

Reflections

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The Role of the Corporation in Supporting Local Development

BY MUHAMMAD YUNUS

At SoL's Global Forum held in Oman last year, Nobel Prize winner Muhammad Yunus, the founder of Grameen Bank, joined Roberto Bocca, director of emerging consumer markets at BP Alternative Energy; Lynne Dovey, director of strategic planning at the Ministry of Economic Development in New Zealand; Shaikh Saleh Al-Turki, the chairman of the Jeddah Chamber of Commerce and Industry, and Omar Shaban, director of operations at Cisco NetVersity to look at the ways in which business can be modeled in order to help the poor. Muhammad Yunus related the story behind Grameen Bank and shared his concept of "social business." Moderated by social researcher Laurent Marbacher, the panel also explored the idea of what human beings are capable of doing for local development, as well as how systems can enhance these capacities so that they can flourish.



Muhammad Yunus

Muhammad Yunus:

I was not thinking of creating a bank for poor people when the Grameen idea came to me. The idea had to do with the circumstances in which I found myself. I came back to Bangladesh in 1972, when it became an independent country. It was a devastated country, and I came back from the United States to participate in rebuilding the nation. I started teaching economics at Chittagong University. As the economy slid down sharply, we had a terrible famine in 1974. I was teaching elegant theories of economics while seeing people dying of hunger outside the classroom. I saw that what I was teaching meant nothing to those who were dying, and I thought that as a human being, I should see if I could be of some use.

People were taking loans from loan sharks, and were getting exploited. I went around with a student to make a list of people who were borrowing from loan sharks. When my list was complete, we had 42 names, and the total loan was \$27. I was shocked by the smallness of the figure. All I had to do was give \$27 to these 42 people so they could return the money to the loan sharks and be free.

Another question then came to my mind. If I can make so many people so happy with such a small amount of money, why should I not do more? I wanted to do more. The idea to connect the bank located on the campus with the people who live next door came up. I suggested to the bank manager that he should lend money to the poor people. He said, "No way! A bank cannot lend money to poor people." Our debate went on for several weeks, and then he said, "Why don't you go to the senior people? I cannot do such a thing. There is no use arguing with me." So I talked to the senior officials, but everybody told me the same thing. After several months of running around, I offered myself as a guarantor. That is how it all began.



Whenever I needed some rules in my work, I just looked at how conventional banks operate. Once I learned about their procedures, I did the opposite. Conventional banks are always looking for people who have lots of money and wealth, in order to lend more and make more money. We reversed that principle. To Grameen, the less you have, the more attractive you are. If you have nothing, you have the highest priority.

We also dismissed the whole idea of collateral. We dismissed lawyers. We do not have guarantees. Conventional banks focus on men; we focused on women. They look for the rich men; we look for the poor women. Conventional banks are owned by rich men, and we reversed that too. Grameen Bank is owned by poor women. What is amazing is that the system works.

People pay back. Why do they pay back? Because it makes sense to them. Because for the first time, they are getting an opportunity that they never had.

Moderator: Omar, would you tell us about your experience? What programs are you working on?

Omar Shaban: From Cisco's perspective, you can carry out social responsibility by improving,

developing, or transforming the educational systems worldwide. Among the things Cisco does:

1. Business as usual. We have products that run the Internet, build networks, connect to people, and connect to organizations, companies, and governments. Partnering with the Hungarian government worked for us in connecting more than 3,000 schools. It enables them to share information such as grades and curricula.
2. E-learning. Through e-learning, we introduce another method of learning, and give school-children a tool for research.
3. The Cisco Network Academies. In the pyramid set-up of the Academies, the bottom two-thirds of the academies are workers whose skill sets we elevate. We also develop the top one-third of the pyramid, who are the future leaders in government and business. This past year in Saudi Arabia, we hired the top ten percent of graduates. We hired 40 students and brought them in for a year of training. The results have been incredible.

Solving the Problem of Regressive Energy

Moderator: Roberto is also leading a project that includes working with those near the bottom of the pyramid. Would you share your experience?



Roberto Bocca: At the end of 2004, BP started looking at the bottom of the pyramid, which refers to those who use regressive energy. Regressive energy is energy that is unhealthy and unsafe. More than three billion people around the world use regressive energy, and 1.6 million people die every year of respiratory diseases and indirect pollution, mostly by burning regressive fuel. It presented a business opportunity to us.

We worked with a local non-governmental organization (NGO) to understand how we could solve the issue of regressive energy. The team lived in the village, ate with the consumers, and tried to understand what the need was. The first need that came up, in terms of energy, was cooking. We started thinking about the villagers as emerging consumers. Our mission was to develop a product and an energy solution to fit their needs that could also be cleaner, safer, and affordable.

It was not an easy task, especially when you want to do it as a business. The work is not about charity. It is about creating a business. And so we developed a solution, a cooking stove developed with the technology in India. We used agricultural wastes in the form of pellets, as the fuel for the stove.

Profit maximization is the goal of the business: the more profit you make, the more everybody benefits. I feel uncomfortable with that concept, because the theoreticians behind it interpret human beings too narrowly.

NGOs became one of our distribution channels. We are their service provider, while they distribute the product. After three and a half years in India, more than 200,000 people have bought our solution, which is a good sign that it is a sustainable model. Of this, over 20 percent come from the NGO channel.

Social Business and the Limits of Charity

Muhammad Yunus: There is only one definition of business in the capitalist system: to make money. There is no other interpretation of that concept. Profit maximization is the goal of the business: the more profit you make, the more everybody benefits. I feel uncomfortable with that concept, because the theoreticians behind it interpret human beings too narrowly. They have created this artificial human being who is one-dimensional. All his enjoyment comes from one source,

which is making money. But real people are multi-dimensional human beings. Not only do they enjoy making money, they also enjoy giving away money. They enjoy touching other people's lives and making a difference in the world. Economics does not admit that.

My proposition is that in order to justify the totality of the human being, we need to create another kind of business. Social business is the business of doing good to others. It is a non-loss, non-dividend company with a social objective. Social business also refers to any profit-making business owned by poor people.

We created social businesses of several kinds. Grameen-Dannon Company is a joint venture company that produces yogurt. Our objective is to reach millions of malnourished, poor children in Bangladesh. We are putting all the micronutrients they need in the yogurt and then selling it at the cheapest possible price.

The charity dollar has only one life. You can use it only once; it goes and never comes back. As part of a social business, a non-loss company, the dollar never stops.

Beside social business, the only alternative that we have to help others is through charity. We could have conceived of the yogurt venture as a gift to the children, and it could have become a charitable program. However, there are several differences between the charitable program and a social business. One particular difference is that the charity dollar has only one life. You can use it only once; it goes and never comes back. As part of a social business, a non-loss company, the dollar never stops. The social business dollar has endless life. You create an institution so it can grow and can change direction.

Now, if all the children are already fully nourished, you do not need to give them any more of that special yogurt; you can move on to something else. You can continue to produce other products that will address other aspects of health. The company is dedicated to a social goal, so you can continue that social goal without running out of money, and that is a more powerful concept.

Moderator: Sheik Saleh, does what Professor Yunus is saying resonates with your own experience?

Shaikh Saleh Al-Turki: It does. Over the last 12 years I have worked with charities, and I can tell you there are no success stories; you always feel that you are going nowhere. The poor get poorer and the more money you spend helping them, the more are asking for support.

But all the programs we gave the poor families kept them poor. We decided to convert the chamber of commerce from a lobby for the big business communities to an advocate of social obligation for them. We concentrated on alleviating risks for small and medium-sized business companies. Most small business are scared of risks: they can go to jail for a very small amount of indebtedness, SR 3,000–SR 4,000 (\$1,000–\$2,000). Last year we got 130 small businessmen out of jail for such small amounts owed. They could have ruined their lives if we did not help them. Today we have a program that gives them technical training and financial support, and stands by them if they have legal issues.

Next, we realized that a lot of poor Saudi girls have no education, are not trained, and will end up on charity – unless we help them. So we created a program where training institutes go to major companies and promote hiring Saudi girls. If they succeed, these girls are trained at government cost and get jobs. Today we are hiring about a 100 girls every other month.

We also have a program now to train fishermen. Saudi fisherman in the Red Sea lost interest in fishing because it could not support them financially. So today the government provides boats, we give them training, and we are trying to raise their income per month from SR 1,500–SR 2,000 to SR 9,000. In Al-Kohima, where we had 50 fishermen, their per-month income jumped from SR 3,000 to SR 9,000.

Finally, we have a program for deaf girls who are handicapped. Textiles is a big business in Saudi Arabia. Through the Deaf Club of Jeddah, of which I am the chairman, we have hired 150 deaf girls, who would ordinarily have no future, to work in a workshop. We are training them now to become embroiderers and within six months they will be able to earn about \$1,000 a month, working at home or in a workshop.

These programs are much more important than charity. What Mr. Yunus is saying is right. Every dollar you spend on charity gives you nothing. Every dollar you spend on social programs gives you back at least 30 percent, if not 50 percent.

The Role of Good Government and Enablers

Moderator: We have heard from several business people. Now we will hear a government point of view. Lynne?

Lynne Dovey: Let me bring the perspective of good government. Good government has integrity, ethics, and standards. It must know what outcomes it wants. In New Zealand, I belong to a strategy team, and believe we must take the long view when thinking about outcomes for people. Provocatively, I ask “What is the vision for 50 years?” But in a recent seminar, a member of the circle said that he was thinking 500 years out. We need to be thinking about those seventh-generation voices. That is a prime responsibility of government.

The other thing I want to talk about is the role of government vis-à-vis business and vis-à-vis

the society. The traditional role of regulator is important. The government establishes the law and sets up the incentives for good business. The government can do a lot of harm by having poor incentives.

All human beings are packed with all the entrepreneurial, creative, and innovative capacity they need to succeed. All human beings in the world have the same capacity and creativity.

But the role that I have become particularly interested in over the last ten years or so is the role of enabler. An enabler is a person who helps somebody achieve something. Enablers may be brokers of an arrangement, or simply influence. They work in cooperation with others. One of the things that I have been doing is working in multiple sectors – the health sector, social sector, and in our economic development ministry – to achieve outcomes for the people of New Zealand.

A couple of years ago we were privileged to have Peter Senge visit New Zealand, and we worked with a community in the Auckland region that was concerned about young people and violence. We got the NGOs and the grassroots community groups together. We shared with them the story of Roca, a non-profit organization in East Boston which helped the local government organizations and the city managers to cope with serious youth violence. The government organizations and the police said that they did not know how to handle youth violence, and Roca stepped in. In that case, the government stepped back, and it enabled Roca to step up. For me, that was a wonderful story about government enabling.

I shared the Roca story with a very diverse group. The chief of police asked me to come and share the Roca story with his staff. The word got out, and suddenly 125 people wanted to come, basically to

meet with each other. And so I became an enabler for that process. We managed to hold the police and some NGOs who were very angry with them – and vice versa – in the same room for half a day and have a conversation around common problems. That dialogue was a critical opportunity.

What is poverty really? If you look at these experiences, again and again, you come to the conclusion that poverty is not in the person. It is not created by the person who is poor. Poverty is created by the system.

The Power of Dialogue and Opportunity

Muhammad Yunus: One point that I have been raising again and again is the power of opportunity. Through Grameen Bank we constantly see, for example, a person who a few years back did not know anything, had never touched money. Now that person is changed completely, an enthusiastic entrepreneur. She is running an expanding business. All human beings are packed with all the entrepreneurial, creative, and innovative capacity they need to succeed. All human beings in the world have the same capacity and creativity.

We have been encouraging our borrowers to send their children to school. Their children are now in the colleges. Right now more than 21,000 students are in medical schools, engineering schools, and

universities. Occasionally, when I go to the villages and I see a mother who is still working in the Grameen Bank. She started 12 or 15 years ago with a tiny loan to raise chickens, and gradually improved her life and bought a car. She now has several cars, and has sent her daughter to school to become a doctor. The mother could have been a doctor too, but she never got the opportunity.

What is poverty really? If you look at these experiences, again and again, you come to the conclusion that poverty is not in the person. It is not created by the person who is poor. Poverty is created by the system. I am sure that the daughter of the doctor will not go back to illiteracy. She will push the envelope further. What is wrong with the system? Why could they not fix the system? If you want to remove poverty, instead of trying to fix those who are poor, we should be trying to fix the system.

This is our planet. We have not come from any other planet. This is our home. If this is our home, we have to make sure that it is a safe place. We must hand over this planet to our next generation safer and healthier than we found it. That will be our responsibility. Today it does not look like we are doing that. It looks as if we are the last generation, enjoying the world as much as we can. And all that comes back to the concept of the businesses that we run. Because the only thing we have is a robot-like maximization of profit. We cannot forget everything else. We have to bring back those other considerations and values.

Profit maximization is not the answer. ■

ABOUT THE AUTHOR

Muhammad Yunus, a banker and economist, founded the Grameen Bank in Bangladesh in 1983. Determined to help the poor escape poverty and fueled by the belief that credit is a fundamental human right, he provides tiny cash loans on terms suitable to borrowers. By sharing sound basic financial principles, Yunus teaches people to help themselves. His simple idea of microcredit has grown into an international movement for which Yunus was awarded the 2006 Nobel Peace Prize. He is the author of *Banker to the Poor* (Public Affairs, 2003) and *Creating a World Without Poverty* (Public Affairs, 2008). reflections@solonline.org

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