

Notable Books

CREATING A WORLD WITHOUT POVERTY: Social Business and the Future of Capitalism

By Muhammad Yunus

Reviewed by Stephen C. Smith

OUT OF POVERTY: What Works When Traditional Approaches Fail

By Paul Polak

Reviewed by Paul S. Hudnut

COMMUNITY: The Structure of Belonging

MYSELF AND OTHER MORE IMPORTANT MATTERS

WHEN PRINCIPLES PAY: Corporate Social Responsibility and the Bottom Line

Stanford Social Innovation Review
Summer 2008

Copyright © 2007 by Leland Stanford Jr. University
All Rights Reserved

CREATING A WORLD WITHOUT POVERTY: Social Business and the Future of Capitalism

Muhammad Yunus

288 pages (PublicAffairs, 2008)

Reviewed by Stephen C. Smith

The title of Muhammad Yunus' new book, *Creating a World Without Poverty*, gives a sense of his vision's sweep, but only hints at his ambition. He wants not only to end global poverty and related problems such as gender discrimination, social exclusion, and lack of access to health care and education, but also to eliminate environmental degradation and extreme inequality. In short, Yunus wants to create a more just society for all.

Yunus presents his ideas for solving the world's social problems as he outlines how Bangladesh can develop more successfully; updates the history of the Grameen Bank, for which most readers will know him; offers his thoughts on the potential of technology to help end poverty; and details his ideas on international norms and governance.

But his main tool for alleviating the world's ills is social business, which he defines as financially sustainable but non-dividend-paying enterprises established to solve social and environmental problems. These enterprises are controlled by shareholders (either donors or the poor), and donors get their initial investment back, though any additional profits created by the enterprise are plowed back into the work. To illustrate his idea of a social business, Yunus weaves through the book the fascinating case study of Grameen Danone, a joint venture between Grameen and the French multinational food product company Danone.

Yunus sees many sources from

which these new social businesses can originate: existing companies, foundations, the World Bank and other agencies, government development funds, successful entrepreneurs looking for a next activity, wealthy retirees, and recent college graduates. Indeed, all of these sources hold promise.

He also believes that social businesses would encourage more people to give back: Many would find establishing and working in a social business more attractive than working for a charity, given the prestige society accords business entrepreneurs above and beyond their financial success.

Yunus addresses the practical hurdles of creating social businesses by succinctly describing the steps that must be taken if social businesses are to become mainstream institutions.

Advocates must develop a set of legal definitions of social business, along with taxation and regulatory rules. Social business standards must then be established and certified. Yunus believes that different types of independent accreditation and ratings agencies will spring up to meet the demands of potential investors and consumers. I would add that government, certifying agencies, and the boards of social business firms themselves will need to take great care to prevent social business managers from using these enterprises for their own benefit.

Yunus goes on to describe mechanisms that would help ensure that the poor would benefit from activities of social businesses. These include special packaging, locations of sales, and social pressure, which are analogous to the screens of some government welfare programs, including work requirements and means tests. These mechanisms overlap with hurdles that facilitate price discrimination in private markets—the

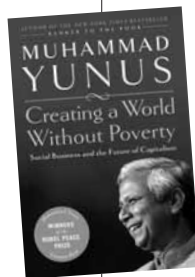
coupons, rebates, time restrictions, and minor product imperfections that consumers must endure to get discounts.

One of Yunus' most interesting proposals is his concept of a social stock market, where socially minded investors would buy and sell shares of social businesses. He thinks the price of the shares will rise when evidence of program cost effectiveness becomes available, and envisions a Social Dow Jones Index, which would reflect the share values of some of the world's most broadly representative social businesses. (The Rockefeller Foundation recently funded an effort to investigate the feasibility of a social stock market in the United Kingdom.)

I suspect that readers will either love or hate the idea of a social stock market; those who think of social businesses as a charity may be uneasy if they see speculators profiting by buying low and selling high. On a more basic level, it wasn't clear to me why investors would be willing to pay a higher price for a share of a social business simply because it was alleviating a social problem. Why, for example, would the share price of an anti-homelessness social business rise if homelessness was disappearing?

Of course, everyone who reads a book of this ambition will find something to question, even if Yunus makes clear that social business won't solve every social problem. But questioning or not, readers will finish Yunus' latest book instilled with a vision not of an unrealistic utopia—a no place, as it translates from Greek—but with a quite plausible "agathotopia," to borrow a term from his fellow Nobel laureate James Meade: a good place.

Stephen C. Smith is a professor of economics and international affairs at George Washington University. He is the author of Ending Global Poverty: A Guide to What Works.



OUT OF POVERTY: What Works When Traditional Approaches Fail

Paul Polak

240 pages (Berrett-Koehler, 2008)

Reviewed by Paul S. Hudnut

Until now, the social enterprise bookshelf contained mostly two types of books—studies of what works, and studies of what’s broken. David Bornstein’s *How to Change the World*, which chronicles the inspiring work of Ashoka Fellows, best represents the first type. The writings of Jeffrey Sachs, Hernando De Soto, and William Easterly fall into the second group, though each of these economists has a markedly different perspective on what’s broken and what should be done.

Paul Polak is helping to create a third genre by writing one of the first how-to social enterprise books: *Out of Poverty*, which draws on Polak’s 25 years of using entrepreneurial approaches to increase the income of the rural poor in Asia and Africa.

Polak has long believed that to have a major impact, global poverty alleviation efforts must focus on small-plot farmers. A recent World Bank report backs him up, noting that “three of every four poor people in developing countries live in rural areas ... and most depend on agriculture for their livelihoods.” As Polak states in the book, “most of these extremely poor people ... can earn much more money by finding ways to grow and sell high-value, labor-intensive crops”—and that by doing so, they can lift themselves out of poverty.

He also believes that to grow and sell higher-value fruits and vegetables, these farmers need cheap irrigation, good seeds and fertilizer, and better access to markets. Polak and the organization he founded, International Development

Enterprises (IDE), are best known for their work helping farmers obtain these basics, particularly treadle pumps and drip irrigation systems. Treadle pumps, powered with a StairMaster-like device, brought low-cost irrigation to small-plot farmers in Bangladesh, Cambodia, India, and Zambia. The pumps cost \$25 and increased farmers’ incomes by an average of \$100 a year, Polak reports. IDE’s success was not just pump design, but the development of a manufacturing and distribution network through which IDE sold more than 2 million units. Polak estimates that in Bangladesh alone, these pumps have irrigated more than 750,000 acres.

IDE’s success is impressive also in the context of international development circles, where many talk of “scaling up” solutions, but few have real success stories—particularly for manufactured goods such as grain mills, cook stoves, and water filters. In other words, when the person who could put a “millions served” sign in his front yard writes a book, we should pay attention to what he has to say.

For one, Polak has little patience for the international development community and their top-down approaches to poverty. He prefers to design and sell products that help the poor make more money. Designing for this “other 90 percent” of the world’s population takes a different approach from designing for the next iPod or SUV. For Polak, it comes down to prioritizing “extreme affordability,” his shorthand for customer-focused products that are cheap, pay back the customer’s investment in months, and can reach at least a million customers. “Don’t bother” with anything else, Polak advises.

Polak also shares a number of opportunities he hopes other designers and entrepreneurs will jump at: \$1 eye-

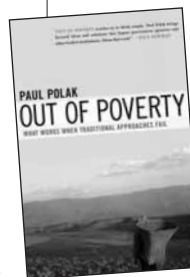
glasses, \$10 solar lanterns, \$15 harvesting tools, and \$100 houses and diesel engines. The technology exists; the design challenge, as he sees it, is hitting these price points, developing the distribution channels, establishing high-volume manufacturing, and constructing the business models.

The book is most compelling when offering clever approaches to solving problems in the field and ideas for new products for the poor. It loses steam where Polak tries to provide more detailed data analy-

sis. This isn’t surprising, of course, since he is an entrepreneur, not a policy wonk. He works in fields and villages, not the wood-paneled offices of the United Nations or development banks.

This experience in the fields and villages, and Polak’s knack for writing entertaining and instructive stories, are the book’s greatest strengths; and they’re a good reason why entrepreneurs, designers, and students working on water filters, laptops, solar lanterns, and other products designed to help the poor increase their income or reduce the drudgery of their lives should read this book. As for investors, teachers, policymakers, and others intrigued by alternatives to traditional approaches to international development—the book will surely provide inspiring examples of enterprise’s great power to lift people “out of poverty.”

Paul S. Hudnut teaches entrepreneurship at Colorado State University and Bainbridge Graduate Institute. He is a co-founder of Envirofit International, whose retrofit kit for Asian motorcycle taxis won a 2007 World Clean Energy Award for significantly reducing pollution and increasing income for taxi drivers earning less than \$5 per day.



COMMUNITY: The Structure of Belonging

Peter Block

(Berrett-Koehler, 2008)

Peter Block, author of the best-selling *Flawless Consulting*, turns his attention to a personal concern: the dearth of community in modern-day America. He explores how shared physical spaces foster a sense of belonging, profiles people who have gone it alone to rebuild communities in innovative ways, and offers six approaches that community leaders can use to create communal accountability and commitment.

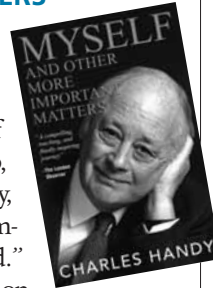


MYSELF AND OTHER MORE IMPORTANT MATTERS

Charles Handy

(Amacom, 2008)

Charles Handy, one of the leading exponents of social entrepreneurship, begins his autobiography, "call no man ... fully himself until he is dead." Indeed, Handy has tried on many personae during his life: that of a middle-class schoolboy in Ireland, star manager at Royal Dutch Shell, co-founder of the London Business School, warden at Windsor Castle. He evaluates each experience for its contribution to his career success, and offers advice about melding career goals with personal ethics.

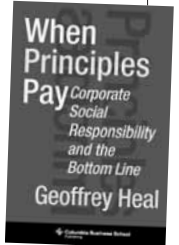


WHEN PRINCIPLES PAY: Corporate Social Responsibility and the Bottom Line

Geoffrey Heal

(Columbia, 2008)

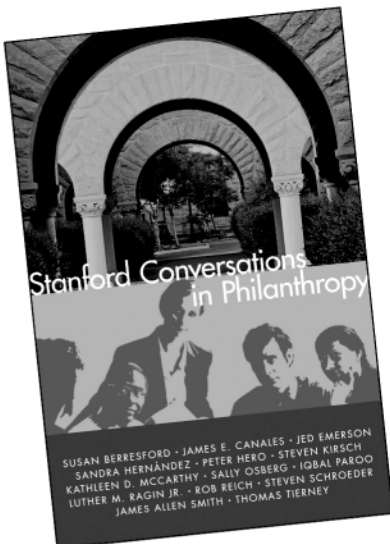
Nice corporations can finish first—or as Columbia Business School professor Geoffrey Heal puts it, corporations can make profit maximization and the generation of value for shareholders compatible with policies that support social and environmental goals. Heal examines how social and environmental performance affects a corporation's profitability and stock market standing and suggests how corporations can best implement social responsibility.



CENTER FOR
SOCIAL INNOVATION
STANFORD GRADUATE SCHOOL OF BUSINESS

Stanford Conversations in Philanthropy

An engaging anthology on the role of philanthropy in society



In *Stanford Conversations in Philanthropy*, fourteen thought leaders reflect on the purposes, accountability, and practices of 21st century philanthropy. The book addresses questions such as:

- What guides the thinking of donors and foundation leaders?
- Do new and veteran grantmakers approach their work differently?
- How should foundations be accountable?



ORDER NOW AT WWW.GSB.STANFORD.EDU/CSI