Chapter 12
Social Business and Poverty Alleviation: Lessons from Grameen Danone and Grameen Veolia

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Introduction

Nobel Peace Laureate Muhammad Yunus holds a clear-cut view on modern capitalism: it has fostered global economic growth, generated technological innovation, and created a great deal of wealth, but has left out a significant proportion of the world's population so far (Yunus 2007a, b). Every other person on earth still lives on less than 2 dollars per day in spite of more than 60 years of continuous economic growth. Almost 1.4 billion people live in extreme poverty on less than US$1.25 a day. This material poverty is usually accompanied by a lack of access to basic healthcare, education, or political participation. Against this background, Theo Rauch, a German development expert, has made a deflating case summarized as: "From Basic Needs to Millennium Development Goals: Four Decades of Poverty Reduction in Science and Praxis, But No Progress" (Rauch 2007, p. 1; own translation). Though provocative in nature, this judgment reflects a growing consensus: international development efforts and financial aid amounting to more than US$1.8 trillion since 1950 notwithstanding, there has been little progress in reducing mass poverty in developing countries so far (OECD 2009).

Positive trends towards the Millennium Development Goals (MDGs) in countries like Bangladesh are, in fact, compromised by global challenges such as environmental degradation and the loss of habitat due to climate change or volatile food prices in the light of global economic turbulence. People in poverty are regarded to be particularly vulnerable to these challenges (Bohle et al. 1993; Braun and Aßheuer 2011; Rahman et al. 2007). Thus, absolute poverty in the global South is not only considered as an injustice in itself (Sobhan 2010); poverty and destitution are also regarded as root causes for crime, corruption, and war

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(Nuscheler 2008). Poverty reduction, therefore, remains a matter of particular importance for development experts, politicians, and academics alike.

The definition of poverty is a matter of controversy (Shaffer 2009; Spicker 2007). The World Bank still draws upon material poverty lines in order to describe absolute poverty, but the work of Amartya Sen (1999) has significantly contributed to a more complex understanding of poverty as a lack of capabilities to sustain people's livelihoods. In the context of this chapter, poverty is defined as a mass phenomenon characterized by people's deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education, and information. It describes a condition that depends not only on income, but also on human capabilities, access to assets (both material and social resources), and economic opportunities (Spicker 2007; United Nations 1995).

Various conceptual approaches towards poverty reduction in developing countries have been given a trial during the last six decades. Proponents of macroeconomic growth strategies have contended with advocates of basic needs approaches. Direct community interventions have been accompanied by an emphasis on structural reforms and good governance. Today, development experts actively call for multidimensional mitigation strategies in response to the complex web of social, economic, political, and environmental causes and effects poverty is bringing about (Nuscheler 2008; Rauch 2009; Scholz 2004).

From Micro-credit to Social Business

As noted in Grove and Berg's introduction to this volume, the ideas of Prof. Yunus and the Grameen Bank have strongly influenced the way of thinking in the banking, development, and non-profit sectors – promoting the idea that entrepreneurialism, rather than charity, is the way to overcome mass poverty (Prasso 2007). Yunus' social business concept received international attention in 2006 when the Grameen Group launched its first consciously designed social business joint venture in partnership with Group Danone, a multinational food company from France. The purpose of the joint venture called Grameen Danone Foods Ltd. was to fight malnutrition among children in rural Bangladesh by providing fortified yoghurt at an affordable price. According to Yunus' principles, the social business venture has to generate enough profits to be self-sustainable, but neither Grameen nor Danone are supposed to gain any financial profit. The company's shareholders are allowed to recoup their initial investment capital, but any additional surplus has to be reinvested for the company's expansion and creation of new opportunities for the welfare of its poor target beneficiaries (Grameen Group and Danone Asia Pte Ltd. 2006; Yunus 2010).

Towards a New Market-Based Poverty Reduction Strategy?

Social business companies as envisioned by Yunus are designed and operated as any other business enterprise, but with the shareholder profit maximization principle replaced by a social mission. The Bangladeshi economist describes social business as a "new kind of business introduced in the market place with the objective of making a difference in the world" (Yunus 2006a, p. 4). While Yunus refers to social business, other economists such as Coimbatore K. Prahalad (2006), Allen L. Hammond et al. (2007), and Ted London (2009) argue that so-called "business at the base of the pyramid" (BOP) was the way to create value for the poor. The United Nations Development Program (UNDP 2008) has joined the call for "inclusive markets" by evoking new strategies for doing business with the poor. Catchwords referring to market-based poverty reduction approaches or business solutions to global poverty are in fact highly en vogue. Their meaning is often arguable. The same applies to the social business concept. For the evaluation of the concept's theoretical importance and practical feasibility as a new market-based approach to poverty reduction, the analysis of Yunus' joint ventures' operational economics and social outcomes is considered essential.

What can Yunus' social business approach actually contribute to poverty reduction? Based on theoretical and practical insights generated during the course of 3 years of research, this chapter addresses three questions. First, what is the extant theoretical background that might be brought to bear to evaluate social business and its contribution to poverty alleviation? The second question, what are practical lessons learned from the field, is addressed with a cross-case study analysis of two Grameen social business joint ventures in Bangladesh. The proposed answer to the third question (What are the implications in terms of opportunities, limitations, and risks?) draws on insights generated through more than 30 expert interviews in Bangladesh in combination with own considerations and findings.

Theoretical Background

The theoretical and conceptual examination of Yunus' concept in academic literature has only just begun (Hackenberg and Empter 2011). Three lines of theoretical examination seem to emerge. One links Yunus' considerations to those of former political economists, namely Adam Smith (Ahmed 2011; Donaldson et al. 2011; Skinner 2011; Struthers 2011). The second relates Yunus' macroeconomic vision to the broader idea of a social or human market economy (Alt and Spiegel 2009; Spiegel 2011), and the third stream discusses social business in the light of "business and society" relationships (Hackenberg and Empter 2011; Menascé and Dalsace 2011).

Definitions usually follow Yunus in describing social business as a subset of social enterprise or market-based approaches to address societal challenges.

Depending on authors' academic backgrounds, research papers have covered only specific aspects of the phenomenon so far, e.g., the legal framework in the US (Dougherty 2009; Rose 2007; Taylor 2010) or the phenomenon's prevalence in Germany (Kuhlemann 2010; Mauksch et al. 2011). Up until recently (Humberg 2011), there was no cross-disciplinary framework structuring the research field. We have only just begun to see external in-depth analysis of Grameen's social business joint ventures and policy implications (Humberg 2011 and this book).

In line with the more general review of research on entrepreneurship in emerging economies compiled by Bruton et al. (2008), Humberg's (2011) literature review indicates that there is also little empirical research dealing with social entrepreneurship in developing countries available yet. This holds especially true for the analysis of outcomes affecting the lives of the poor. Moreover, the place-based context within which social business companies operate has been largely omitted within the given body of literature. Against this background and recognizing a significant research gap concerning the operational experience, business strategies, and outcomes of social enterprises in poverty contexts, the empirical research summarized in this chapter had a strong focus on practical lessons learned from Grameen social business joint ventures in rural Bangladesh.

What Is Social Business? A Taxonomy

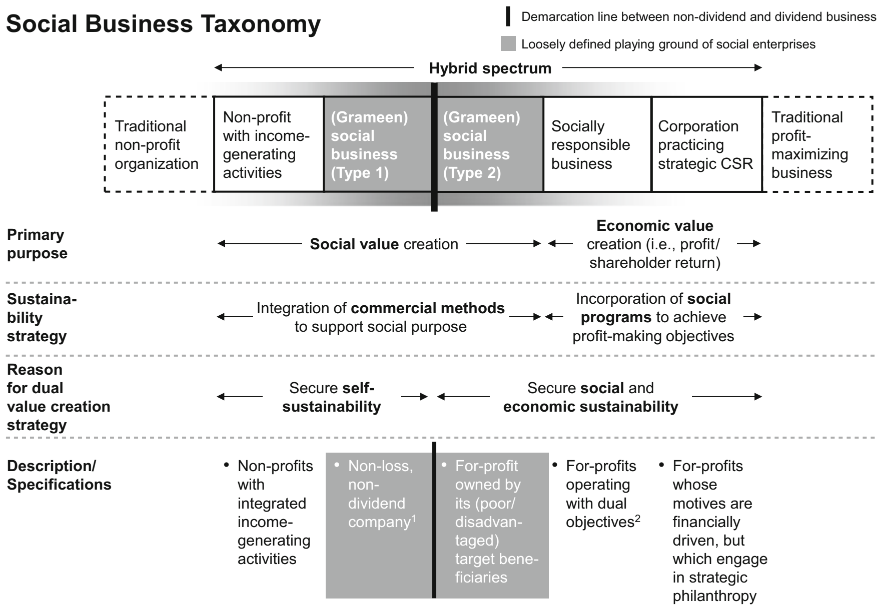
As noted in previous chapters, the term "social business" has been used in various ways. Yunus promotes social business as a new kind of social purpose business in the market place that addresses human challenges in a self-sustaining way and he distinguishes between Type I and Type II social businesses (Yunus 2007a, 2010). Crucial in Yunus' terms is to define social business as excluding the pursuit of individual profit by a company's founders and shareholding investors. Yunus basically turns the deliberate abdication of personal financial gain by those who invest their time and/or capital into a clear line of demarcation between a "social" and any other for-profit business. Yunus is, however, not a socialist – quite the opposite. He rather believes in the power of the free market with profit-maximizing companies as an integral part of it. Yunus' call for social business is rather a plea for social entrepreneurship and an argument for the efficient use of philanthropic resources in contrast with the conventional charity approach. Ultimately, the objective is to develop new business models that create added value for those individuals that have previously been excluded from the market (Humberg 2011, pp. 244–245).

From an academic perspective, Yunus' social business concept combines a macroeconomic claim with micro-level implementation. Essentially promoting a new type of cause rather than profit-driven business, the concept implies a critique of shareholder-value-driven capitalism. Yunus essentially argues that the failure of capitalism to address basic human needs (commonly regarded as market failures) was, in fact, due to a conceptualization failure in economic theory, not least due to a misinterpretation of Adam Smith (Yunus 2008). Though tying in with the theoretical propositions of various political economists such as Joseph Schumpeter, Alfred Marshall, or Amartya Sen (e.g., when it comes to the human dimension in economics or the role of entrepreneurs in society), Yunus was the first to outline the full structure of social business as a concept and to pioneer the creation of companies according to his principles.

Despite the active involvement of multinational corporations (MNCs) in early social business experiments, Yunus' idea is not the same as corporate social responsibility (CSR). While CSR is a concept referring to the order and conduct of conventional for-profit business geared to the principles of the shareholder value concept (Friedman 2007; Hopkins 2008; Porter and Kramer 2006; Weber 2008), Yunus' concept is geared to a new type of business that rather complies with the principles of the stakeholder concept (Donaldson and Preston 1995; Freeman et al. 2004; Friedman and Miles 2006). From a corporate management perspective however, social business epitomizes the idea of strategic CSR and shared value creation as promoted by Porter and Kramer (2011). Both Grameen Danone and Grameen Veolia exemplify how a social business investment of less than $1 million can, in fact, foster product innovation and yield first-hand market insights. Not for nothing has Grameen Veolia been called a "social R&D" initiative by Veolia Water's top management.

When considering this type of corporate initiative in a developing country or emerging market, there is also some overlap with the so-called base of the pyramid (BOP) approach (Prahalad 2006; Hart 2007). However, in (Grameen) social businesses, profits are considered as a means to an end, whereas BOP proponents regard profits as an end in themselves. Furthermore, it should be noted that (Grameen) social business companies do not necessarily operate at the base of the economic pyramid or in poverty contexts. Quite the opposite: non-profit corporations in Europe or the U.S. (e.g., in the form of Catholic hospitals or universities) actually represent an interesting precursor of Yunus' idea in the developed world. Yet there is an important difference between these organizations and Yunus' model: it is the "absence of stock or other indicia of ownership that give their owners a simultaneous share in both profits and control" (Hansmann 1986, p. 59). According to Hansmann (ibid.) and Frumkin (2002), what traditional non-profit organizations (NPOs) and non-profit corporations have in common is that they are barred from distributing net earnings to individuals who exercise control over the organization, such as members, directors, or trustees.

In social business, the situation is slightly different: even though investors abdicate from personal financial gain, they can get back their initial investment and remain the company's shareholders with legal ownership rights that include control over the company. (Grameen) social business, thus, combines features of profit-maximizing companies and nonprofits while delinking ownership from personal financial gain. Beyond these formal differences, there is another feature that differentiates Yunus' model from traditional nonprofit corporations such as hospitals or universities. It's the notion of "social entrepreneurship" as conceptualized by authors such as Bornstein (2007), Dees (2001), or Nicholls (2008). In the light of



1 Based on a profitable business model
2 Making profits for shareholders and contributing to a broader social good

Source: Own draft; inspired by Alter 2007

Fig. 12.1 Social business taxonomy

mass poverty, Yunus' social business companies naturally strive for scale, expansion, and replication.

From an organizational perspective, both types of (Grameen) social businesses ultimately belong to a hybrid spectrum lying at the intersection of traditional non-profits and profit-maximizing business. Tying in with Kim Alter's (2007) typology, they can be classified as a sub-category of social enterprises. This means that all (Grameen) social business companies would be social enterprises, but not all social enterprises are (Grameen) social businesses. Only those social purpose companies that are either "non-loss, non-dividend" or owned by its poor or rather disadvantaged target beneficiaries comply with Yunus' principles.

Though illustrated as separate types in Fig. 12.1, the following definition aims to cover both types of (Grameen) social business: a Grameen social business is a social purpose company consciously designed to generate social benefits in a commercially viable way through its offer and/or business system. What makes this emerging type of business distinctive is the conscious abdication from distributing profits to its founders and shareholding investors, respectively, beyond the return of their original investment in order to maximize the company's social and environmental value creation potential. The bottom line is to operate without incurring losses while serving the company's mission.

Defining Yunus' idea as "Grameen" social business is proposed for two reasons. The first argument is academic. For research purposes, the concept has to be clearly defined. Without the "Grameen" amendment, social business will always mean different things to different people and, thus, involve misconceptions. The second is a practical or rather pragmatic cause. Social business as a term is too broad to claim any proprietary right. Yunus' concept certainly contributes to the debate on the role of business in society, but a fundamental question remains unacknowledged: what makes a business social? A social mission or cause combined with founders' and investors' abdication from personal financial gain does not guarantee any desired social impact. How "social" a business turns out to be rather depends on its livelihood context and net impact. Against this background and with reference to Amartya Sen's capability approach (2001), a second definition is, therefore, proposed for the universal social business term: a social business is a business that contributes to human development by enlarging people's choice in an economically, environmentally, and socially sustainable way. Its norms and standards are context-specific and result from societal negotiation.

Field Research Methodology

An exploratory case study approach was chosen for the field research. According to Yin (2009, p. 18), a case study can be defined as "an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life contexts, especially when the boundaries between phenomenon and context are not clearly evident." While experiments deliberately divorce a phenomenon from its context, focusing on selected variables, the case study method takes contextual conditions purposely into account in order to understand the social phenomenon in depth (Stake 1995). Prior to our field research, little information was available about social business in Bangladesh. Neither the total number nor the characteristics of respective companies were clear. However, the selection of the first case was straightforward: Grameen Danone Foods Ltd. was the first multinational joint venture consciously designed according to Yunus' principles and, thus, represented a revelatory case previously inaccessible to scientific investigation (Bryman and Bell 2007). Due to the fact that Grameen Danone was also the most advanced venture time-wise, it was also likely to be the case yielding the most data and insights. The selection of the second case (Grameen Veolia Water Ltd.) followed a replication logic similar to that used in multiple experiments (Yin 2009). The second case was, thus, selected based on its similarity and presumption of similar results.

Brief Case Description

Grameen Danone was launched in July 2006 as a private limited company in Bangladesh. The company was set up as a 50/50 joint venture between Grameen Group and Group Danone Asia Pte Ltd., a subsidiary of the multinational food producer Group Danone. Grameen Danone's stated mission was to reduce poverty by a unique proximity business model that brings daily healthy nutrition to the low-income strata of the population. More specifically, Grameen Danone aims to alleviate malnutrition among needy children by selling fortified yoghurt at an affordable price. Grameen Danone's first plant is located in Betgari, a village on the outskirts of Bogra City, about 140 miles northwest of Dhaka. Grameen Danone's scope of business covers the manufacturing, packaging, marketing, sales, and distribution of fermented fresh dairy products under the brand name Shokti+. Additional core activities are linked to social marketing (i.e., educating consumers about their nutritional needs and health topics) and setting up a rural sales and distribution system. Grameen Danone has adjusted the company's entire value chain to its social mission and rural business environment. The company involves local communities in all parts of its value chain: in spring 2011, around 280 small-scale farmers were acting as direct suppliers of raw milk, around 30 residents were employed within the factory (in quality control, maintenance, and production), and around 175 local women were engaged as sales ladies in daily rural distribution (door-to-door sales). In order to maintain the flavor, texture, and acid content of the yoghurt in the absence of a functioning cold chain, Grameen Danone emphasizes a quick turnaround (48 h) from factory to consumer.

Grameen Veolia represents Yunus' second social business joint venture with a multinational corporation from France. In March 2008, Grameen Healthcare Ltd., a Grameen Bank subsidiary, joined forces with Veolia Water, the water division of Veolia Environment and a global leader in water services. The objective was to provide rural communities with potable water for their basic needs at "very affordable" rates (GVW 2009, p. 148). The company's mission is to construct and operate several water treatment plants in areas where groundwater is contaminated by arsenic at levels that make it a health hazard. Operational since April 2009, Grameen Veolia's water plant is located in Goalmari Union, a rural spot around 32 miles southeast of Dhaka. As of spring 2010, the company's business scope covers the chemical treatment of surface water and its delivery though a network of pipes in a radius of around 2 km around the plant. Water distribution is organized through 11 public tap points and a growing number of community and house connections. The tap points are operated by so-called water dealers, Grameen Bank borrowers who act as micro-entrepreneurs.

Both companies are striving towards a non-loss operation, with all profits to be reinvested for further expansion and improvement (Type I). Table 12.1 illustrates their similarities. Only a few differences could be identified prior to the fieldwork. Although few in number, these differences provided significant links for a cross-case analysis of their performance: what, if anything, did the second case learn from

Table 12.1 Grameen Danone and Grameen Veolia at a glance

		Grameen Danone	Grameen Veolia
Similarities	Organization	Joint venture between Grameen Group and multinational corporation from France	
	Primary mission	Health improvement	
	Initial investment	Less than $US1 million each	
	Business model	Non-loss, non-dividend (Grameen type I) Cost-driven	
	Value proposition	Provision of a product that satisfies a basic human need at an "affordable price"	
	Plant location	Rural Bangladesh	
	Competition	Availability of substitutes	
Differences	Tenure[a]	35 months	11 months
	Product	Fortified yoghurt	Pure water
		For children	For all
		Packaged	Unpackaged
	Job creation	Part of the social mission	By-product

[a]At the time the field research was conducted

the first one? To what extent could challenges in business operation be explained by product differences, and how do the two initiatives differ in their livelihood outcomes? Finding answers to questions such as these facilitated the exploration of start-up related and product-specific business challenges and business-model-related contrasts in terms of livelihood outcomes for the poor.

The case study analysis comprised of two components: first, a business component evaluated the ventures' performance against their own business objectives. This was done in order to reveal major challenges in business operation and mitigation strategies as well as factors and conditions critical to the initiatives' commercial viability. The second was a social component that investigated the ventures' performance against their own social objectives based on a comprehensive appraisal of livelihood outcomes. The goal was to understand who exactly is affected by the joint ventures' activities and how these changes contribute to poverty reduction. While the business component took advantage of business research methods such as business model and financial analysis (Bryman and Bell 2007; Osterwalder 2004; Osterwalder et al. 2005), the second component was informed by the sustainable livelihoods approach (Chambers and Conway 1992; Chambers 1995; Krantz 2001; Scoones 1998, 2009). In conjunction, both frameworks facilitated insights into the nature and dynamics of the two social business models and respective livelihood outcomes.

The sustainable livelihoods approach represents an analytical concept made up of multiple and, sometimes, contested elements. However, with reference to Chambers and Conway (1992) as well as Scoones (1998), sustainable livelihoods are defined here as follows: a livelihood comprises the possession of human capabilities, assets (including both material and social resources), and (economic) activities required for a means of living. A livelihood is sustainable when it can cope with and recover from long-term stresses and sudden shocks and maintain or enhance capabilities and assets, while not undermining the natural resource base and foreclosing options for other groups.

Primary data was collected between January and March 2009 and November 2009 and April 2010. Empirical research activities involved the review of internal and external data, nine focus group discussions (FGD) with Grameen Danone's and Grameen Veolia's primary stakeholder groups on site, direct observations, and about 80 semi-structured interviews with key informants from Grameen Danone, Grameen Veolia, the Grameen Group, Group Danone, Danone Communities, Veolia Water, and development experts. For a comprehensive account of the analytical framework and the field research design see Humberg (2011, pp. 99–127).

Insights Derived from the Field Research

Both Grameen Danone and Grameen Veolia have fallen short of their own business objectives (Table 12.2), but their previous learning curves are reassuring with respect to their future commercial viability. Though they were still loss-making in their second and fourth year of business operation, respectively, both ventures have reached production levels that allow for first gross profits. During their start-up phase both companies have been confronted with a similar set of challenges: low demand ("pull") in their rural target markets, channel issues in rural marketing and sales ("push"), and high operating costs (Table 12.3). In the absence of established sales and distribution channels, both companies are having difficulties in accessing the poor, especially extreme poor consumers who lack sufficient cash income.

From the very beginning, the limited purchasing power of low-income consumers in rural areas has been functioning as a price ceiling, limiting Grameen Danone's and Grameen Veolia's flexibility in pricing. In order to ensure their products' affordability, both companies have tried to keep their initial price point as low as possible. Otherwise social-mission-related pressure points going beyond typical BOP market constraints such as poor energy supply and lack of retail infrastructure have been of minor relevance. The initial focus on one-product-fits-all solutions in rural sales has, however, proven to be counterproductive. Therefore, both companies decided to diversify their product portfolio and to expand to urban markets in order to boost their plants' capacity utilization and allow for economies of scale (Table 12.3). The fact that both companies managed to advance their business models and build their organizational capabilities suggests that most of the previous obstacles to commercial viability have been primarily start-up and BOP-market-related rather than social mission inherent (Humberg 2011, pp. 224–234).

What about the ventures' livelihood outcomes? By and large, the positive outcomes (Table 12.4) outweigh negative concomitants, and the few downsides that could be identified in the case of Grameen Danone seem to be manageable. Through the introduction of a new pouch product, the amount of plastic waste could be

Table 12.2 Comparison of business performance against own objectives[a]

Grameen Danone	Grameen Veolia
Primary business objective (non-loss operation) not met yet	
Investors expected to achieve a first positive operating result after two years (in 2008), but the venture is still loss-making	The local team describes the business development since production start in April 2009 as "disappointing" The venture is still loss-making
First positive gross margin achieved during the final quarter of 2010 (after less than four years)	The first plant has reached a production level that should allow for a first positive gross margin (after approx. one year)
Break-even expected for 2012 or 2013 (after 5 years)	Break-even expected for 2014 (after 5 years)
Due to lack of profits, repayment of initial investment amount not possible yet	
Reinvestment of additional surplus remains a distant prospect	

[a]Similarities shaded

reduced in the case of Grameen Danone. The new Managing Director has already considered the introduction of lunch packs and health insurance for sales ladies in response to their physical strains. On the positive side, Grameen Danone certainly outranges Grameen Veolia with respect to job creation potential and additional income opportunities. However, considering suppliers', employees', and distributors' income potential in comparison to local poverty lines, our findings indicate that Grameen Danone's business model may contribute to sales ladies' and micro-farmers' income and food security but does not (yet) actually lift them out of poverty. For most of Grameen Veolia's water dealers, their potential income is worth a cup of tea per day. Only those water dealers who serve middle men can earn about 50 Taka (68 US cents) per day which is still less than the minimum income potential for Grameen Danone's sales ladies.

How significant in terms of scale, growth, and replication potential are the two social business joint ventures from a poverty perspective? Due to their pilot project character, both ventures are still limited in scale: Grameen Danone currently reaches approximately 60,000 people or an estimated 0.04 % of Bangladesh's total population with one yoghurt per day, while Grameen Veolia could serve a maximum of 28,000 people with 5 l of water per day under full capacity. Grameen Danone has increased the company's production capacity in Bogra District, but considering the company's local proximity approach, replication will be more important in the long run. Reasonable replication, however, requires a proof of concept – both in terms of commercial viability as well as social impact, ideally based on a comprehensive cost-benefit analysis in comparison to alternative interventions in order to prove that the current business model is actually the most efficient with respect to its goal.

Most critical is the fact that both companies have not yet fully established their desired health impact. Nutrition and water experts from the International Centre for Diarrhea Disease Research in Bangladesh (ICDDR, B) attest high-quality standards

Table 12.3 Major challenges in business operation and mitigation strategies[a]

	Grameen Danone	Grameen Veolia
Challenges in business operation	Low demand ("pull") in virtual target market	
	Mainly due to consumers' lack of nutrition concept and price issues	Mainly due to consumers' lack of awareness about water-borne health risks and direct competition with free substitutes
	Channel issues in rural marketing and sales ("push")	
	Lack of basic retail infrastructure required to maintain a cold chain	High transaction costs for consumers related to public tap point system
	Sociocultural issues retarding set-up of sales-lady network	Diverging customer segments and demands respectively
	High operating costs	
	Mainly product-related	Mainly overhead-related
Prevalent mitigation strategies	Direct (social) marketing	
	Rural "mini-events" Branding (TV ads)	Door-to-door campaigns Posters and songs
	Diversification	
	Products: Introducing different cup sizes and tastes plus pouch product for rural sales Channels: Additional sales through corner stores	Products: Entering jar business (water sales in bigger containers to institutional buyers) Channels: House and community connections in rural sales
	Extension of rural selling area and urban expansion	
	Outlook: Price reduction in rural sales through cross-subsidization	
	Rationalization of rural sales and distribution (e.g., through rickshaw-van system)	
		Conventional branding
		New strategic partnerships (e.g., with ESSEC Business School)

[a]Similarities shaded

and, if consumed regularly, both products should be effective. But will customers consume the products regularly enough in order to allow for children's improved nutritional status or people's reduced arsenic levels? Grameen Danone's Shokti Doi needs to be consumed at least twice per week, whereas Grameen Veolia's water requires a daily discipline. Both interventions, thus, require a change in the target customers' mindsets and consumption patterns. Considerations such as these already point to some of the initiatives' constraints. Based on both theoretical considerations and empirical insights, a number of general opportunities, limitations, and risks have thus been identified with respect to poverty reduction through (Grameen) social business in Bangladesh. These aspects will be further discussed in the following sections.

Table 12.4 Positive livelihood outcomes and trends[a]

Grameen Danone	Grameen Veolia
Consumers' improved access	
Crucial micronutrients	Arsenic-free water
New employment and income opportunities	
More than 500 in Bogra District (incl. ~ 70 permanent jobs in production, marketing and sales and ~ 50 jobs in business-related services)	For 3 local men in production, 11 local women in water sales, and 2 middle men in distribution
Reduced socioeconomic vulnerability	
Income security for around 175 sales ladies and 230 micro-farmers	Less exposure to arsenic poisoning (112 households)
Reduction in farmers' transaction costs	
Personal empowerment	
External recognition and personal learnings (sales ladies)	External recognition (residents)
Growing health awareness/knowledge	
Concerning nutrition (sales ladies and consumers)	About arsenic-related health risks and water-borne diseases (water dealers and consumers)
Consumers' (perceived) health benefits	
Children showing better appetite/growing stronger	Reduced frequency of colds/less coughing
Rise in social capital	
Residents	Water dealers
Farmers	Residents (in particular)
Sales ladies	
Rising land value and improved communication infrastructure in residential area	
	Preservation of groundwater resources

[a]Similarities shaded

Opportunities

Contemplating (Grameen) social business as a new market-based approach to poverty reduction reveals the concept's mobilizing character. Yunus' joint ventures have mobilized private sector resources ranging from financial capital to technical expertise and management know-how in favor of the poor (Humberg 2011, pp. 84–88). Evidence from the first pilot projects suggest that the joint creation of business solutions geared to poor consumers' needs also triggers a new kind of mindset. In a social business initiative, both NGOs and the private sector are forced to regard "the poor" as active market participants – for example, as employees who can add to value creation or consumers who are ready to pay if they get value for money at an affordable price.

Grameen Danone and Grameen Veolia exemplify how (Grameen) social business can facilitate the transfer of knowledge and technology to Bangladesh.

Offering fortified yoghurt and treated river water, the two companies contribute to poor consumers' access to beneficial products and services – essentially enlarging their choice. Integrating the poor into value chains that did not exist before also involves new income and employment opportunities. However, to what extent this happens in terms of jobs and income potential ultimately depends on the type of business model. Creating social benefits through a company's business system or ownership structure (Yunus' social business Type II) seems to pledge greater income potential for the poor than Type I social business companies that are primarily geared to serving poor consumers' needs. Representing the Type I approach, Grameen Danone and Grameen Veolia nevertheless illustrate how social business activities contribute to market creation and human development through their local value creation and consumer education.

The case study findings suggest that initiatives such as Grameen Danone and Grameen Veolia also directly contribute to poverty reduction through the provision of access to economic resources (such as insulated bags or yoghurt stock) as well as products and services for poor consumers' basic needs such as safe water and nutrition. Upon activating stakeholders' capabilities (e.g., in terms of better health and productivity) and contributing to rural development, they strive for inclusive growth from the bottom-up. In contrast to macroeconomic top-down strategies, (Grameen) social business, thus, rather corresponds with pro-poor growth concepts or strategies for the facilitation of small-scale business cycles as promoted in the 1970s and early 1980s (Rauch and Redder 1987).

Despite this bottom-up approach Yunus' social business idea allows for a new inflow of foreign capital, while at the same time contributing to capital accumulation within Bangladesh, because the non-dividend policy for Type I companies effectively prevents foreign shareholders from extracting profits after they have recovered their initial investment. The same principle also marks an important difference in contrast to the BOP approach: shareholder's abdication from dividends relieves a social business (Type I) from making "extra profits" for the company's owners. In principle, this allows for lower initial price points for the products or services offered.

Overall, the case studies and expert interviews conducted in Bangladesh suggest that self-sustainable business solutions are specifically promising in two regards: commercial viability (if achieved) relieves executives from fundraising and donor-dependency. But sufficient profit also allows successful initiatives to scale up their business and replicate their solution. A growing number of self-sustainable initiatives could, furthermore, involve a signaling effect towards profit-maximizing companies as well as traditional nonprofits, promoting the idea of cross-sector collaboration and social entrepreneurship while mitigating charity mentality. Finally, it should be noted that the opportunities identified are not necessarily limited to the poor. Especially the case of Grameen Danone suggests that Yunus' social business concept involves huge potential for multinational corporations in terms of grass-roots innovation, shared value creation, and strategic CSR. This is, however, not risk-free, as will be discussed after a brief review of limitations.

Limitations

The opportunities outlined above reflect a sort of best-case scenario. Reality shows that the creation of commercially viable social purpose ventures is complicated. The case studies clearly illustrate how challenging it is to find the right balance between a social mission, environmental sustainability, and commercial viability (for a more detailed account of the case studies see Humberg 2011, pp. 224–243). In social business, a plant's location is not necessarily the consequence of optimal production factors and market conditions – quite the opposite. Social business development, thus, requires not only private sector capital and technical know-how but also time for learning and experimentation. Capital and know-how may, in fact, facilitate technical solutions to social challenges, but a major challenge still remains: whether charity or business – changing consumer behavior in line with a social objective takes time, especially when a product or service requires regular consumption. How to ensure target beneficiaries' regular purchase if they lack both the required awareness and purchasing power? The empirical findings suggest that marketing becomes particularly tricky if a company's offer doesn't involve immediately tangible but instead long-term (health) benefits.

When comparing Grameen Danone and Grameen Veolia with success cases such as the Grameen Bank or Grameen Phone in terms of scale, profitability, and reach, a major difference attracts attention. While the latter two managed to reduce consumers' previous (transaction) costs through innovations in service delivery (e.g., lower interest rates for micro-credits or reduced transaction costs through direct access to market information via mobile phones), Grameen Danone's and Grameen Veolia's products first of all involve "extra" costs for the poor: 2.5–3 Taka (3–4 US cents) per 10 l of water that was previously consumed free of cost or 5–12 Taka (7–17 US cents depending on container size) for a packaged nutrition product that did not exist before. The case study findings suggest: Though regular consumption may pay off in the long run (e.g., in terms of better health, increased productivity, and less health-related expenditure), the short-term calculation rather speaks against regular purchase. Moreover it should be noted that a social business company may reduce target beneficiaries' vulnerability (e.g., by providing better health or growing social capital), but not lift them out of poverty, unless the business involves significant income opportunities for the poor.

Overall, the number of scalable and replicable business models that prove Yunus' social business concept is still limited. Considering the extra financial and management support Grameen Danone and Grameen Veolia receive from Group Danone and Veolia Water, it is also questionable whether and how their business models may be replicable by a third party that is not a multinational corporation with concomitant resources (both intellectual and financial capital) to offer. In the absence of a favorable regulatory framework, access to seed capital for individual entrepreneurs, and external management support, it is also a moot question whether Yunus' high-profile joint ventures will foster a new wave of social entrepreneurship in Bangladesh. Yunus' strict non-dividend policy limits financing options primarily to corporate and philanthropic funds for the time being. Social entrepreneurs without substantial equity fear that this may limit their growth potential in the long run.

The next challenge is a particularly critical one: social impact assessment tends to be resource-intensive and complicated, not only due to potential time lags between interventions and impact (as is the case with Grameen Danone's and Grameen Veolia's health initiatives), but also due to the absence of universal social reporting standards. As noted in the Introduction to this volume and in Ballesteros-Sola's chapter, there are many extant measures of social impact and little agreement on which are the optimal schemes. On the other hand, the two case studies illustrate how multifaceted livelihood outcomes can turn out to be. Theoretically, all positive and negative outcomes should be considered in order to obviate unintended side effects and gauge a venture's net return on social investment. In comparison with alternative options, a certain social business model could be inefficient. Though comprehensive social impact assessments (covering all stakeholder groups) seem to be unrealistic in practice, the abdication of regular monitoring and evaluation involves the risk that negative side effects remain arcane.

Finally, it should be noted that Type I social business ventures such as Grameen Danone and Grameen Veolia might contribute to achieving the UN's Millennium Development Goals (MDGs) – five out of eight goals actually relate to education and health – but do not address national or global causes of poverty such as those related to national income distribution or legal voids, the world trade system, or climate change. They also remain insular solutions unless they become scalable and replicable. In addition, social business also does not compensate for charity when quick disaster relief is required or target beneficiaries are unable to engage in a business because of their age, health status, or mental disabilities.

Risks

Though socially motivated, Yunus' concept is certainly not immune to negative outcomes. The case study findings suggest that acute cost pressure might involve an adverse effect on secondary objectives such as environmental sustainability or wage levels. In order to save operating costs, Grameen Danone decided, for example, against biodegradable yoghurt cups, and the yoghurts' plastic packaging is now contaminating the local environment. Not all potential side effects or threats are that obvious. Going forward, exploitative business practices for the sake of commercial viability, safety risks for employees, health risks for consumers, or job losses for local competitors might become public only on intentional investigation. In the case of Grameen Danone and Grameen Veolia, no indication for market distortions could be revealed, but some of the developing social business companies may involve direct competition with local producers. What if, for example, a multinational social business joint venture engaged in the marketing and sales of treated mosquito nets fails after having pushed local mosquito net producers out of business?

The ongoing micro-credit crisis and debate about for-profit providers such as SKS Microfinance in India or Compartamos in Mexico point to another risk: once a social entrepreneur has succeeded in developing a viable social business model like Yunus did with the Grameen Bank, the model is open to replication; either by non-profit organizations that employ the model to generate income for their non-commercial activities as has been the case with microfinance, or by profit-maximizing entrepreneurs in search of personal financial gain. While the first sort of replication may contribute to increased commercialization within the social or development sector, the second turns Yunus' concept upside down with potentially negative consequences for the poor. What if going forward a growing number of previously free resources, such as water, were commercialized?

As long as Grameen is involved, Yunus and the Grameen Group might be held accountable for social business operations and outcomes, but what about independent initiatives? In the absence of a clear regulatory framework, anyone could claim to run a social business, simply for marketing purposes or cost-effective R&D. Even those who start with noble objectives are not immune to a mission drift. While cost pressure might lead to a change in target customers (e.g., from the rural poor to the affluent urban), owners of profitable social business companies might suddenly feel the lure of financial gain. Both cases investigated have, in fact, pointed to a trade-off between profitability and affordability. Faced with this trade-off, Grameen Danone and Grameen Veolia are trying to secure their commercial viability through product diversification and urban expansion. Sales to more affluent (urban) customers at a higher price aim to help generate profits to subsidize less affluent market segments. However, in their quest for commercial viability, (Grameen) social businesses run the risk of leaving out the extreme poor.

Conclusions and Perspectives

What do the empirical findings imply for the concept's practical implementation going forward? How to exhaust the opportunities, overcome limitations, and address potential risks? First of all, there is a need for a comprehensive proof of concept. Not in itself, since the Grameen Bank has already exemplified that social entrepreneurship at the BOP can originate self-sustainable business models for a social cause. The Grameen Bank even combines Yunus' two social business types – a pro-poor service with poor people's ownership. But for Yunus' social business concept to flourish there is a need for additional business models that prove to be commercially viable and significant in terms of scalability and replication potential. Small-scale solutions certainly have their place in development, but they will not meet the concept's claim with respect to poverty reduction. If taken seriously, social business calls for experimentation, innovation, growth, expansion, replication, and systemic change. But who is ultimately willing to take financial risks for personal satisfaction in response to social impact? (Grameen) social business companies are exposed to the same liability of newness as profit-maximizing start-ups. Initial losses are, thus, a matter of course and in joint ventures with multinational corporations, additional start-up challenges may arise from quick top-down approaches and governance issues resulting from complex organizational structures.

Who combines the capabilities and resources to develop new social business models from the bottom up? Our empirical findings indicate that multinational corporations without previous experience in poverty contexts tend to underestimate the extra commitment and market intelligence needed to overcome typical BOP market constraints ranging from a lack of basic retail and communication infrastructure to consumers' lack of education, health awareness, and limited purchasing power. Whether MNC or private (social) entrepreneur, major challenges in business operation relate to market development and setting up effective sales and distribution channels. Additional obstacles to commercial viability are found in the (poor) target beneficiaries' livelihood context and strategies that are largely unknown, due to a lack of transparent market information and cultural insights for previously untapped markets. Both cases actually exemplify how sociocultural norms or rather traditions (e.g., "rice is a food priority"; "water has to be for free"; "women should stay close to their home") have undermined prevalent sales and distribution strategies (Humberg 2011, p. 274).

Going forward, further cross-sector partnerships between Bangladeshi non-governmental organizations (NGOs) and multinational corporations may help to pool resources and capabilities, combining local networks and poverty insights with technical expertise and business know-how. Being considered as one of the "next eleven" emerging markets (Lawson et al. 2007), Bangladesh is certainly of interest to MNCs and potential development partners are there: CARE Bangladesh already collaborates with several companies in triple bottom-line activities and BRAC, the world's largest NGO, comes with a very similar entrepreneurial mindset and rural network to the Grameen Group.

In order to raise awareness of Yunus' concept among local graduates, the Yunus Centre in Dhaka established a social business plan competition in 2010. Implementation of social business programs or chairs at reputable universities in Bangladesh could support this concern. The present-day scenario suggests, however, that within Bangladesh the idea of double or triple bottom-line businesses may find a greater following. This is for two reasons: first, a growing number of organizations (including BRAC, the Bangladesh Enterprise Institute, and the South Asian Impact Investment Exchange) are jointly popularizing the blended value idea. Second, the risk of failure and personal loss is considered too high which may also prevent NGOs from starting social business experiments. While the complete abdication of financial gain might be irrelevant for the owner or CEO of a multinational corporation, a primarily philanthropic motivation is considered rather unlikely for ambitious local graduates or entrepreneurs in Bangladesh.

What if (Grameen) social business, then, remains the playing ground of MNCs? Though their technical know-how and capital is certainly valuable, the cooperation with profit-maximizing companies entails potential conflicts of interest, for example, when hidden financial motives or corporate strategy come into play. How to prevent the abuse of the concept as a cheap market entry strategy? How to prevent exploitative business practices for the sake of commercial viability or the suppression of local competitors? Partnerships with local development agencies and the stronger involvement of individual social entrepreneurs could help to mitigate these risks, but provide no guarantee. Due to a lack of generalities for social business efforts and practical experiences, the commercial or philanthropic misuse (either purposely or ignorantly) of the term and concept seems to be a realistic concern. Who defines social norms and standards in a given context? To what extent can educational efforts as part of a social marketing strategy be legitimized?

More elaborated guidelines and standards (e.g., driven by the Grameen Group) would definitely facilitate a more consistent application of the social business term and concept. Introducing a seal of approval for companies that follow Yunus' principles could help to establish norms and standards for acceptable missions, working conditions, and environmental sustainability. But for this to happen, reporting standards and rating agencies need to be put in place. Specifying Yunus' concept by adding a "Grameen" to the broader social business term, as suggested earlier, could be a first step towards differentiation.

If (Grameen) social business is to exploit the competitive advantage of its non-dividend policy, allowing the company to offer lower prices than BOP companies that have to account for shareholder profit, it could establish its role in serving those who remain excluded by conventional BOP initiatives. Both Grameen Phone and the Grameen Bank have exemplified this sort of frontier market development. But in the end, monitoring and evaluation will make or break the concept. If "social" business companies cannot establish a positive net impact, they may actually waste resources.

What about the concept's transferability into other developing countries? The general idea has already spread across the globe, but MNCs have focused their (Grameen) social business activities primarily on Bangladesh so far in order to partner with the Grameen Group. Private initiatives are, in fact, still limited in number, but Ashoka has exemplified how social entrepreneurship (as a broader concept) can take root all over the world. Though Asia is Ashoka's largest region of activity (with more than 600 fellows), South America (with more than 500 fellows) and Africa (with more than 350 fellows) are catching up (Ashoka 2009). Ashoka fellows do not necessarily comply with Yunus' principles, but generally share a similar spirit. Perspectives differ, then, as far as dividends are concerned and that is a moot point. From an academic perspective, it is too early to criticize Yunus' non-dividend policy as a limiting factor to social business. The social business market needs time to evolve and whether or not the amount of philanthropic funds available for social business will grow over time remains to be seen. What could positively affect the attractiveness of a social business investment may be the application of an effective "non-loss policy" for investors (i.e., at least inflation-adjusted repayment of capital invested). On the other hand, Yunus' "zero return" (beyond the capital invested) philosophy is definitely more concise. Our practical viewpoint is, however, that the dividend debate partly fails to address the real issue. Enterprises that forego dividends are not automatically more social than any other company and good intentions do not necessarily produce positive results. Assessing how social a company actually is should be measured less against the mission or dividend policy and more against results achieved.

Thus, coming back to the primary research question: what contribution can Yunus' social business approach make to poverty reduction? Based on our case study findings, our proposed response is that (Grameen) social business actively promotes the idea of literally sustainable business solutions to human challenges. The concept stimulates a seminal debate about the role of business in society and opens up new avenues for cross-sector collaboration in developing countries. While the private sector brings financial capital, technical expertise, and functional business know-how (e.g., in social marketing and distribution), partnerships with research institutions allow for progress in the field of social monitoring and evaluation. If well-managed and contributing to poor consumers' purchasing power through their business set-up, (Grameen) social business companies can directly contribute to poverty reduction through growing access to economic resources, income opportunities, or beneficial products and services. Yunus' market-based bottom-up approach is certainly a model for inclusive business at the base of the economic pyramid, turning poor communities effectively from aid beneficiaries into suppliers, producers, and customers, and time-bound development programs into business solutions. It, thus, amplifies the portfolio of direct poverty reduction strategies. Yet, considering the multidimensional character of poverty, the findings are not suggestive of a panacea. (Grameen) social business rather represents a complementary approach to poverty reduction with its own set of opportunities, limitations, and risks.

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