Chapter 1
Social Business: Defining and Situating the Concept

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Introduction

The emerging field of social business focuses on using business methods and practices to achieve positive social change. Described by some as "enlightened capitalism," social businesses promote social objectives as primary, while also making a profit. The difference is that, in a social business, management and investors do not receive a share of the profits (though investors get their money back). Profits are re-invested to expand the company and its positive social impact. Stakeholders receive a dividend on their investment in the form of social change. This volume explores the ideation, practice, and evaluation of the concept of social business. In this introductory chapter, we define social business, situate the idea within the broader literature examining socially conscious business practices, then return to examine more closely the assumptions on which social business is based. We also raise the kinds of questions that must be asked in research that attempts to assess the impact of social business.

Subsequent chapters address these issues and allow us to push forward the research frontier. Chapter 2 in Part 1 goes into more depth in analyzing the differences between social business and social entrepreneurship on the dimensions of mission, financing, and innovation. The second part of the book consists of seven case studies. Using multiple methods, the authors explore social businesses around the world in the areas of: health care, nutrition, and microlending; education; disease; energy; the social business city approach; and Type II social businesses (which also focus on a social need but are owned by the beneficiaries or a trust held for them).

Part 3 is focused on practice, examining the state of the art knowledge in key areas concerning social business design and execution, as well as lessons learned

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thus far. Chapters look specifically at management, financial issues, and marketing. Part 4 turns a critical eye on the concept, its applications, and its promise, and Part 5 concludes the text with an assessment of the state of knowledge in the field and gaps in research. Finally the book ends by looking forward, suggesting a future research agenda.

The Concept: Take One

"Social business" as employed in this book refers to the Yunus or Grameen model, best understood through Nobel Prize winning economist Muhammad Yunus' Seven Principles of Social Business:

1. 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 and economic sustainability.
3. Investors get back their investment amount only. No dividend is given beyond investment money.
4. When investment amount is paid back, company profit stays with the company for expansion and improvement.
5. Environmentally conscious.
6. Workforce gets market wage with better working conditions.
7. Do it with joy!

Over the past two decades, forces in various fields have surfaced promoting the notion that social problems might be better addressed through employing business methods. The context of this emergence of businesses with a social purpose and non-profits or NGOs with business methods is situated in a multifaceted discontent with the ability of both governmental and philanthropic agencies to address core social problems such as poverty, healthcare needs and environmental sustainability. "Social entrepreneurship" is the most common phrase used to cover the various forms of this movement including divergent approaches ranging from large corporations' sensitivity to social issues and focus on emerging low-income marketplaces, to microfinance organizations using for-profit models.

As a specific organizational model within the emerging area of academic study known more generally as social entrepreneurship, social business touches on a wide range of related or competing publications with various degrees of relevance. The trend towards more socially responsible businesses can be seen in a broad way over the late twentieth century with one literature review finding 95 studies since 1972 positively linking financial to social performance (Margolis and Walsh 2001). However, the largest umbrella area of study comes in what is labeled social entrepreneurship generally defined as an activity or organization with social values and aims employing business concepts and tools in some form. Unlike social business, which is clearly delimited requiring for-profit status without return to investors, social entrepreneurship conceptually encompasses many various forms and degrees of the incorporation of business techniques. The Yunus social business concept can be situated on a continuum that runs from nonprofit organizations to traditional profit-maximizing enterprises (PMEs; Yunus 2006). Social business would fall somewhere between the two poles but closer to the PME end because of the focus on creating a business model; social entrepreneurship is in fact a very broad category that might encompass any of these models. As Yunus states, "A social entrepreneur may not be involved in a business at all, it could be just helping your neighborhood, improving health care, helping people to do that in a new way" (Kickul et al. 2012, p. 456). Unlike PMEs, however, the core focus that drives the social business entrepreneur is that of addressing a social problem: "The distinction between social business and conventional business, that is, money-making business, is social business is totally de-linked from the very idea of making personal profit. It is very important to underline the words 'very idea.' Because once you keep the idea of profit, you get back to the old logic" (Kickul et al. 2012, p. 457). A social business is created for the collective benefit of others.

We contextualize social business as a concept within the literature by providing an overview of research about nonprofits, new philanthropy, international economic development, corporate social responsibility, and social entrepreneurship. While Yunus developed his concept in part in response to the limitations of these other models, the changing landscape over the years has opened the possibility of greater reception to the relatively new idea of social business. We then examine more closely the idea of social business.

Nonprofit Management and History

According to the Nonprofit Almanac (Wing et al. 2008), nonprofit organizations in the United States account for 5 % of Gross National Product (GNP), over 8 % of total wages, and 10 % of the overall employment. Anheier (2001) notes that in America the nonprofit sector, as a percentage of the GNP, is larger than that of all but ten other nations in the world. Some scholars (Rose-Ackerman 1986) argue that nonprofits arose initially in capitalist systems because of the "contract failure" between for-profit organizations and society. Nonprofit organizations become more prevalent when government fails to step into the gap to satisfy demands of certain subgroups in society. The overall difference between public and private organizations can be traced to the notion of "private" versus "public" good and the goal of a "civil society" through a third sector. As opposed to government agencies, nonprofits have more autonomy to develop and implement programs and in hiring, purchasing and budgeting. They are often viewed in the research literature as optimal organizations for certain kinds of services, such as those provided by blood banks and nursing homes.

Beginning in the 1970s, a distinct research literature developed within business and economics which focused on issues specific to nonprofit organizations in

America. In Europe, nonprofits have been slow in comparison to develop, with scholarship not beginning until the mid-1980s. Powell (1987), in a textbook on nonprofits, describes the research on such organizations as broadly divided into theories of the role of nonprofit institutions and of their behavior. The purpose of nonprofits within a capitalist system is to permit greater diversity of social provisions than the state itself can achieve. Nonprofits in the United States are not prohibited from earning profits, but must devote any surplus to financing future services or distribute it to non-controlling persons. In some cases, cross subsidization occurs so that one unit supports another within a nonprofit. The economics of nonprofits is an important area in the research literature because of the challenge of sustainability. Gregory and Howard (2009) argue that most nonprofits do not spend or budget enough funds to adequately cover overhead. The underfunding of overhead can have disastrous effects causing a vicious cycle of underfunding.

In terms of finances, Salamon (1997) points out that the nonprofit sector is economically dominated by healthcare (61 %) and education (22 %) and pinpoints the growth of nonprofits in America to the 1960s with the Great Society and the growing pressure to alleviate poverty. This public policy effort resulted in a widespread partnership between government and the nonprofit sector. In the 1980s, the Reagan administration severely cut the Great Society efforts. Although financial support continued for healthcare, it declined 25 % in other areas such as community development. As a response, nonprofits were led to a “marketization” with fees and charges becoming an increasingly large part of the overall budget. This trend has narrowed the difference between nonprofit and for-profit organizations and strained the rationale for tax advantages for nonprofits. For universities, federal support of research diminished with the end of the Cold War and led them into commercial markets. The Dole-Bayh Bill of 1981, which authorized universities to hold patent and licensing rights to discoveries produced with federal funding, resulted in a new concentration on commercial opportunities, especially at research institutions.

Scholars have commented repeatedly on the increased commercialization of nonprofits, arising from a downturn in donor and governmental support, which in turn has provoked fundamental questions about the justification for nonprofit tax advantages (Artz and Sutherland 2010). Hopkins (1979) notes that the general theory behind tax-exemptions for nonprofit organization is that they step in where government does not operate – the tax benefit is an exchange for what would require government expenditure. However, since they are outside of the competitive marketplace, nonprofits face criticism of inefficiency and managerial competency. In fact, some local governments have legally challenged the taxability of nonprofits, and the Tax Reform Act of 1969 imposed tighter restrictions on many tax-exempt organizations. Clottelter (1992) notes that the redistribution of wealth through nonprofits appears to be slight with the wealthy tending to support organizations that support services for those only slightly lower in class rank. Specific forms such as the Limited Liability Company (LLC), and the Low-Profit Limited Liability Corporations (L3C) were designed to attract foundation funding for social enterprises. Galpin and Bell (2010) describe how a growing number of states have enacted legislation which allows for the creation of Low-Profit Limited Liability Corporations and outlines its benefits and potential weaknesses to social entrepreneurs.

One of the largest categories within the research literature on nonprofits concerns specific pragmatic management issues, and ways that nonprofits differ in this regard from for-profit firms. One well-known example of a scholar writing about nonprofit management is Peter Drucker (1999) who provides tools for strategic planning workshops focused on five primary questions which nonprofit organizations should ask themselves about mission, customers, customer values, results and planning. In terms of management approaches in nonprofits, Drucker advocates making people's strengths effective and their weaknesses irrelevant. He argues that "changed lives" is the bottom line for all nonprofit organizations.

Arnove (1980), in a critical analysis of the socio-political impact of major philanthropic organizations in America, contends that foundations such as Carnegie, Rockefeller and Ford have operated in a mostly unregulated way to further their own aims and function primarily to dampen radical political unrest. The development of these foundations can be traced to the beginning of the twentieth century when very large wealth was accumulated by industrialists, while at the same time social unrest grew broadly in American society. According to Arnove, major foundations have historically supported right wing movements concentrating on issues such as genetic superiority and standardized intelligence testing as a way of hardening an educational class system. After World War II, foundations were concentrated on maintaining power structures through international development efforts, as well as in universities overrun by an influx of veterans. Both the Ford and Carnegie Foundations played major roles in forming higher education public policy. Specifically, officials from Carnegie greatly influenced the California Master Plan in 1960, slanting it towards preserving the elite nature of the University of California. Critical points of view on nonprofit organizations, such as those from Stanley Surrey (1973) at Harvard Law School, point out that nonprofits are in fact funded by the government through a tax expenditure, or direct cost to the government. Furthermore, nonprofits increasingly compete directly with for-profits who are at a competitive disadvantage because of tax policies. Charitable giving laws are structured so that the wealthy receive a much higher deduction for gifts than the poor.

New Philanthropy and the Third Way

What is described by some as "new philanthropy" and the "third way" intersects with publications on welfare reform and social entrepreneurship. Giddens (2000), in his influential book *The Third Way and its Critics*, traces discussions of a "third way" to various movements begun in the wake of WWII, then subsequently brought to America and Britain by the Democrat and Labor parties, respectively, in the 1990s. The cornerstones of the movement are a new progressivism focused on equal opportunity, personal responsibility, and community activism. The notion that "with rights come responsibilities" points to limiting government and concentrating on new wealth creation rather than redistribution. This perspective is a departure from the traditional leftist perspective, which tends to see dangers in the market that need to be constrained by the government. According to Giddens, this new approach appeals to those who feel there is too much government yet still hold many leftist values. Hale et al. (2004) link the third way to 1992 with the Clinton and Blair administrations, and with social democratic efforts in Europe, as seen especially in Germany, France and Scandinavian countries. "Third Wayers" argue for social inclusion and community values rather than the individualist values of the New Right movements. What is said to be new in this movement is a focus on economic efficiency tied to social justice. Blair et al. (2001) claims that the third way represents a historic realignment of economic and social policy, and that effective markets are a pre-condition for a successful modern economy. In this formulation, the proper role of political systems is to help individuals through education and training to succeed.

In *Forces for Good: The Six Practices of High-Impact Nonprofits*, Crutchfield (2008) argues that the trend is for nonprofits to become "catalytic agents of change." He advocates against nonprofits acting like businesses, but endorses leveraging the power of business models. Similar representatives of this type of publication include Egger's *Begging for Change: The Dollars and Sense of Making Nonprofits Responsive, Efficient, and Rewarding for All* (2004), a first-person account of work as head of the D.C. Central Kitchen and the United Way. Egger follows the rise of the interest in business approaches to running nonprofits to the mid-1990s, when with the thriving economy and technology boom, managers who came from for-profits to work in nonprofits brought in business terminology, methods focused on measurable outcomes, donors as investors, and increasing capacity. Similarly, in *The End of Charity: Time for Social Enterprise*, Frances (2008) provides an account of personal experiences creating the Cool nrg organization, making an argument against the perceived traditional dichotomy between charity and business. Frances defines social enterprises as using market values to properly identify a problem, understand the costs and the benefits of the solution, and then sell the benefits at a greater value than the costs. Foster, Kim and Christiansen (2009) argue that nonprofit leaders are much more sophisticated about creating programs than they are about funding their organizations, and philanthropists often struggle to understand the impact of their donations. As a result, money doesn't flow to the areas where it will do the greatest good.

Finally, Meehan et al. (2004) describe a survey on personal charitable giving in which respondents view themselves as "investors" rather than simply donors, seek information about the nonprofits they fund, and expect measurable social returns on their investment – much as investors in the stock market aim for financial returns. They identify all those who give to charity, along with the nonprofits they fund, as comprising a vast web that they call the "social capital market." According to Meehan, Kilmer and O'Flanagan, a more efficient social capital market would mean more efficiency in the nonprofit sector generally.

Global Economic Development

Internationally, scholars have centered on new approaches to economic development in emerging economies. The creation of the Grameen Bank was to some degree a response by Muhammad Yunus to governmental and charitable failures in Bangladesh. Recent research (Bright and Godwin 2010) concentrates on encouraging social innovation in global organizations and categorizes attempts into two different approaches: (1) the planned approach fosters hierarchically driven innovation and (2) the emergent approach fosters bottom-up, self-organizing innovation. Lodge and Wilson (2006) assert that corporate support for world development efforts will benefit not only the world's poor but also company shareholders as a result of improved multinational corporation legitimacy. In a similar way, Wilson and Wilson (2006) promote working with the world's poor by focusing on numerous low-risk, low-cost recommendations. This book claims to view the poor as more than mere consumers. Instead, it takes a strategic view of all the ways in which a companies can influence the lives of the poor.

Sen (1999) focuses on the notion of freedom as a means for sustaining economic life as well as addressing poverty and political instability globally. He conceptualizes poverty as a capability deprivation and notes the importance of empowering women in social change movements worldwide. Charles Wankel's *Alleviating Poverty through Business Strategy* (2008) considers first the need for a new approach to the alleviation of poverty internationally, and then secondly argues for new thinking about poverty, asserting that the poor must have access to some useful resources that can be utilized in approaches to poverty reduction.

Another area receiving increased notice in publications is in the view of emerging nations and low-income global populations as a potentially lucrative new market, while at the same time addressing social needs. In this way, Prahalad (2010) in *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* argues that companies are neglecting opportunities in the developing world to serve the poorest. Prahalad claims that the Bottom of the Pyramid (BOP) market amounts to four to five billion people and $13 trillion dollars. The book looks at the key elements of successful business approaches to working in this unique market and includes numerous case studies from various sectors. The overall concept is to build the capacity of the poor through market models which then lift them out of poverty. Scalability is a key issue because Bottom of the Pyramid business tends to be low margin, high volume and sensitive to scale. Prahalad asks how one brings the entrepreneurial innovation of private enterprise to solving social problems, arguing that the primary problem of the twenty-first century is finding a way towards "democratization of commerce," which he defines as "bringing the benefits of globalization to all micro consumers, micro producers, micro innovators, micro investors, and micro entrepreneurs." He urges the reader to look at the poor not as victims, but instead as creative entrepreneurs and value-conscious consumers. The latter ideas align well with the assumptions of the Yunus/Grameen model of social business.

In *Untapped: Creating Value in Underserved Markets* (Weiser et al. 2006), the authors define "underserved markets" as having a high percentage of low-income individuals or a high percentage of ethnic minorities, and builds on theories regarding the opportunity to exploit new markets at the Bottom of the Pyramid. The book looks at specific challenges and opportunities in this new marketplace, focusing on issues such as recruiting and retaining a workforce, increasing value in the supply chain, product and process innovation, building partnerships, and creating value for both businesses and the community.

Similarly, *The 86 Percent Solution: How to Succeed in the Biggest Market Opportunity of the Next 50 Years* (Mahajan et al. 2006) is aimed at managers focused on developing markets, and begins by making an argument for opportunity to better focus on the 86 % of the world population in developing countries that make less than $10,000 per year. Roy and Roy (2010) argue that over half of the world's population lives on less than 2 dollars a day, and yet international business education to date has continued to ignore low-income customers. They propose a holistic pedagogical approach to studying this market by considering the historical background of the growth of inequality and poverty in different regions of the world, as well as the criteria for segmenting various levels of poverty. Next, they suggest a two-pronged approach to address poverty issues: first, show how traditional international business principles can be adapted to address the needs of the impoverished market segment using a macro (top-down) approach; and second, show how this untapped market can be harnessed for profits while simultaneously uplifting it out of poverty using principles of social entrepreneurship as a micro (bottom-up) approach.

A different focus in the literature is the BOP market and investments. So called "impact investments" have been identified by investment companies such as J.P. Morgan, as described in a 2010 report entitled *Impact Investments: An Emerging Asset Class*. This report examines impact investing as a new alternative for channeling large-scale private capital for social benefit. It notes the history of "impact investing" in developing countries, sees large range in expectation on investor returns, and links to BOP theories of exploiting emerging markets. Matthaus-Maier and von Pischke (2006) also look at microfinance as investment funds. Microfinance investment funds (MFIF) have developed since the mid-1990s and are characterized by millions of private investors, often are in form of mutual funds, provide equity capital for retail microfinance institutions, and are in almost 150 developing countries. Simon and Barmeier (2010) consider investments designed specifically to promote development across a broad range of sectors and raise questions regarding sustainability, scale, and assessment of effectiveness. The authors recommend increased transparency and standardization in the sector. Miller and Wesley (2010) reflect on social venture capitalists (SVCs) who have emerged to provide a new source of funding for social entrepreneurs, and argue that such organizations have dual identities grounded within the social and entrepreneurship sectors, thus prompting them to value the resources and goals of both sectors.

Corporate Social Responsibility

The trend towards more socially responsible businesses can be seen in a broad way over the late twentieth century. In *People and Profits? The Search for a Link between a Company's Social and Financial Performance*, Margolis and Walsh (2001) present a literature review listing 95 studies since 1972 linking financial to social performance. They find a 68 % positive relationship between financial and social performance in the businesses studied. Specific efforts to look at multinational companies' operations as socially responsible are also prevalent (Baines 2009). Hopkins (2007) explicitly links Corporate Social Responsibility with international economic development and spells out how it can be a useful tool to promote economic development via corporations.

However, Doane and Abasta-Vilaplana (2005) note that there are serious limitations that the market imposes on attempts at corporate social responsibility initiatives. Legal obligations of corporations to their shareholders further restrict such attempts to help solve social and environmental problems. Mitra and Borza (2010), in a study based on a quantitative research of 79 Romanian firms, debate the differences between social enterprises and commercial enterprises related to task performance, and the way that social mission is accomplished. They argue that commercial entrepreneurs must pursue both economic and social issues, but their primary mission should be to acquire financial independence by investing and creating value for stakeholders. Corporate Social Responsibility has an undeniable positive effect on both society and businesses, but this practice depends on the company's willingness and ability to get involved, which is at the discretion of the managers and shareholders. In the end, their primary motivation is the maximization of profits.

Social Entrepreneurship

The largest area of study is grouped under the umbrella label of "social entrepreneurship," which is generally defined as an activity or organization with social values and aims employing business concepts and tools in some form. Dees (2001), a leading scholar in the field of social entrepreneurship, defines key elements of the field as adopting a mission to create and sustain social value; pursuing new opportunities to serve that mission; engaging in a process of continuous innovation; acting boldly without being limited by resources; and exhibiting heightened accountability. Unlike social business, which is clearly circumscribed by its for-profit status and lack of return to investors, social entrepreneurship incorporates many forms and degrees of business technique utilization.

One of the most prominent texts in this area is *Entrepreneurship in the Social Sector* (Wei-Skillern et al. 2007), designed as a core or supplementary text for advanced undergraduate and graduate courses in social entrepreneurship from the

Harvard Business School faculty. These authors define social entrepreneurship as "innovative, social value-creating activity that can occur within or across the non-profit, business, or government sector." The book points to the origin of the social entrepreneurial movement in the need for nonprofits and charities to control costs, increase revenues, and enhance effectiveness. The authors argue that the blending of social and commercial approaches poses a unique set of management opportunities and challenges which need to be studied.

Charles Light's 2008 book *The Search for Social Entrepreneurship* attempts to define the field and then presents data from two large surveys. The author begins with a broad definition and then categorizes organizations by the degree to which they are aligned with basic principles. He explains that generally researchers define social entrepreneurship as a method to change the status quo by creating social value, pursuing systemic social change, creating a new social equilibrium, or pushing for a pattern-breaking change. One of the leading books in the field is *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs* (Dees et al. 2001), a practical handbook designed for nonprofit managers based on entrepreneurship business best practices appropriate for the social sector. Bornstein and Davis' *Social Entrepreneurship: What Everyone Needs to Know* (2010) presents a brief overview of the field defining social entrepreneurship, its emergence as a social movement, and identifies key figures in the movement. The authors contrast social entrepreneurship with government activities, activism, and democratic political movements.

Non-academic works such as John Elkington's *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (1998) discuss a philosophy of the "triple bottom line," defined as focused on the traditional profit bottom line, as well as environmental quality and social justice. This study traces the development of this new focus to five great social changes including the end of communism, the shift to economy based on knowledge rather than physical resources, changing demographics, the global economy, and the lack of superpowers. Elkington and Hartigan's *The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World* (2008) looks at social entrepreneurs internationally using individual case studies, attempting to synthesize patterns across various organizations. The authors argue that there are three basic models: leveraged nonprofits, hybrid nonprofits, and social businesses. Social business ventures are defined as having a social mission, the generation of profits, seeking out investors, and ability to scale up taking on debt and equity. They further note that social businesses struggle with national law because no single country has a specific legal model to accommodate social businesses.

Much of the research literature consists of case studies that focus on the field's early stage of development. *New Social Entrepreneurs: The Success, Challenge and Lessons of Non-profit Enterprise Creation* (The Roberts Foundation 1996) is a collection of case studies of various individuals and organizations in the community development arena, as well as perspectives from social workers, community organizers and socially concerned business people emphasizing a synthesis of business and social service techniques. Key findings include the assertion that nonprofits have the capability of running for-profit ventures, but need access to capital and technical skills. Furthermore, the authors find that there is a tension between an organization's desire to pay living wages and the limits of the marketplace. Welch's *The Tactics of Hope: How Social Entrepreneurs are Changing Our World* (2008) is a collection of case studies of social entrepreneurs with some primary interview data. Targeting the popular rather than academic market, the author divides the case studies into the following general categories: health, education, microcredit, fair trade, human rights and social justice, disaster relief and rehabilitation, the environment and restoration of a sustainable planet, and other agents of change. Some of the case study research literature focuses on historical perspectives. For example, in *Beyond the Bottom Line: Socially Innovative Business Owners* (Quarter 2000), the author presents a series of profiles of key socially innovative businesses, starting with an historical look at Robert Owen and utopian labor models. The book then proceeds chronologically through the John Lewis partnership and Endenburg Electric, up to the more recent Body Show and K.T. Footwear cases. The volume ends with an analysis that finds a general pattern throughout the cases and offers propositions such as the need for leader control, compliance from management, alignment to norms, and relationships to government.

Case studies on specific segments such as homelessness (Carroll et al. 2010) and online microcredit (Coates and Saloner 2009) often appear in academic journals. Other specific case studies focus on cases about social entrepreneurial businesses in specific countries and social-political contexts such as in Curtis et al. (2010) on Poland and the United Kingdom, and Faminow et al. (2009) on Central America. One key issue in international perspectives on social entrepreneurship is the various legal organizational classifications (Galera and Borzaga 2009). Some of the academic journal articles concentrate on specific management issues linked to social entrepreneurship such as identifying business opportunities (Corner and Ho 2010). One category of the literature offers specific theories related to social entrepreneurship. For example, Bull et al. (2010) present a debate about the notion of ethical capital in social enterprises, and in Di Domenico et al. (2010), the bricolage concept is applied to social entrepreneurial action.

One specific subcategory of social entrepreneurship focuses on environmental sustainability. Brown's *Plan B 4.0: Mobilizing to Save Civilization* (2009) explores a possible transition to a new economy based on alternative energy forms. In *Capitalism at the Crossroads: Aligning Business, Earth and Humanity*, Hart (2007) argues that governments are not equipped to lead in a direction towards a sustainable world, and that only corporations have the technology, resources, capacity, and global reach required to meet the challenge. The author points out that the redistribution of wealth alone would not be enough to combat poverty, and that new wealth on a massive scale is required. This fact suggests the need for innovative business models rather than government approaches.

Scalability and sustainability are two key issues confronting non-profit and social entrepreneurial organizations repeatedly addressed in the research literature (Bloom and Chatterji 2009; Bloom and Smith 2010). Bloom and Skloot (2010) in *Scaling Social Impact: New Thinking* provide a collection of 13 essays focused on the issue of scale in social entrepreneurial organizations with sections framing the discussion; the pros and cons of larger scales; alliances; branding and funding. Dees et al. (2004) suggest policymakers need to take a more strategic and systematic approach to the question of how to spread social innovations, and address the issue of scalability of social entrepreneurship activities/organizations by looking at various cases.

Phillips (2006) establishes the growing perception of the importance of the social enterprise sector in the United Kingdom, and notes that it is current UK government policy to encourage that sector's growth. However, social enterprises, in common with many small businesses, find growth difficult, and this limitation could impact negatively their sustainability. The author goes on to explore the reasons for that difficulty, and concludes by suggesting how best to support social enterprise, but warns that further marketization of this sector could be to its detriment.

The Concept: Take Two

With influences outlined above, "social business" is a specific version of what is more broadly described as social entrepreneurship in the research literature. Daniel Bornstein's 1996 *The Price of a Dream: The Story of the Grameen Bank and the Idea That is Helping the Poor to Change their Lives* is a primary resource that traces the history of the origin of social business and the Grameen organization. This book by a journalist is an inside look at the history and development of the Grameen Bank based on a series of observations and interviews over two different 6-month time periods in the 1990s. Bornstein traces the theoretical development of Yunus' ideas to Schumpeter's theories on creative destruction and entrepreneurship. In a reversal of the Reaganomics trickledown theory, Yunus came up with the theory of "bubble up economics," wherein economic improvement rises from the bottom for the benefit of all. The author points to five major Yunus themes repeated throughout the history of Grameen: credit should be accepted as a fundamental human right; self-employment is preferred over wage employment; women should be a focus; the concept of development should be redefined as focused on the poorest 50 % of a given population; and the conceptual vagueness of development theorists should be replaced by specific actions against poverty.

The primary source for information on the notion of social business comes from Yunus himself through his books and numerous speeches and interviews. Early works by Yunus include a group of essays written while he was an economics professor at Chittagong University (1976). At that point, his focus was on research regarding approaches to economic development. But one can see, even then, his emerging thinking on the kind of organizational transformation he had in mind: "Development planning involves selectively discarding old institutions, germinating new ones, grafting new institutions to the old ones to guide the society from one level of economic existence to another level, from one set of social coordinates to another set" (pp. 15–16). In this hand-typed collection he presents ideas on a strategy for educational reform in Bangladesh; economic development; a description of the Rural Economic Research Programme; discussion of self-reliance in Bangladesh; and a note on village planning. His facility with words and skill in reconceptualizing the problems of addressing extreme poverty is evident throughout this work: "Between the bulk of inputs on the one side of the production process and the output on the other side, there is a fascinating human story where Time, Nature, Bureaucracy, greed, ignorance, and many more elements come into play" (p. 18).

In the 1991 *Jorimon and Others: Faces of Poverty*, the interviews and observations made in the 1980s during the early years of the Grameen Bank Project in Tangail, Yunus presents moving studies focused, to a large extent, on the plight of women, a theme that becomes a constant in Yunus' work. As he notes in the introduction, "...one must look through the experience of a woman to find out the true colour of our society. All the deformities and perversions of our society are bound to show up very distinctly if you see them as a woman does; particularly if the woman happens to be a poor woman" (p. xvi). Later, small monographs, such as *Grameen Bank as I See It* (1994), were responses to common questions received by Yunus on the Grameen Bank, including what is behind the organization's success, its rapid growth, and replicability. In terms of expanding the Grameen model, he notes in this work that in an American effort in 1986, led by Bill Clinton, a Grameen model microfinance program called the Southern Development Bank Corporation was developed and funded by the Rockefeller and Ford Foundations.

Banker to the Poor: Micro-Lending and the Battle Against World Poverty (2003), Yunus's first widely read book, gives his personal account of witnessing the cycle of poverty that kept many poor women enslaved to high-interest loan sharks in Bangladesh. He describes how he lent money to 42 women so they could purchase bamboo to make and sell stools. In a short time, the women were able to repay the loans, while continuing to support themselves and their families. With that initial eye-opening success, the seeds of the Grameen Bank and the concept of microcredit were planted. Yunus tells his story of after earning a doctorate in Economics at Vanderbilt University, he returned to Bangladesh to settle into a life as a professor. Armed with little more than a lofty dream to end the suffering around him, he started an experimental microcredit enterprise in 1977; by 1983 the Grameen Bank was officially formed. The idea behind the Grameen Bank is simply to extend credit to poor people and they will help themselves. At Grameen, loans are administered to groups of five people, with only two receiving their money up front. As soon as these two make a few regular payments, loans are gradually extended to the rest of the group. In this way, the program builds a sense of community as well as individual self-reliance. Most of the Grameen Bank's loans are to women, and since its inception, there has been an astonishing loan repayment rate of over 98 %.

In *Creating A World Without Poverty: Social Business and the Future of Capitalism* (2007), Yunus' second popular book, we have a recounting of the story of microcredit, then a discussion of social business theory. Specific case studies include the French food giant Danone's partnership to market yogurt in Bangladesh are described in detail, along with other businesses that operate under the Grameen banner. He distinguishes between Type I and Type II social businesses. Type I is the model described thus far in this chapter. Type II is a profit-maximizing company, still focused on a social need, but owned by its beneficiaries (who are poor or otherwise disadvantaged) or by a trust dedicated to improving the lives of the poor (Yunus 2007). One of Yunus's clearest statements on social business comes in a 2009 article entitled, "Economic Security for a World in Crisis," in which he describes capitalism as a half-built system: "The present theory of capitalism holds that the marketplace is uniquely for those who are interested in profit only." Whereas Adam Smith (2002) envisioned a moral function and universal sympathy for others that could be supported through the capitalist system, Yunus sees this urge towards sympathy expressed in charity. However, such organizations do not have the ability to innovate and expand the way businesses do. Thus, Yunus argues for the need for a third sector alongside the free market and government. The key distinction with social businesses is that no profit is generated for investors, except in the case of those which are owned by the poor as with the Grameen Bank (Type II).

Building Social Business: The New Kind of Capitalism That Serves Humanity's Most Pressing Needs (2010) is Yunus' most recent book, in which he describes how social business has gone from being a theory to a practice, adopted by large corporations, entrepreneurs, and social activists globally. Yunus offers practical guidance for those who want to create social businesses of their own. He explains how public and corporate policies can adapt to make room for the social business model, and shows why social business holds the potential to redeem the failed promise of free-market enterprise. Recently, Yunus has also turned to writing about practical lessons learned in his Grameen experiences (Yunus et al. (2010). In this article, he follows the gradual development of Grameen's expertise in formulating social business models, which require new value propositions and business model innovation. The article presents five lessons learned from experience. Three are similar to those of conventional business models: innovation challenging conventional thinking, finding complementary partners and undertaking continuous experimentation. Two are specific to social business models: recruiting social-profit-oriented shareholders and specifying social profit objectives clearly. Finally, the authors suggest these new business models, which involve the replacement of shareholders with stakeholders, could empower capitalism to address overwhelming global social problems.

A common criticism of socially minded models is that they ignore human nature, which is innately self-interested. Yunus confronts directly this assumption about the match between human nature and profit-maximization models; he does so in most every piece he has written about social business, indicating the centrality to his theory of his ideas about human nature (Yunus 2006, 2010, 2011; Kickul et al. 2012). He argues that the application of capitalist theory in today's world suffers from "the failure to capture the essence of a human being" (2006, p. 2). Writing in 2011, Yunus argues that Adam Smith himself recognized the multi-dimensional nature of human beings, not only selfish but also selfless. The theory of capitalism that has come to dominate makes “no room for the selfless dimension of people” (Yunus 2011, p. 13). He argues that there will always be people willing to create and invest in social businesses even though they are not maximizing the financial profit; they instead reap other kinds of profits. Elaborating on the urgency of excluding the pursuit of profit, or payment of dividends to social business owners, Yunus provides three reasons. First is a moral argument – Yunus believes that it is immoral to make a profit from the poor (Yunus 2010, p. 13). He asserts that his second reason is a pragmatic one: “In times of stress, profit will always trump the other ‘bottom lines’” (Yunus 2010, p. 14). The third reason is what he calls a systemic one: there must be a clear third alternative to business and charity, “in order to change mindsets, reshape economic structures, and encourage new forms of thinking” (Yunus 2010, p. 16). One reaction to learning about the social business idea is that it will be hard if not impossible to find investors, because while the initial investment is paid back, investors must forfeit interest on their funds. There is in fact a financial cost to investors. Yunus’ idea about the other side of human nature is relevant in a rebuttal – there will be those willing to pay this cost because of the other dividends they reap.

The foundational principle that social businesses are created to address/solve a social problem first and make a profit to reinvest in that business second raises several key issues. First, it creates the need for different measures of business performance, beyond financial ones. While there are many, varying approaches to measuring social impact, the good news for those in the field of social business (whether creating them or attempting to assess them more academically) is that they exist. One clearinghouse for such measures is maintained by the Foundation Center at http://www.trasi.foundationcenter.org. At a recent focus group session of the 2012 Global Social Business Summit, several presenters discussed the challenges of and avenues available to measure social impact. Sophie Eisenmann of Yunus Social Business, a consulting and incubation firm established by Ms. Eisenmann, Saskia Bruysten, Hans Reitz, and Muhammad Yunus in 2011, argued at the Global Social Business Summit that the measurement of social impact is one of the most urgent topics that the social business movement faces today. She listed several measures currently being used: Acumen Fund: The Best Available Charitable Option (BACO); Social e-valuator: Measurement of social return on investment (SROI); the Boston Consulting Group: Quantifying Social Impact; the William Davidson Institute: Base of the Pyramid Impact Assessment Framework; and Ashoka: Measuring Effectiveness (Eisenmann 2012; author’s [Grove] notes).

The focus on the amelioration of social problems entails not only finding measures to assess the extent to which the focus issue is being solved but also the prior understanding of the target social issue. Consider the list of issue areas Yunus provides in his Seven Principles (see above): education, health, technology access, and environment. From these broad areas many additional, familiar social issues can be derived: nutrition, clean water, homelessness, etc. If social business entrepreneurs are to design effective social businesses, they must have an educational background that is relevant to grasping the causes and contexts of the target issues.

Depending on the issue, they might draw on sociology, political science, geography, economics, biology, computer science, information technology, and/or psychology, for example. Insight from these areas can also offer background on the country or locality in which the social business is proposed to operate. What works in one place may not work in another. In the case studies included in this book, cultural and political contexts play a role in the business planning and outcomes of their operations.

While not considered much in published work thus far, when thinking of outcomes and impact, social business entrepreneurs should be conscious of the potential political impact of their work, the kind of impact highlighted by Kreutzer and Mauksch in this volume, for example. Success may involve the transformation of the systems that create or allow social problems to exist. Existing ways of thinking about the problems may shift. While Lawrence et al. (2012) derive this challenge from the work of social innovators, we believe it applies especially well to the social business-focused subset of those: the nature of this work is inherently political. "Social systems, even those that underpin significant and obvious social problems, are always tied to entrenched interests and distributions of advantage and disadvantage." The recent troubles that Prof. Yunus has experienced in Bangladesh, with the government's successful effort to force Yunus off of the board of the Grameen Bank, is most likely an example of Dhaka's reaction to the changes the bank has brought to that country, exceeding the work of its own government in addressing social ills (Schneiderman 2011; also, see Rashid 2012 for a study of Grameen and politics in Bangladesh). Indeed, the work of the social business entrepreneur can expose "injustice and inequity in ways that can force the redistribution of privilege." Thus those engaged in this work have to be "both creative problem solvers and skilled politicians – overcoming resistance from residential communities, government agencies, political factions, and corporate actors…" (Lawrence et al. 2012, p. 321). As scholars begin to study social business in more depth now that there are more exemplars to examine, we must begin to measure these various aspects of impact – social, cultural, political – a key reason we adopt an interdisciplinary approach in this book.

Conclusion

Social business as a model and as an academic field of study is intimately intertwined with areas such as social entrepreneurship and socially responsible businesses, nonprofit management, and global economic development. As articulated by Muhammad Yunus, however, the non-loss, non-dividend model is unique and intended as a "third way" between traditional business and charity. Because the specific Yunus model is relatively new, there have been few studies of the concept's application. Now that a number of social businesses have been in operation for several years, the field is open for comparison of these cases, as well as a consideration of the issues that have surfaced.

The California Institute for Social Business (CISB) in collaboration with Professor Muhammad Yunus is the first program of its kind in the United States to grant an interdisciplinary undergraduate degree in social business and to involve academia in research on the understudied academic field of social business. This book is one of the first comprehensive collections of theory and research on the emerging field. The diverse group of authors comes from around the world (United States, Germany, Vietnam, Saudi Arabia, Italy, Spain, and Bangladesh) and from various disciplinary backgrounds (Geography, Business, Education, Political Science, Economics, etc.). As noted above, the book examines theoretical foundations and features several case studies of social businesses around the world. Next, there are chapters focused on practice – state of the art assessment of the issues that arise in the planning, marketing, and evaluation of social businesses. That section is followed by two chapters on critical views of the concept, its application, and its evaluation. A concluding piece looks back at what we have learned and sets an agenda for future work.

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