

Organization Development and Change in 21st Century
Prof. Ashish Pandey
Shailesh J. Mehta School of Management
Indian Institute of Technology, Bombay

Lecture – 04
Social Entrepreneurship

(Refer Slide Time: 00:16)



There are many ways of addressing the problem of making sustainability as a core of the business logic. I really liked what Scharmer, from MIT has written about. His book is very famous, the title is Presence and he says that a sense of change is in seeing, presencing and enacting.

We cannot do different things from being enacting mode to the next phase of enacting mode. Enacting on one project, and then movement from that project to enacting on another project. If we do that, projects will not be of a very different quality. If we want to be enacting on something very different, that enacting has to be preceded by seeing means suspending, redirecting, presencing, and then realizing an embodied enacting.

So, first phase of any deep change is suspending your judgment and seeing and sensing what is going on. So, we need to know, what is going on in the planet, what is going on in the nature. Then redirecting - that is seeing from the whole; do we want this situation to be like this, do we want these ecological divides to be like this, do we want, can we carry on with the kind of cultural and spiritual divide we see today. So, that is the very

important decision point, when we see different things, - then we think of a future which is of very different quality - that is the redirecting.

We do not want this future. We do not want our future to be a simple progression of what is happening today, so that is a redirecting, and that is a struggle in the consciousness. We want this to happen . If we do not want things to happen and go on like the way they are going on, then what is the alternative? That does not come as a result of the logical analysis. That comes with the presence – having sense about what is going on. And from there envisioning happens. This means from there we start seeing what needs to be done, which is different.

If you look at the biographies of great leaders, you will see in their lifetime as well, there have been phases of reflection. They went into quietude to figure out, how they want to change their course of life, what they would like to do, what they should be doing next. And from that reflection and quietude, insights emerge and one moves to the different direction. And in different direction that starts with envisioning, enacting comes , and then comes institutionalizing. Institutionalizing means converting these things in the organizational forms.

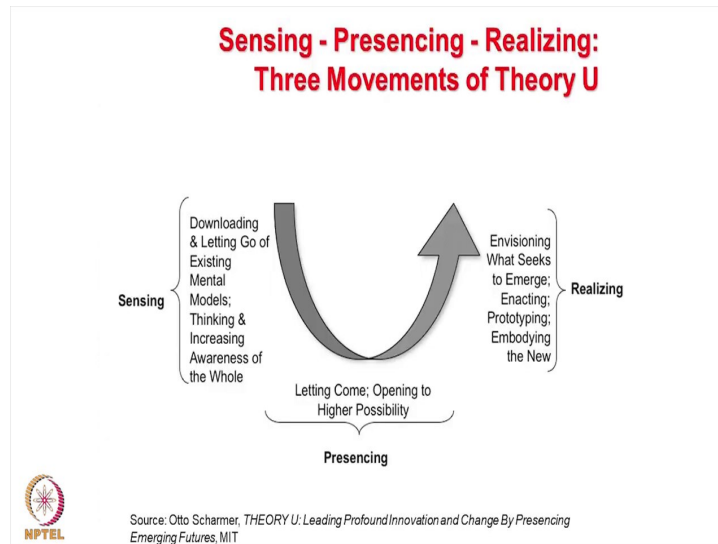
(Refer Slide Time: 03:40)



So, there are two options, close mind or open mind. If we approach any problem with the close mind, then we will be in the blaming mode. So, we will be receiving, de sensing, we will be blank, and then start blaming others. But if we approach any problem with the

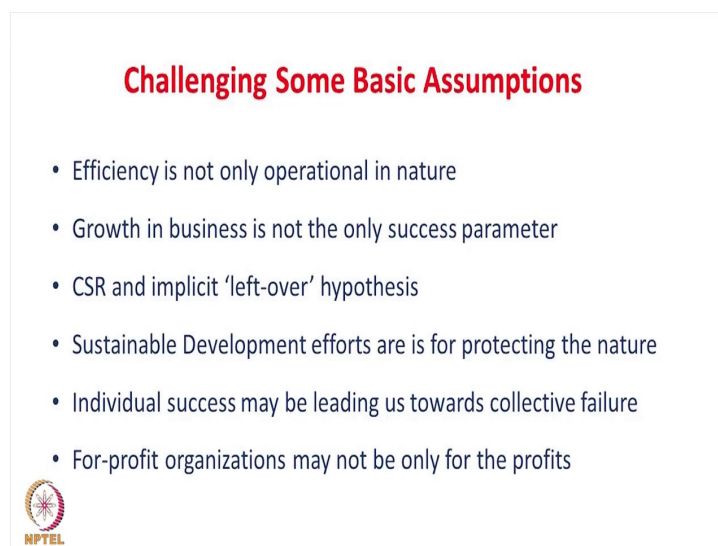
open mind, the very first sign of open mind is seeing, open mind is willing to see what is going on. And then sensing; and from sensing comes presencing; and from presencing comes crystallizing of the ideas and co creating. So, open mind, open heart and open will that is the source of bringing about the deepest change.

(Refer Slide Time: 04:38)



When we operate on this paradigm, only with this mindset and paradigm of presencing, we can challenge some of the basic assumptions.

(Refer Slide Time: 04:47)



What are the basic assumptions which were challenged? And as a result of that, very different, new business models are coming up. Efficiency is not only operational in nature. Efficiency is also related to sustainability - what we are doing to our planet.

So, we talk about the opportunity cost, but we also need to talk about the impact of our work which is not financial, but planetary in nature. Growth in business is not the only success parameter. Localization, may result in so many large number of organisations, instead of one organization becoming very large, and that is also good enough, that is good for the planet, in many situation many cases.

Though, there is lot of conversation about the CSR, but CSR follows an implicitly, follows a leftover hypothesis. What is leftover hypothesis? When I earn enough, when I distribute enough to my shareholders and employees, whatever is left after that, I am willing to use that for the societal purpose that leftover hypothesis runs the CSR policy, and that may not result in a fundamental change which takes care of the some of the divides which we talked about.

Sustainable development efforts are for protecting the nature that is also basic assumption we work, which is not correct. Actually, sustainable development is not to protect nature, it is to protect humanity.

If we pollute this planet, we do not take care of the societal concern and natural environmental concern, then it is going to affect human being most eventually.

Individual, success might be leading us towards the collective failure. If we look at business organizations, large number of business organizations attract so called the most talented people. Large number of them from the most talented pool of the humanity is joining the business organizations and many other organizations. But we see what is happening on the planet, environmental degradation is increasing; pollution is increasing; inequality is increasing, and meaningless is increasing.

So, we need to question, whether the individual success and we define success means going to a very good college, getting a good job, sustaining on a high position, quickly going to a top position, retaining that position for a long time, keep earning, having the race in the pay package, and living in a good flat, all those factors are the criteria for the

individual success. But in that individual success, what we are doing to planet is something very harmful.

So, we need to question whether individual success is paving the pathway for the collective failure. For profit organisation may not be only for profit. So, for profit organization may operate with the social logic, and this is the basic assumption we will see in emerging business models.

(Refer Slide Time: 08:22)

Social Enterprises: Introduction

- All innovation involves the application of new ideas – or the reapplication of old ideas in new ways – to devise better solutions to our needs
- Social innovation applies this thinking to social issues: education and health, issues of inequality and inclusion.
- Growing interest from policymakers, young people, entrepreneurs, funders and established businesses is testimony to the way that social enterprise addresses weaknesses in the operation of both markets and government.



So, the business models, which are taking care of the social and environmental concern, we call them social enterprise. All the innovation involves the application of new ideas or the reapplication of the old ideas in new ways – to devise better solution to our needs. But social innovation also applies this thinking to the social issues like in education, health, inequality, inclusion, etc.

Growing interest from the policymakers, young people, entrepreneurs, funders, established businesses is testimony into the way, that social enterprise addresses the weaknesses in the operations of both market and government. Market and government are not sufficient to address many social problems. And to address those problems, we see the emergence of social enterprise. We will look at this point in more depth.

(Refer Slide Time: 09:13)

Markets

- SE's are led by a sense of social purpose and aim to show that businesses and markets can deliver social benefits and tackle intractable social problems
- Solutions to many problems – poverty and employment, environment and fair trade development – depend on changing the way markets work
- Markets often take more account of obvious and short-term costs and benefits and are less effective in accounting for long-term factors, such as climate change
- Social enterprises are one vital source of new business approaches to fair trade, social inclusion, community regeneration, creating jobs for those most marginalised in labour markets and environmental sustainability.



Let us look at the market. If we look at the functioning of the market, we realize that market often take more account of the obvious and short-term cost and benefits and this approach is less effective in accounting for long-term factors like climate change. So, market mechanisms can take care of the short-term changes, and short-term gains, but not the long-term impact.


So, social enterprises are led by a sense of social purpose, and aim to show that businesses and markets can deliver social benefit and tackle the intractable social problems. Solution to many problems like poverty and employment, environmental, poverty, related to poverty and employment, environment and fair trade development – depend on changing the way markets work.

And social enterprises are one vital source for new business approaches, for the fair trade, for social inclusion, community regeneration, creating jobs for the most, for those most marginalized in the labour markets and environmental sustainability. So, it takes care of the market failure, it also takes care of the government failure.

(Refer Slide Time: 10:24)

Government

- The way SE's operate is often, at least implicitly, a critique of the limitations of public service provision
- State finds it difficult to cope with diversity of needs of users, especially niche and specialist need
- Public services is that they can be paternalistic, encouraging a dependency culture in which people are treated and come to see themselves as recipients of solutions delivered to them by professionals rather than participants in creating solutions
- Social enterprise approaches to public services often claim to be more personalised, engaging, joined-up, adaptable—providing better outcomes and value for money.



Government efforts are not sufficient to address the social problems. So, the ways social enterprise operate is often, at least implicitly, a critique of the limitations of the public service provisions. A state finds it difficult to cope with diversity of needs of users, especially niche and specialist needs. Public services can be paternalistic, encouraging a dependency culture in which people are treated and view themselves as a recipient of the solutions delivered to them by professionals rather than participants in creating solutions.

Whenever a public services mode is adopted, people approach those organizations or those facilities as recipients not as participants. They see themselves, part of the problem or victims not as part of solutions. But social enterprise approach to public service often claims to be more personalised, engaging, joined-up adaptable – providing better outcome and value for money. Where the social enterprise is a mechanism through which we engage people not as recipient, but as participants. How do we position the social enterprise vis-a-vis business organizations and voluntary organization?

(Refer Slide Time: 11:44)

Position of Social Enterprise in the Economy					
	Mainstream business	Socially responsible business	Social enterprise	Public services	Voluntarism
Inputs, finance and resources	Financial and commodity markets	Financial and commodity markets	Ethical investment and fair trade sources	Tax and borrowing, public employment	Donations, charity, giving
Processes and work	Value chain, lean production, just-in-time	Greater attention to supply chain management for ethical and environmental issues	Heavily biased towards social inclusion and environmental objectives	Public service value chains combined with contracting out	Volunteering into social projects
Outputs, consumer markets	Consumer markets selling on price, quality and brand	Some green and fair trade branding	Green, fair trade and social inclusion central to brands	Access to public services, politically determined nontraded, limited co. payment	Gift, given away, no charge
Social value claim	Business generates jobs and profits, pays taxes	Business meeting social goals builds a better business	Social goals are primary	provides nonmarket Public goods at scale	Giving culture

So, for the mainstream business financial and commodity market is the input, value chain and lean production just-in-time are the main processes or the process criteria. For them output is consumer markets, selling on price, quality and brand. And they also claim to create some social value by generating jobs and profit, and by paying the tax.

Then there is a category we can see socially responsible business. Socially responsible business, also look at financial and commodity market, but they give greater attention to supply chain management and ethical environmental issue. They have some green and fair brand, fair trade branding is also done by the social enterprises. Business meeting social goals builds a better business.

So, they approach the business social goals, with the objective of meeting their business goals as better, whereas, social enterprise works on the ethical investment and fair trade sources, not just any financial commodity market. Social enterprises are heavily biased towards, social inclusion and environmental objectives. There is a clear bias in those objectives of inclusion in environmental concerns.

Green, fair trade and social inclusion is central to the brands of the social enterprise; and for them social goal is primary, business goal is secondary. Then there are public services which have inputs from tax and borrowing public employment. For them the process concerns are public service value chains combined with contracting. For them

output is access to public service, politically determined, non-traded, limited to payment and then they provide non-market public good at a large scale.

(Refer Slide Time: 13:52)



And then, we have NGOs non government organization or voluntary organizations. For them inputs are the charity donation, for them process is volunteering into social projects; for them output is giving away (Free, no charges); and for them the social value is drawn from the contribution to the giving culture. So, they get donations, they take up some projects and they give back to society.

So, we can see in this slide that, what we are talking about are social enterprises that are for profit, but they have the goals and concerns which are similar to the goals and concerns of the voluntary and public services. We can take few examples, and that is with these examples we conclude our discussion today.

So, there is a problem, one social problem, economic problem providing electricity to the far of places, and here the example is of Rajasthan. In Rajasthan the population of individual village, particularly in the desert area is very less, and there are few hamlets means a dozen or few dozen houses staying together at one place, and such places are very far from each other. Providing electricity in these places through the conventional means is very difficult.

So, providing electricity is a problem, but there is a social challenge as well, that even, if we provide the electricity in some of these places, people do not wish to pay for that, sometime they are not capable of paying, sometime they are just not willing to pay, so the service become very unsustainable.

There is a company called Gram power - and Mister Kayden, who studied in the Stanford, he got this idea over there. He addressed, this problem with a business logic. What this company Gram Power did is they first set up micro grids on the solar power, because solar power is abundantly available in Rajasthan, in desert area. But how did they tackle the second problem – which was unwillingness of people to pay for the electricity bills?

They introduced the prepaid card of the electricity bills. So, like a telephone prepaid card, one could purchase electricity prepaid, it can be used till the time that value last, then one can purchase another card. This is the way, they tackled the social problem, socio economic problem, in a for profit business model.

You have heard about company Cipla. Before Cipla launched their cocktail treatment to be used in the AIDS, price of that medicine was more than 350 dollars per month, which was unaffordable to the people, who are suffering the most of AIDS. So, based on their process related innovation, Cipla made a cocktail of that 3 medicines and they kept the price, less than 10 dollars per week. Naturally, people in Africa started using that, and that has redefined the situation and the way AIDS was being tackled.

They faced lot of lawsuits, in the world trade organization, but eventually they won the lawsuits. The lawsuits were filed by the companies which had invested a lot of money to produce those drugs, to innovate those drugs, and their logic was that they are charging for the money they have invested in the development. But Cipla's logic was that, if we cannot charge money from those who are suffering most from the AIDS, who need them because those who need this medicine most are not capable of paying a high amount. So, it is unfair to ask and to aim to retract money from them.

Patanjali, when chemicals were being used freely in so many day-to-day products and consumer goods, came with the logic of Ayurveda and natural products. We know that they have grown significantly. So, their channel partners are not typical business people.

Large number of their channel partners are the beneficiaries of their yoga practices in Ayurveda.

And though in last two years the growth is not very high of the Patanjali products, but they have created a new market of the natural products. And after their entry, lot of other companies which were providing natural products, their market share and profitability has increased, because they have helped in increasing the market, expanding the market of natural products.

Some of you might have heard about the ITC Paper Mill. It was on the verge of closure in the late 90s the CEO of the ITC mill was called by the board and was told to start doing some wrapping up work, and in next one year we are going to close down this company.

The business group asked for one more year and found a way out to deal with the financial and other operational challenges this company was facing. They made the network and collaboration with the hundreds of villages in Orissa and Chhattisgarh area, and prepare the farmers to provide them bamboo pulp which was used to manufacture the paper. They ensured that all the supplies being brought by the villagers will be taken up.

This social partnership, partnership combined with the social forestry not only helped the company to revive the business, but has brought thousands of families out of the trap of poverty. And now they are very loyal suppliers. Many other players approached these villages with even higher price for their supplies, they denied. So, ITC business model was based on the social forestry in social collaboration.

There is another example of INI farms, which established all, all these are Indian companies. This was established in Bangalore. And in Bangalore, they network with the farmers in a end-to-end basis means what is the nature of their soil, what can be produced there giving education on how to produce, what to produce to purchasing their product, and at times even putting up in the storage house.

So, they are also in the trading and they operate in the open market, but they also have the network established with the farmers. And as a result of that a lot of farmers get

much better in terms of financial and social benefits. The farmers, who are partners with INI became well benefited in a social and economic way.

Amul is again a great example, lakhs of farmers, who otherwise did not have access to market; did not have facility for the storage. These farmers became suppliers of the milk to this cooperative. Cooperative took care of the quality in storage, distribution and production. And surprisingly, eighty percent of the money that this cooperative receives, goes back to the farmers.

So, these are some of the very significant examples, where social and business logic are deeply connected. And you will see this kind of thinking is redefining the business landscape in all types of organizations, and very soon in your career you will see that supply chain is not only has remained concerned about the efficiency.

Marketing is not only a concern about positioning and getting the mind space . Finance is not only about selling things profitably; Operations is not only about the efficiency. Finance along with profitability, has to take account of the social and environmental cost, and benefit of processes.

The operational processes are not only about, producing things efficiently or supplying things or placing things efficiently, it is also about, how we do it in a responsible way, which is good for social and natural environment.

Marketing is not only about gaining the mind space of the customer, but making the customer aware of and providing the service and educating them about the service and product which is good for the well being of the customer as well as for the planet. So, all the processes and management processes are going to be redefined around the logic of sustainability.