Can Austin’s Model of Social Entrepreneurship Ensure Success in Asian Perspective?

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Abstract: This paper analyses the factors associated with the success of social entrepreneurship as proposed by Austin et al., in Asian perspective using the case of Grameen Danone Foods which is widely recognized as a successful social entrepreneurial venture in Bangladesh. The paper is exploratory, based on the case study of Grameen Danone Foods Ltd., it seeks to answer the key question: What are the factors associated with the success of social entrepreneurship? using Austin et al., (2006) analytical Framework for Social Entrepreneurship. The researchers suggested a number of factors in the areas of: opportunity, human and financial resources, contextual factors and social value. It concludes with a discussion of the implications for practitioners, policy makers and researchers of social entrepreneurship.

Key words: Entrepreneurship, Opportunity, Human and Financial resources, Context, social value proposition.

INTRODUCTION

Entrepreneurship is essentially creative in nature. It is a matter of exploration, exploitation and initiation of new things, new ways of doing things, new methods of production, new use and new market for products or services. Social entrepreneurship is a relatively new academic field. The concept of social entrepreneurship has gained popularity over the past decades, but must still be considered as a new and emerging field academically (Short et al., 2009). Though the academic interest in social entrepreneurship is still emerging (Mosher-Williams, 2006), there is much that remains unresolved about the phenomena. Like entrepreneurship, which even today lacks a commonly understood and unifying definition (Shane and Venkatraman, 2000), the term “social entrepreneurship” has been defined from various perspectives (Dees, 1998). In particular, the factors or considerations critical to successful social entrepreneurship are not well known (Harman, 2008). Like entrepreneurship in its early days as a field of scholarly endeavor, social entrepreneurship research is still largely phenomenon-driven. As a result, most of the studies in this academic area are based mainly on anecdotal evidence (Boschee, 1995) or case studies (Alvord et al., 2004). The amount of research in the area of social entrepreneurship in Asian perspective is even worse.

This paper aims to develop our understanding of social entrepreneurship, specifically the factors which ensure its success, using a case of social entrepreneurship widely recognized as successful in Bangladesh. It seeks to answer the key question: What are the factors associated with the success of social entrepreneurship? Austin et al., (2006) analytical Framework for Social Entrepreneurship has been used in this connection.

Theoretical Framework:

A common criticism of the social entrepreneurship research is that it lacks a systematic and theoretical focus (Harman, 2008), especially the research regarding the factors associated with its success. In an effort to avoid this criticism, Austin et al., (2006) analytical Framework is adopted. According to this framework, there are five components of social entrepreneurship: opportunity, human resources, financial resources, contextual factors and the social value proposition. These components are interrelated and overlapping, with social value in the central consideration.

Opportunity:

Austin et al., (2006), considers it as the "initiating point" for social entrepreneurship (SE). It is the desired future state which is different from the present and the belief that this change is possible through a particular and credible path of change. Social entrepreneurship focuses on serving basic, long-standing needs more effectively through innovative approaches in a superior way. In social entrepreneurship, all parties involved should have a common understanding of the nature of this opportunity.
Human Resources and Capital Resources:
These are considered as the enabling variables for social entrepreneurship. Like commercial entrepreneurs, social entrepreneurs must know their industry in which they are seeking to attract resources and launch a new venture. The social entrepreneur should have a good reputation which can build trust among its contributors and a willingness to invest in the social enterprise and mission. In social entrepreneurship, the skill in dealing with individual’s need is important due to the variety of stakeholders and restricted but short term nature of funding resources.

The Context:
The external context has been defined as the factors influencing the nature and outcome of the opportunity but uncontrollable by the management. According to Austin et al., 2006, these factors (i.e. macro-economy, the tax regulatory and the socio-political environment etc) shape the opportunities available to the entrepreneur. Managing and adapting to these factors are decisive considerations for social entrepreneurs.

The Social Value Proposition:
According to Austin et al., (2006), it is the core driving element at the center of the framework which drives most social entrepreneurs to pursue social entrepreneurship. The primary objective of social entrepreneur is to create social value which differentiates itself from its commercial counterparts. To effectively deliver the social value, the social entrepreneur must ensure that all the key components of the framework i.e. opportunity, human and capital resources, context - are in a state of alignment.

Methodology:
This study provides an analysis of a particular case of social entrepreneurship in Bangladesh. The study is inductive and designed to identify the factors associated with successful social entrepreneurship. A case study approach is considered the most relevant due to the exploratory nature of the research. Case descriptions yield rich information and enable identification and assessment of unexpected patterns, which other methodologies may not reveal (Yin, 1984). Justifying the above rationale, the researchers have chosen the case of an organization which has been practicing social entrepreneurship model since its inception. In addition, secondary sources of information were also accessed to develop an in-depth understanding about the phenomenon - social entrepreneurship and to gather some information about the case company.

In this regard, the Grameen Danone Foods Ltd. has been selected which started its social venture in 2006. The rationale behind selecting this company case is that Grameen Danone Foods Ltd. was profiled in several reputable books and magazines, including several recent editions of Business Weeklies. Most recently, it has been featured as an example of a successful social enterprise in a publication prepared by the Grameen Dialogue—a publication of Grameen Trust. In 2006, Dr Muhammad Yunus, the founder and driving force behind the Grameen Danone Foods Ltd, was awarded the Nobel Peace Prize by Nobel Academy.

To conduct the in-depth interview, it was necessary to know from how many of the management staff and employees of the Grammen Danone Foods Ltd. should be interviewed. For this purpose, non-probability sampling technique was adopted in general and ‘judgment sampling’ was used in particular. Based on the judgment of the researchers, a total of 50 management staff and employees of Grammen Danone Foods Ltd. (7 management staff and 43 employees) were chosen for interview. However, only 21 of them (5 from management and 16 from employees) agreed to participate in the interview process. This resulted a response rate of only 42% for this study. In this connection, among the management staff in-depth interviews were conducted with the Managing Director and 4 managers responsible for the day to day operations of Grameen Danone Foods Ltd. A total of 16 employees were interviewed in which 4 employees were selected based on the researchers’ judgment from four different functional departments of the company including the dairy production unit, milk processing unit, accounts and finance unit and sales and distribution unit. All the in-depth interviews were recorded on a tape-recorder.

Moreover, as secondary sources of information several published and unpublished articles and reports; as well as archival material in the form of annual reports, performance reports and other relevant organizational documents were consulted. Due to the exploratory nature of the study, the information collected from the interviews was not statistically calculated. Rather, attempt was made to explore the areas/factors responsible for successful social entrepreneurship as the focus of the research is on identifying the factors associated with success of the Grameen Danone Foods Ltd. The information collected from the interview were cross-checked with an established model (Austin et al., 2006) of social entrepreneurship to see if the case company (Grameen Danone Foods Ltd.) could maintain and qualify the success factors (opportunity, human and financial resources, context and social value) for social entrepreneurship as proposed by Austin et al., (2006).
Successful Social Entrepreneurship—The Case Of Grameen Danone Foods Vs Austin et al., Framework:

In this section the key themes relating to the factors associated with this case of successful social entrepreneurship is identified and described. Those themes are organized around the analytical areas identified in the Social Entrepreneurship Framework.

Opportunity:

Bangladesh has made significant progress in the area of Human Development for the last three decades. These achievements can be captured by the human development index (HDI). HDI measures the enhancement of people’s quality of life through expanding opportunities. This is achieved by enhancing basic capabilities, such as the level of health, education and purchasing power. Bangladesh HDI increased from 0.347 in 1975 to 0.547 in 2005 (UNDP, 2007). However it is the second lowest in South Asia and the country’s HDI rank in 2005 was 140 out of 177 countries (UNDP, 2007). One child out of two is suffering from malnutrition in the country, especially in the rural areas. Malnutrition causes impair mental development; alter the functioning of immune system, compromise proper eye-sight, underweight etc. Malnutrition in Bangladesh is a vicious circle.

The index of underweight children under the age of five, which is one of the key indexes to monitor human development, shows 48% (UNDP, 2007). They also lack access to healthy living conditions. This figure indicates that Bangladeshi children under the age of five are in the poorest health not only in South Asia but also in the whole world (UNDP, 2007).

To alleviate such gap in nutrition of rural Bangladeshis, Dr. Muhammed Yunus, the Nobel Peace Laureate 2006, proposed to form a joint venture food enterprise between Grameen group and French Food Company Danone. In 2006, a joint company named Grameen Danone Foods Ltd. launched the production of yogurt in Bogra district, 230 kilometers north of the capital, Dhaka. The mission was to reduce poverty by providing daily healthy nutrition to the poor.

Dr Yunus could see that opportunity would deliver benefits to the rural malnutrient children (who would consume the yogurt), to individual job seekers (who would gain employment), to the local government (which could defer the decision and cost associated with malnutrition), to the community (who would have access to cheap but quality yogurt), to government (who would reap the taxation benefits from the additional jobs created) and to the environment (through use of recyclable energy). The organization, if successful, would also enhance the profile of Grameen Danone in the community and bring much needed income into the organization. However Dr Yunus could also see that success of the organization required the active support and inputs of these key stakeholder groups.

The organization is currently planning for its next stage of growth and is aiming to establish at least 50 more factories in the next 10 years in various remote areas across the country. Such expansion will become inevitable if the plan to move into urban markets materializes. Larger set-ups will lead to economies of scale, thus cutting costs and lowering prices.

Analysis:

Grameen Danone Foods came up with manufacturing a yogurt (Shakti Doi) to mitigate the daily nutritional gap for children. This gap in children’s daily nutrition has been successfully transformed into an opportunity for business with social welfare motive by Grameen Danone Foods.

Comment: Satisfactory:

Human Resources:

The social entrepreneur has the capacity to work across many diverse constituencies. From the outset, Dr Yunus has demonstrated his capacity to work with multiple, often diverse stakeholders through understanding the perspectives and concerns of those stakeholders whose support is critical for the initiative (similar to Austin et al., (2006) political and relationship management skills). Yunus’s reputation for fairness and trust may be a significant contributor to this capacity to build and then maintain strategic partnerships.

There are others in the organization, beyond the social entrepreneur, whose skills and knowledge are critical to successful social entrepreneurship. While much research on social entrepreneurship has focused on the role of the social entrepreneur, there are clearly others closely associated with the success of Grameen Danone. One of them is Md Imamus sultan, Managing Director of Grameen Danone Foods Ltd. His knowledge of the workings of business and his network of contacts, seem to have been instrumental in the success of the organization. Dr Yunus’s commitment has also seen him invest considerable resources into recruiting and developing the human resources of the organization and supporting it to broaden its scope of activities where appropriate.

Analysis:

Grameen Danone Foods took the challenge of meeting the daily nutritional requirement of the poor by providing a yogurt solution, namely ‘Shakti Doi’. The company experienced a steady sales growth from 6532 cups/day in June 2008 to 35319 cups/day in June 2009. This steep growth in sales has been due to the
company’s ability to utilize the diversified skills of its company staff, managers inside the company and nationwide distributors - outside the company. Grameen Danone Foods has been successful to demonstrate its significant social impact in terms of growth in both revenues and employment.

Comment: Satisfactory

Financial Resources:
Organization is financially self sustaining. As can be expected from a Social Business Model aiming at the lowest price possible for its products, the economics of Grameen Danone are based on low margins with profitability depending highly on volume. Grameen Danone has invested around US$1.30 million so far into the plant, start-up costs and operating losses. 2008 was a very difficult year in terms of financials as Grameen Danone was hurt by the food crisis in Bangladesh. But 2009 started better. According to the volume acceleration since October 2008, Grameen Danone management estimates it will reach profitability of the Bogra plant in the course of 2010. Second plant will be built near Dhaka, the capital, by 2010 with sales starting in 2011.

Table 1: Sales data of Grameen Danone Foods Ltd.

<table>
<thead>
<tr>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Sep 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales in KG</td>
<td>78.1</td>
<td>149.6</td>
<td>701.2</td>
<td>1500</td>
</tr>
<tr>
<td>Sales in USD (Million)</td>
<td>0.07</td>
<td>0.18</td>
<td>1.14</td>
<td>2.73</td>
</tr>
<tr>
<td>Cups sold/day</td>
<td>3414</td>
<td>6532</td>
<td>35319</td>
<td>86250</td>
</tr>
</tbody>
</table>

Source: Grameen Danone Foods Ltd.

Analysis:
Since its inception in 2007, Grameen Danone foods has already invested US$ 1.30 million in its plant and operating expenditure. Dr. Yunus, the founder of the company was successful in creating a joint venture with the French company Danone, to support the start-up cost of the company. Grameen Danone has also been successful with respect to availing the funding support of four different Grameen companies - namely Grameen Byabosha Bikash, Grameen Kalyan, Grameen Telecom and Grameen Shakti. At present, Grameen Danone is operating under the Companies Act of Bangladesh with ownership ratio 50:50.

Comment: Satisfactory

Context:
Contextual factors have been instrumental in creating the entrepreneurial opportunity. In particular, economic and institutional factors at start-up gave momentum to the organization. Perversely, it was the adverse contextual conditions of that part of Bangladesh were significant. Most of the inhabitants of that part of the country are dependent on agriculture and they have to remain unemployed for a significant amount of time of each year as there remains no crop in the field that time. Due to insufficient infrastructure development, the industrial growth in the region is also not worth mentioning. With this alarming unemployment rates in times of ‘Monga’, there were insufficient jobs for those who wanted to work and levels of community and government concern about the impacts of unemployment were high. Consequently, there was significant demand for and interest in, potential solutions to the unemployment problem. Dr Yunus and key members of the organization were able to present Grameen Danone as a sustainable way of creating new jobs in the society.

Analysis:
Grameen Danone Foods started its operation as a project in Bogra district of Bangladesh. This region suffers from serious unemployment problem and the impact of unemployment is highly noticeable. Thus there has been a long lasting demand for job creation in the region. By establishing its plant in Bogra, Grameen Danone Foods has successfully been able to convert the adverse social context into a huge opportunity as a sustainable way of creating new jobs in the community.

Comment: Satisfactory

Social Value Proposition:
Grameen Danone has chosen to buy its milk from a milk cooperative of micro-farms: Grameen Livestock Foundation founded in 2000 and located 30km from the factory. Grameen Livestock Foundation is an original holistic model of agriculture, including fisheries and cow rising for small farmers. It is providing micro-credit, animal insurance, hygiene, feeding and veterinary advice, organizing milk collection and cooling. In less than 10 years, the cooperative has got 2000 cows, with a level of productivity twice superior to Bangladesh average. 7000 families are involved, 70% of them were below poverty line in 1989, now they earn about $ 150-300/year. The Foundation is carrying a study to measure its social impact. At the same time, Grameen Danone Foods Ltd is starting to collect milk from local micro-farms around the plant.

A job creating and environmentally friendly mini factory - The Grameen Danone Bogra factory’s yearly capacity is 3000 tons. Only 25% of the capacity of the plant is used at this time (May, 2009). Priority is to reach
plant capacity through proximity sales in a radius of 50km. This is in order to maximize penetration and level of consumption among local communities. And also to allow proximity transportation with rickshaw vans and small motorized vehicles with natural gas (CNG). Nevertheless in order to reach this capacity quicker, decision was made to sell in Dhaka from November 08. Twice a week a refrigerated truck carries the products to town.

The yogurt is distributed through two channels:
A) Shops - except in metropolitan areas, where modern trade takes place, shops are referred to as small nearby stores in both urban and rural areas. Normally they are provided with a fridge or an insulated box. Shops represent almost 80% of the total sales.
B) Door-to-Door sales - this is done through a network of sales ladies known as ‘Grammen Danone Ladies’. They are supplied with yogurts, trained by Grameen Danone staff. They get one-day sales credit, reimburse the cost through sales and keep a margin on each solid cup.

Number of active ladies in Bogra was app. 500 in 2009. If they sell 50 cups/day regularly, their income would be TK 85 - 100 (USD 1.50)/day. This activity is a source of empowerment and a valuable alternative additional income for their family, as these ladies represent the poorest section of their community.

The Grameen Danone plant in Bogra has been designed to rely on local labor rather than sophisticated machinery. This avoids expensive maintenance problems, enables to create 40 jobs and develops local competencies. The factory has been designed in an environmentally friendly way, to minimize the use of non-renewable resources. It is partially sourced with solar energy, it is collecting rain water, it is provided with a biogas digester that produces natural gas. This gas is reused to produce light for the factory. In the future, as factory volumes will increase, it should be able to provide the surrounding houses with natural gas.

Analysis:

Grameen Danone Foods has achieved social value in all respect. The company capitalized the opportunity of nutritional intake gap of the poor and came up with a solution. It has helped the society in gaining social value.

The company has managed funds from different organizations and employed it for production of yogurt. This financial flow and human resources inside and outside the company, which might have been used for commercial purpose - has been invested in generating a product solution at a no-loss basis for solving a social problem.

The company created job opportunities in a region which has historically been suffering from serious unemployment. This employment opportunity has been phenomenal to the improvisation of living standard and empowerment of the people in the region in particular. The company has relied more on local labor rather than sophisticated technology which has helped the company keep its yogurt’s price at a reasonably low level.

Comment: Satisfactory:

From comparison, it is very clearly understandable that Grameen Danone Foods has been successful in excelling in all the areas of the social entrepreneurship framework proposed by Austin et al., (2006).

Conclusion:

This exploratory analysis identifies a number of factors associated with successful social entrepreneurship using the case of the Grameen Danone Foods Ltd. At the same time, the paper also explores the utility of Austin et al., (2006) Framework for Social Entrepreneurship in guiding the research process.

The research prompts a number of observations. Firstly, the Framework for Social Entrepreneurship adopted by the researchers seems to be an appropriate lens through which social entrepreneurship and the factors related to its success can be viewed.

Although exploratory, the research provides some potential insights and guidance, both for policy makers and practitioners, around the key factors which may be associated with successful entrepreneurship.

The production of yogurt by Grameen Danone has improved people’s quality of life in Bogra. First, Local people including Grameen borrowers have already started new jobs or expanded business opportunities as well as gotten employment opportunities. Second, the nutritional value of Shakti Doi has been promoted among local people. Therefore, it is suggested that Grameen Danone is playing an important role in human development in terms of viable economic activities and grass-roots nutrition education. As a social business enterprise, Grameen Danone sets an example to follow and will be a theme for research in the future.

At the same time, the researchers provide a note of caution. The research is exploratory and concentrates on one particular case of social entrepreneurship in Bangladesh. The social entrepreneurship framework of Austin et al., (2006) has been found to be working only with a case company in Bangladesh. The success factors examined through the framework have been found to be efficiently applicable in the case of a company - which needs to be tested for universal effectiveness in the other parts of the world. Thus, the present paper does not claim the Austin et al., (2006) framework as the best, though effective, in determining success factors for a
social entrepreneurial venture. The researchers hope that, future studies, both conceptual and empirical, in this area might answer to the unresolved question of success factors for social entrepreneurship. That is a topic for future and more extensive research.

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