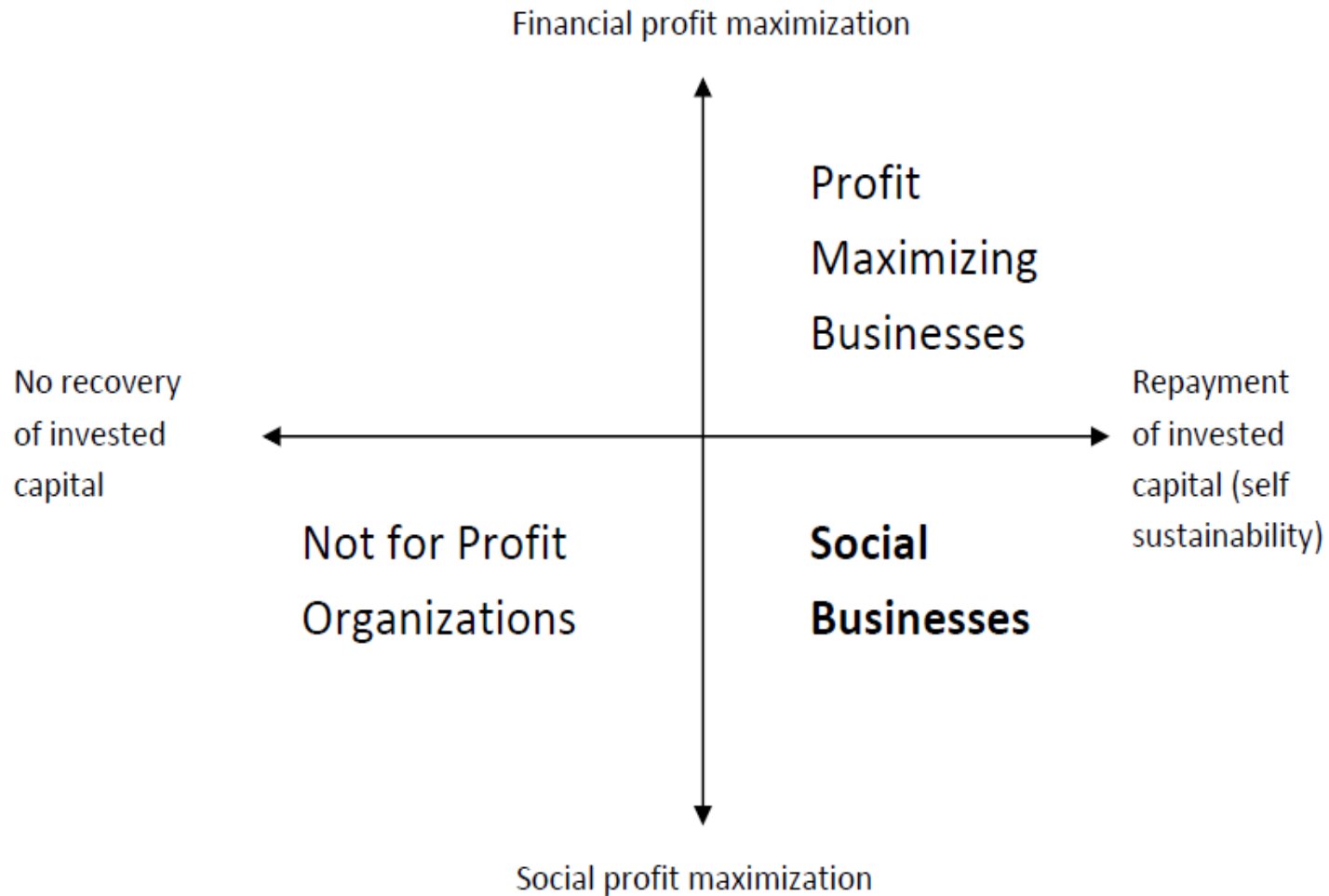


Figure 1 : Social business vs profit maximizing business and not for profit organizations



Three components of a business model

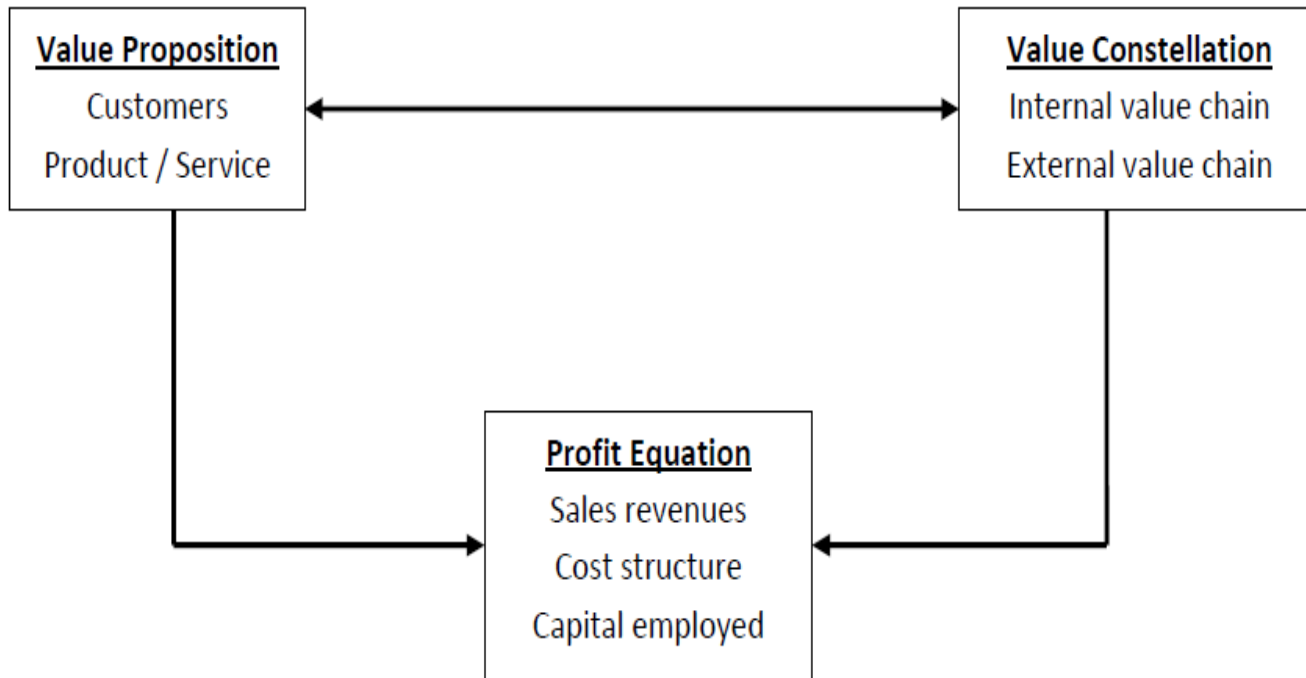


Figure 2 : The three components of a business model



| | Challenging conventional wisdom | | Partnership | Experimentation |
|---------------|---|--|---|--|
| | Basic assumption | New recipe | | |
| Grameen Bank | Money cannot be lent to poor people at decent rates since they are not able to offer collateral | Being close to the lender involves a social pressure that ensures repayment | From 1983 to 1995, Grameen Bank relied on donor money | The project started in a village in 1976 with total loans of \$27 before being rolled out all over Bangladesh and other countries over the world |
| Grameen Phone | Buying power in developing countries is too low to build a profitable wireless network | Grameen Ladies own the phone, buy discounted air time in bulk and sell minutes on their own phone to users when needed | Telenor, the Norwegian incumbent | Grameen Phone extended the network step by step |



| | | | | |
|-----------------------|--|---|--|--|
| <p>Grameen Danone</p> | <p>High end dairy products benefiting from a strong brand image supported by heavy marketing investments.</p> <p>The production is centralized in large factories, enabling high economies of scale.</p> <p>The products are shipped towards distribution platforms and mostly sold through food retailers</p> | <p>An easily available and affordable dairy product, developed to fulfill the nutritional needs of children in Bangladesh.</p> <p>Grameen Bank grants micro-loans to farmers to buy the cow needed to produce the milk locally; Milk is then transformed in a small factory, and distributed door-to-door by Grameen ladies</p> | <p>Danone, one of the world's leading healthy food companies</p> | <p>First plant in Bogra serving families within a 30 km radius</p> |
|-----------------------|--|---|--|--|



| | Danone's conventional business model | GDFL 's business model |
|---------------------|--|--|
| Value proposition | <ul style="list-style-type: none"> • High-end products • Emphasis on lifestyle • Strong brand name through advertisement | <ul style="list-style-type: none"> • Low price • Fulfillment of basic nutritional needs • Grameen Brand Image |
| Value constellation | <ul style="list-style-type: none"> • Centralized purchasing and production (economies of scale) • Logistics towards distribution platforms • Sales through food retailers • Storage by end consumers | <ul style="list-style-type: none"> • Local supply of raw products • Local production • Direct door-to-door sales through Grameen Ladies • Limited storage by end consumers |

Table 2 : Danone vs GDFL's business model components



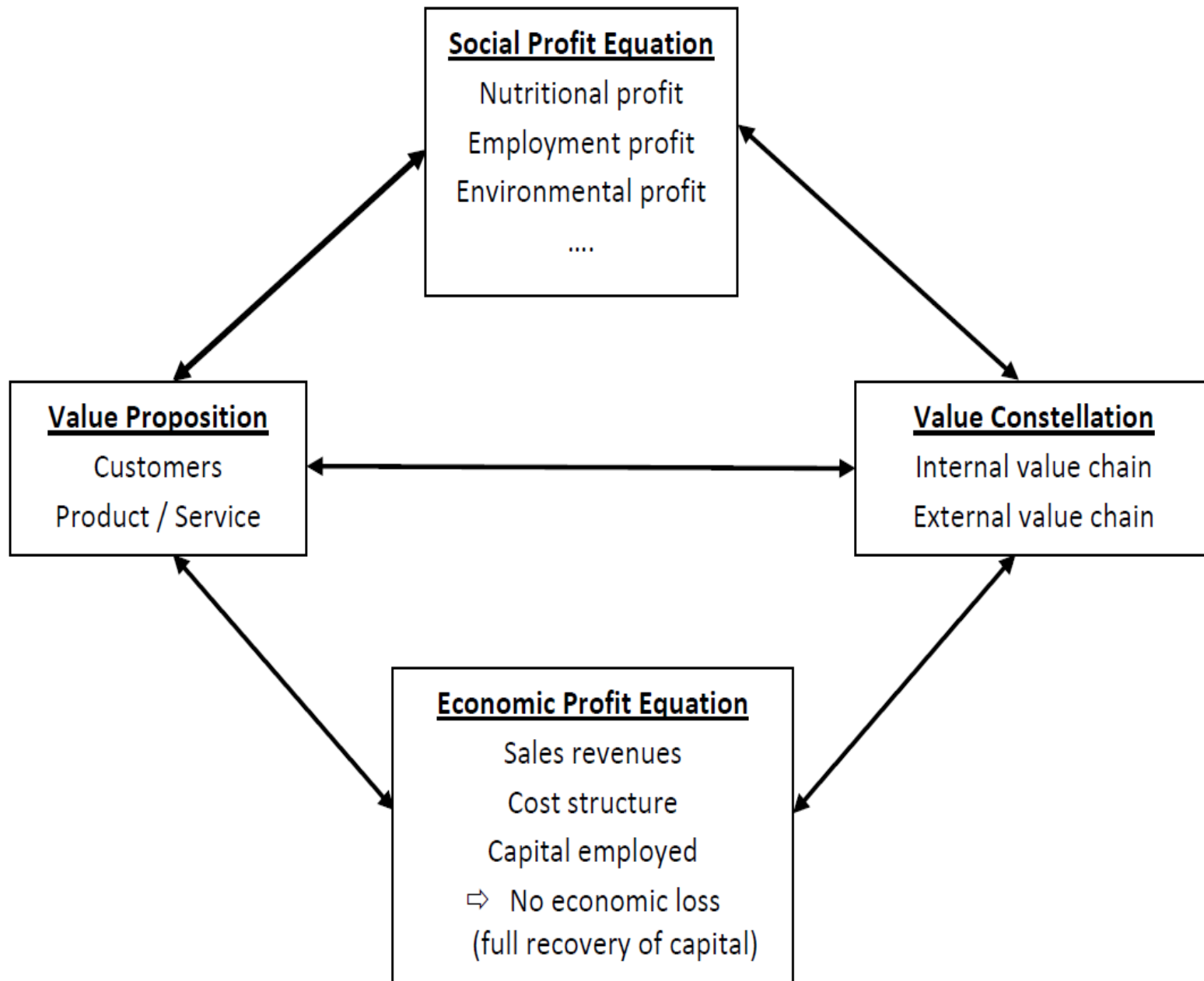


Figure 3 : The components of a social business model

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