

## EDITOR'S NOTE

We were, indeed, fortunate to have Dr. (Mrs.) Indu Shahani, eminent educationist, the Principal of H.R. College of Commerce and Economics, and above all, the Sheriff of Mumbai, delivering the twentieth Bhogilal Leherchand Memorial Lecture on the theme of SOCIAL ENTREPRENEURSHIP this year. The Forum of Free Enterprise is greatly delighted to publish the text of her speech for wider and more effective circulation to its avid readers, academicians, professionals, observers from media and students, as part of its objective of educating and creating awareness on the subjects of topical interest among the concerned people.

The beginning of her engagement with the concept of Social Entrepreneurship truly makes a very fascinating reading. Dr. Indu Shahani was inspired by two young people who walked into her office with an offer to run the Women's Helpline that she herself "desired for women against violence and sexual harassment". Over the last three years, what has come to be known as "Dial 1298 for Ambulance" project has become remarkably successful. This is evident from the fact that what started with just two ambulances has now reached the level of as many as 51 ambulances in the city.

The author has not only done well to bring out an essential distinction between a social entrepreneur and a business entrepreneur, but also highlighted and reminded us of the outstanding contributions of many giants in this field like Dr. Verghese Kurien, Founder of Amul Dairy Project, Dr. Muhammad Yunus, founder of the Grameen Bank and

father of micro credit, as well as many others from India and abroad coming from different walks of life.

What is striking in all these examples is the operational framework of social entrepreneurship. All of them have shown conscientious recognition of typical social problems and used their creative, innovative and organizational skills in managing some powerful venture of social change, and making them self-sustainable. This is quite distinct from many successful examples of business entrepreneurs, whose driving force has invariably been profits, returns, growth and diversification. In contrast, “a social entrepreneur assesses success in terms of the impact on the society. While social entrepreneurs often work through non-profits and citizen groups, many work in the private and government sectors”.

Dr. Indu Shahani encapsulates eloquently several other dimensions of the social entrepreneurship and captures brilliantly the very essence of characteristics underlying this rapidly spreading and evolving concept. She has also highlighted the growing contributions of various business houses in the promotion of social entrepreneurship. Surely, the human side of private enterprise economic system needs to be appreciated and fostered. Equally important is the faith, which the author so legitimately bestows on the youth of this country and for whom she has given a very useful message by inviting them to lead the way and quoting the example of Dhruv Lakra’s Mirakle Couriers.

All in all, the FORUM is extremely pleased in presenting this wonderful lecture, which is both timely and rewarding.

- S. S. Bhandare

# SOCIAL ENTREPRENEURSHIP

Dr. (Mrs.) Indu Shahani\*

I am indeed grateful to the Forum of Free Enterprise for inviting me to deliver the 20<sup>th</sup> Lecture in the memory of Bhogilal Leherchand, the renowned businessman and industrialist known for his honesty and integrity. He attached great importance to values and ethics in business, a lesson that all future generations should imbibe.

I am privileged to be the Sheriff of this great city of Mumbai which has withstood many upheavals over the years with resilience and resolve and demonstrated the undying spirit of the city. **Being the 110<sup>th</sup> Sheriff and the first “Teacher in service” I share this honor with thousands of teachers who are making a difference to the city and to the students who have inspired me over the years.**

Within twenty four hours of becoming the Sheriff, I was introduced to the concept of **Social Entrepreneurship** when two young people walked into my office with the offer to run the Women’s Helpline that I desired for women against violence and sexual harassment. The young CEO Sweta Mangal of 1298 Ambulance Service offered me the 24x7 call centre which would also run a 24x7 **Women’s Helpline**. Who

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\*The author is Sheriff of Mumbai and Principal, H.R. College of Commerce and Economics, Mumbai. The text is based on the Twentieth Bhogilal Leherchand Memorial Lecture delivered in Mumbai on 15<sup>th</sup> December 2008. The lectures in this series are organised by Forum of Free Enterprise at the instance of Bhogilal Leherchand Foundation.

were these young people and what was the project of 1298 Ambulance? Five young friends, just back from England and who had lucrative corporate jobs had decided to start the “Dial 1298 for Ambulance” Project, an initiative to provide a network of fully equipped, advanced and basic Life Support Ambulances 24 x7, with the technical & managerial assistance of London Ambulance service. A very simple model where in case of an emergency a person could dial 1298 from any phone and the Ambulance would reach within the shortest possible time. Call 1298 for a private hospital and you pay the normal charges – Call 1298 for a government hospital and you pay lower charges and those below the poverty line do not pay any charge. The unique model is based on the principle of Cross Subsidy and adopts multi-level differential pricing strategy.

**Dial 1298 for Ambulance project** has demonstrated the operational self-sustainability of the model over the last three years from the user charges augmented by corporate sponsorships. The young team started with two ambulances and last month they launched the fifty-first ambulance in the city giving birth to the concept of social entrepreneurship.

### **Meaning of Social Entrepreneurship**

So, what is social entrepreneurship? And who is a social entrepreneur?

Entrepreneurs are innovative, highly motivated and critical thinkers. **When these attributes are combined with the drive to solve social problems, a Social Entrepreneur is born.**

According to the Wikipedia, Social Entrepreneurship is the work of a Social Entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create and manage a venture to make social change. Whereas a business entrepreneur typically measures performances in profit and return, a social entrepreneur assesses success in terms of the impact on the society. While social entrepreneurs often work through non-profits and citizen groups, many work in the private and government sectors.

### **Leading Examples of Social Entrepreneurship**

Dr. Verghese Kurien, Founder of **Amul Dairy Project** was amongst the earliest social entrepreneurs who started the co-operative movement and made it a sustainable project. Amul was a Government initiative but the passion of Dr. Kurien changed the way milk was processed and distributed on a massive scale. The vision was big, there was passion, there was capital, and there was terrific leadership, sustained and involvement at the grass-root level and the formation of partnerships to create the impact via the business.

Social Entrepreneurship is then the process of bringing about social change on a major scale. Social entrepreneurs function as the agents of change, questioning the status quo, grabbing the new yet overlooked opportunities, and changing the world for the better. Today, they are making up for the shortcomings of the bureaucracies and government.

Muhammad Yunus, founder of the **Grameen Bank** and father of micro credit, provides a classic example of social

entrepreneurship. The stable but unfortunate imbalance he identified consisted of poor Bangladeshis' limited options for securing even the tiniest amounts of credit. Unable to qualify for loans through the formal banking system, they could borrow only by accepting exorbitant interest rates from local moneylenders. More commonly, they simply succumbed to begging on the streets. Here was an imbalance of the most unfortunate sort, Bangladesh's endemic poverty and the misery arising from it.

Yunus confronted the system, proving that the poor were extremely good credit risks by lending the now famous sum of \$27 from his own pocket to 42 women from the village of Jobra. The women repaid the entire loan. Yunus found that with even tiny amounts of capital, women invested in their own capacity for generating income. With a sewing machine, for example, women could tailor garments, earning enough to pay back the loan, buy food, educate their children, and lift themselves up from poverty. Grameen Bank sustained itself by charging interest on its loans and then recycling the capital to help other women. Yunus brought inspiration, creativity, direct action, courage, and fortitude to his venture, proved its viability, and over two decades spawned a global network of other organizations that replicated or adapted his model to other countries and cultures, firmly establishing micro credit as a worldwide industry.

The philosophy of social entrepreneurship questions the orthodox view among free market economists like Milton Friedman. The only social responsibility a law-abiding business has is to maximize profits for the shareholders. It is

argued that enlightened corporations should try to create value for all of its constituencies.

### **Social Entrepreneurs as innovators**

Social Entrepreneurs are innovators who implement practical and sustainable solutions to address challenges in numerous areas including health, education, environment, access to technology and job creation. Whether they are set up as profit entities, hybrid social ventures or non-profit organizations, their primary focus is transformational social change. Social entrepreneurs develop a revenue stream through the sale of products, services, fees or develop key partnerships to achieve sustainability.

Rather than leaving societal needs to the government or business sectors, social entrepreneurs find out what is not working and solve the problems by changing the system, finding a solution, and persuading entire societies to take new leaps.

Historical examples of Leading Social Entrepreneurs include:

- **Susan B. Anthony (U.S.):** Fought for Women's Rights in the United States, including the right to control property and helped spearhead adoption of the 19<sup>th</sup> amendment.
- **Vinoba Bhave (India):** Founder and leader of the Land Gift Movement, he caused the redistribution of more than 7,000,000 acres of land to aid India's untouchables and landless.

- **Dr. Maria Montessori (Italy):** Developed the Montessori approach to early childhood education.
- **Florence Nightingale (U.K.):** Founder of modern nursing, she established the first school for nurses and fought to improve hospital conditions.
- **Margaret Sanger (U.S.):** Founder of the Planned Parenthood Federation of America, she led the movement for family planning efforts around the world.
- **John Muir (U.S.):** Naturalist and conservationist, he established the National Park System and helped found The Sierra Club.
- **Jean Monnet (France):** Responsible for the reconstruction of the French economy following World War II, including the establishment of the European Coal and Steel Community (ECSC).

### **Fortune at the Bottom of the Pyramid**

Social entrepreneurship as we have seen is quietly revolutionizing the less privileged, globally and in India and there are many prominent social entrepreneurs in India who are **doing well working for a cause and making business work for the poor.**

In the past it was the job of the NGOs to make a difference to the lives of the less fortunate. Many people assumed that social entrepreneurs acted in the non-profit world because their funding mainly came from the government or foundations making them dependent on philanthropic largesse.

In an increasing competitive environment, community needs are growing in size and diversity and traditional forms of funding

are becoming smaller and less reliable. In the face of this new reality, an increasing number of forward-looking non-profits are beginning to appreciate the increased revenue, focus and effectiveness that can come from adopting “for profit” business approaches. Increasingly, they are reinventing themselves as social entrepreneurs, combining “the passion of a social mission with an image of business-like discipline, innovation, and determination”. This hybrid is the wave of the future for both profit and non-profit companies and goes to support what Peter Drucker said: “It profits us to profit the non-profits”.

**The Aravind Eye Care System** offers one of the most intriguing hybrid models. Founded over thirty years ago by the late Dr.Venkataswamy (or “Dr. V.”) and based in India, it has potentially huge implications for the health-care business worldwide, with the model even proving viable in the United States. Dr. V. and his team turned a eleven-bed eye clinic into one of the largest and most productive eye-care facilities in the world.

Taking its services to the doorstep of rural India, the Aravind Eye Care System has become self-sustaining – treating over 2 million patients a year (two-thirds of them for free or with a steep subsidy) and still managing to make a profit that it reinvests in growing the enterprise and continuously upgrading its services. It is an international resource and training center that is revolutionizing hundreds of eye care programs in developing countries. Amazingly, with less than 1 percent of the country’s ophthalmic workforce, Aravind performs about 5 percent of all cataract surgeries in India.

Since its inception, Aravind has performed more than 2.8 million surgeries and handled over 22 million outpatients. Without diluting quality of care of poor patients and by charging wealthier patients more and poorer patients less, Aravind has developed a sustainable business model.

The motivation for exploring so-called base-of-the pyramid markets, according to C.K. Prahalad in his book “The Fortune at the Bottom of the Pyramid”, eradicating poverty through profits is to address the government of market failures and bring much-needed benefits to poor people. “How to change the world?” by David Boreinsten and “The end of Poverty” by Jeffrey Sachs talk about needs and opportunities that are ignored by current market mechanisms and businesses or where mainstream for-profit businesses do not even think of venturing.

### **The Social Entrepreneurship Model**

The following characteristics then are typical of most model Social Entrepreneurship initiatives:

- Firstly, a public good is being delivered to the most economically vulnerable, who do not have access to, or are unable to afford, the service rendered.

Self-employed Women’s Association (SEWA) started by Ela Bhatt in 1972 provides financial, health, insurance, legal, childcare, vocational and educational services to poor self-employed women who comprise its members.

- Secondly, both the entrepreneur and the organization are change catalysts, with a central goal of enabling direct

beneficiaries to assume ownership of the initiative, enhancing its long term sustainability.

An effective example of this is the Barefoot College set up by the founder Bunker Roy in 1972 in Tilonia, Rajasthan, where Roy employs the “barefoot” approach to development which rests on the idea that anyone can become anything – from an architect to a solar engineer – without formal education. By applying traditional but informal educational processes to manage, control and own technologies designed to meet basic needs, the college helps illiterate and semi-literate poor people in rural areas learn to use technologies without relying on outside paper-qualified experts.

This is the only college based in rural area that is built by the poor and managed by them. Barefoot engineers have solar-electrified the college, the first in India. The college provides informal education in night schools as various responsibilities keep away students from attending school during the day. Another unique feature is the management, supervision and administration of these schools is in the hands of the children’s parliament. If there is one lesson that emerges from Barefoot college story, it is an age-old one, visionary, energetic and inclusive leaders can release extraordinary human potential.

- Thirdly, multiple external partners are actively involved in supporting (or are being recruited to support) the venture financially, politically and in kind.

A case in point is the HUL's Project Shakti with an objective to create income generating capabilities for underprivileged rural women, by providing a sustainable micro enterprise opportunity and to improve rural living standards, through health and hygiene awareness. HUL offers a range of mass-marketed products and imparts the necessary training to these groups which help women to manage their enterprises. Armed with the micro credit, women from Shakti group become direct-to-home distributors in rural markets earning over Rs.1000 per month on a sustainable basis. The model was piloted in Andhra Pradesh in the year 2000 and today it has been extended to 15 states with over 40,000 Shakti entrepreneurs. This is indeed an example of grassroots social entrepreneurship.

- Finally, the founding entrepreneur morphs into a figurehead, in some cases for the wider movement, as others assume responsibilities and leadership.

### **In Support of Social Entrepreneurship**

For social entrepreneurship to succeed, it needs support of all the stakeholders. The pioneer always faces many challenges specially in balancing the venture's social mission and its financial sustainability. The founding entrepreneur must exercise a strong leadership and motivational role. While it is a social venture, making profits is critical to ensure sustainability of efforts. It is also important to abandon the charity mind-set and combine social mission with profitability and professionalism.

The society, government and the media should support social entrepreneurs.

In the UK in 2002, seven leading non-profit organizations established **UnLtd**, The Foundation of Social Entrepreneurs. It holds a 100 million endowment especially to invest in social entrepreneurs in the UK. UnLtd provides individuals with cash awards and practical support that includes coaching, training and networking opportunities to help develop community projects. Similar initiatives and venture capitals exist for social entrepreneurs in India as well. A recent example is Vikram Akula, CEO of SKS Microfinance, the Mckinsey alumnus who started a micro lending venture in villages of Andhra Pradesh. Though this venture is for-profit, it has initiated a sharp social change amongst poor women in villages.

Several agencies have set up awards to encourage social entrepreneurs. The Nand & Jeet Khemka Foundation and the Schwab Foundation with UNDP have introduced the Social Entrepreneur of the Year Awards.

Hilde Schwab, Chairperson of Schwab Foundation for Social Entrepreneurship, said: "We organize the Social Entrepreneur of the Year Award in 20 countries around the world to recognize entrepreneurs that are altering the social and environmental fabric of society. India stands at the forefront of the field with social innovators that have global models particularly relevant in today's turbulent times."

Many corporates have encouraged social entrepreneurship by developing unique programs. **Tata International Social Entrepreneurship Scheme (TISES)** has been launched in January 2008 to encourage social entrepreneurs. The Tata

Group has signed MOUs with the University of California, Berkley and the University of Cambridge to provide opportunities for students to work on the Tata Group's community initiatives in India.

As a part of the TISES, the University of California, Berkley and University of Cambridge will identify up to five students each from the undergraduate or higher study level, for an 8-week summer internship at Tata Group's community initiative programmes. The MOUs signed between the Tata Group and the University of California, Berkley and University of Cambridge stand for a period of three years.

In light of the blending of entrepreneurial business skills with the drive to uplift society, it is important that business schools and academic institutions start addressing these issues in their curriculum. Gregory Dees, often considered the father of Social Entrepreneurship and Director of the Centre of the Advancement of Social Entrepreneurship, says that "Business schools still view social entrepreneurship as a practice, not a discipline, the same difficulty that entrepreneurship was faced with, when it began. More academic research is required on the subject and the teaching of social entrepreneurship "Coursework" should be connected to the mainstream for-profit business training in the MBA programme.

Entrepreneurial energies of producer groups, socially sensitive management teams and other stakeholders must be harnessed for a new paradigm in social entrepreneurship.

Capitalism is an efficient creator of wealth while socialism ensures more equitable distribution of wealth. A marriage of

the two is surely desirable but needs integrity, capability, efficiency and transparency.

Social entrepreneurship is a journey, where you may reach your destination or may not. You might enjoy the benefits, but high chances are that the next generation will see the fruits of the seed you have sown.

### **India's Youth Lead the Way**

It is the today's youth that must lead the way and I am proud to say that they are excited about their ideas and extremely passionate about their beliefs and I would like to end with the example of Dhruv Lakra's Mirakle Couriers.

#### **Vision:**

- Integrate low income deaf boys and girls in the community through the development of a corporate courier company that is financially viable.

#### **Why Deaf ?:**

- India has the highest deaf population in the world.
- This disability does not get the right attention because it cannot be discerned like the blind, if a person is deaf we cannot know till the time the person starts using sign language.
- Very few job opportunities for the deaf boys and girls.

#### **Why a courier company ?:**

- The differently able are trained for vocations that are outdated such as file and candle making in homes. This leads to a further segregation and not integration.

We want to integrate them through a model that is service driven and financially viable, and provides great service.

- English communication is very poor because of skewed education, and a courier service requires them to only read the address in English.

As a social entrepreneur said – “Everything I believed about business was proven to be wrong. I learnt business is not based on exploitation or coercion but on voluntary co-operation. Profit can be divided amongst the creators of the value through competitive market dynamics”. In other words, “Business is not a zero sum game with a winner and loser. It is a win, win, win, win game”.

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## **BHOGILAL LEHERCHAND**

Born on 16<sup>th</sup> April 1894, Bhogilal Leherchand, due to family circumstances, had to give up his studies at a very young age and engaged himself in business with his father in Diamonds. The firm was named after him, and in due course of time he became the leading diamond merchant in Bombay, known for supplying quality diamonds. During his business activities he came in contact with leading businessmen and industrialists in Bombay, apart from his clientele amongst Maharajas and Nawabs. He was known for his integrity and his customers had implicit faith in him and he never failed them. As early as 1921, he had his own representatives stationed in Antwerp, Belgium, for purchase of diamonds. He always felt his short coming, viz., that of not having had a proper university education, and realising the importance of education in life, he ensured that his sons and daughters were very well educated.

Although diamond business was very successful, he always felt that it did not give him enough opportunities for his entrepreneurial talent and of rendering service to the community at large by giving job opportunities. There was hardly any diamond cutting industry then as it is now. As such, he diversified into engineering, textile and petro-chemical business apart from starting trading activities in cotton. His diversified activities gave him satisfaction, in as much as he was able to provide employment to thousands of people in the industries as well as in business, both directly and

indirectly. Bhogilal Leherchand believed in the necessity of keeping abreast of times and therefore the textiles mill, with which he was connected for four decades as its Chairman, was one of the most modernised mills in Bombay at that time.

Having been brought up in a very religious atmosphere, he believed in high morals and ethics in business. He was used to do business and fixing prices on the basis of meeting of hands under a handkerchief where the two persons concerned alone knew on what price the business was transacted. There had never been any dispute about such transactions. As such the value of morals and ethics in business was the core of his business philosophy. He always impressed upon his family members as well as officers that they must keep high moral values in business which would ultimately stand everybody in good stead.

Bhogilal Leherchand's motto was "*simple living and high thinking*" and he was simplicity personified. A staunch nationalist having contributed to the national cause of independence, he was close to Mahatma Gandhi, Sardar Vallabhbhai Patel and other leaders of our Independence movement. He was charitably inclined and philosophic in nature and believed in unpublicised charity. Although he was uneducated, he believed in education and he contributed liberally to the cause of education and medical relief, and relief in times of famines and droughts.

*The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise.*