The Rise of the Social Business in Emerging Economies: A New Paradigm of Development

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Abstract

Social business has emerged as a sustainable and innovative means to solve emerging social problems. Although it is gaining momentum, there is a paucity of studies on the drivers of social business models and its key success factors. Drawing on a systematic literature review and an in-depth analysis of 31 social businesses in Bangladesh, the study presents eight key drivers and four success factors for a sustainable social business model. The findings show eight key drivers for social business models including customer centricity, quality, social needs, latent demands, incidental gains, innovation through partnerships, inspirations from initiatives and collaborative eco-systems. The findings also report four critical success factors including social goals, collaboration, simplicity and start from home. Overall, this study discusses the scope of developing and sustaining social business models for empowerment, quality of life and economic growth in emerging economies.

Keywords: social business, social enterprise, drivers, success factors
Introduction

What, exactly, enables a social business model to solve a social business problem, run sustainably and make profits? To address this question, we conducted an in-depth analysis of 31 sister organizations under the Grameen Group in Bangladesh that embraced social business models in a variety of industries. Social businesses are defined as an entrepreneurship-based profit-maximising business model that is primarily focused on self-sustainability and empowerment (Shams 2016; Beckmann, Zeyen, and Krzeminska 2014). Due to the continuing poverty and related social problems in the developing world, social business models keep gaining momentum to present a better world. According to Yunus (2017); Yunus et al. (2015); Yunus (2011); Yunus, Moingeon, and Lehmann-Ortega (2010), the building blocks of a social business are, first, based on a business objective to address poverty or any other social problems including education, health, technology access, and environment; second, the business model should embrace financial and economic sustainability; third, there is no dividend, rather investors get back their investment only; fourth, when the investment amount is paid back, the company profit is leveraged for further expansion, innovation, research and development; fifth, all ventures are based on environmental sustainability and gender equality; sixth, the workforce of social business ventures should enjoy fair wages and good working conditions and finally, there should be absolute joy and freedom to run social business ventures. Gebauer et al. (2017) state that, after identifying the associated costs-and-benefits, the social business concept was developed into a business model where the social problems globally are better addressed for minimizing social problems. In this study, we present the key components of a social business concept based on the findings of 31 social business models in Bangladesh (see Appendix-1) and recommend how they can help to transform industries across the world.
A business model is typically defined as how a company creates, delivers and captures value (Kavadias, Ladas, and Loch 2016). The model encompasses the company’s target market, customer value propositions, pricing strategies, value chain components and overall its resources and capabilities. Like all other business models, the components of a social business model interact dynamically to achieve success. Although it is more cause-driven than profit, social businesses can cover their costs and owners recover their invested money through market-based offerings, customer centricity and collaborative ecosystems (Peerally, De Fuentes, and Figueiredo 2018; Therese Hackett 2010; Kiron et al. 2012; Irene et al. 2016). In addition to the pursuit of achieving social objectives, a social business is similar to a profit-maximizing business in its ability to achieve its economic success by adopting a managerial mindset (Wirtz and Volkmann 2015). These businesses are also self-sustainable. Their owners never take profits for themselves, rather they reinvest all profits back into the businesses and these are eventually passed on to the target market regarding better quality, lower price, wider availability and improved quality of lives (Yunus, Moingeon and Lehmann-Ortega, 2010). In an interview, Professor Yunus explained how the model of Social Enterprise differs from Social Business. He said that “Social entrepreneurship relates to a person. It describes an initiative of social consequences created by an entrepreneur with a social vision. This initiative may be a non-economic initiative, a charity initiative, or a business initiative with or without personal profit...... In contrast with social entrepreneurship, Social Business is a very specific type of business—a non-loss, non-dividend company with a social objective. A Social Business may pursue goals similar to those sought by social entrepreneurs, but the specific business structure of Social Business makes it distinctive and unique” (Kickul et al., 2012, p.454). A detailed discussion on the similarities and differences between these concepts have
been discussed in the following section. The basic objective of this paper is to seek an answer to the following two questions:

1. What are the key drivers of social business models?
2. What are the key success factors?

To answer the above research questions, the paper is organized as follows. First, it conducts an in-depth analysis of 31 social business models in Bangladesh. Second, an overall summary has been presented showing the drivers and keys to the success of a social business model. Finally, the limitations and future research directions are discussed with an overall conclusion.

**Literature Review**

**Historical perspective of social business enterprises in developing countries**

Since the birth of Grameen Bank in Bangladesh in 1976, social businesses emerged across the developing world by giving loans to poor people to overcome poverty. Grameen Bank is a self-reliant financial body. The majority of the deposits comes from the borrowers, and they were able to save a small amount every week. Thus, the savings are increased and equivalent to the balance of half of a billion US dollars. Ninety-Seven percent of the borrowers were poor women. The objective was to help the women to eradicate poverty in the household, provide education to their children, good health, reduces domestic violence in their families and encourages women to start a small business. Hence, the Grameen Bank encouraged women into entrepreneurship, and financial independence through the credit availed called ‘microfinance' or ‘micro-credit,’ famed across the globe. The women started their business-like farming, poultry, cattle rearing, fisheries, hand-loom textiles, renewable energy, information technology, education, health, employment opportunities and many more through microfinance. In this way, social business has emerged
which mainly focus on self-sustainability and empowerment of poor people (Beckmann et al., 2014).

At present, there are various social businesses across Bangladesh with the help of well-known Grameen Bank and its joint venture with others. Grameen Danone was the first joint venture and objective to reduce the malnutrition among the children of Bangladesh providing yogurt at lower rates, and poor people can afford. In a similar spirit, Grameen Veolia provided safe drinking water, Grameen BASF provides mosquito net, Grameen Intel provides healthcare, Grameen Adidas provide shoes, Grameen Phone provides rent rather than own, Otto Grameen provides clothes and employment opportunities to the poor people across the villages in Bangladesh. These examples bring poor people life into better wellbeing and solve financial problems. In addition to Bangladesh, Table 1 shows a few successful social businesses across the developing world Source (www.yunussb.com).

Table 1 shows a few examples of social business in developing countries, which aim for long-term sustainable goals. These businesses empower poor people to reduce poverty, providing education for kids and adults, water and sanitation, better health, women empowerment, and overall wellbeing. Social business is an innovative concept ignites the minds of entrepreneurs and youth to support the social cause and taken the necessary action to solve the social problems in emerging countries. Social business transforms millions of people living with happiness and prosperity.
Table 1: Social businesses across the developing world

<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>Sector</th>
<th>Problem</th>
<th>Social Business Solution</th>
<th>Social Business transformation/Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>RangSutra</td>
<td>Farming and Living</td>
<td>Nearly 150 million artisans and workers earn their daily wages from the textile industry and handicrafts. Each artisan typically five to six members depends on craft business for daily sustenance. However, last thirty years, 30% artisans are decreased due to loss of existing markets, challenging to compete for present markets. Urban migration increased to search for jobs.</td>
<td>RangSutra blocks the urban migration and offers market linkages to the artisans where 70% are women. This social business works with 2000plus artisans across India with Rajasthan, Eastern UP, Kashmir, Manipur and West Bengal. The revenue of women rises from Rs.500-Rs.1000pm earned to Rs.3000-5000pm.</td>
<td>Financial prospects help to the sustainability of the artisans at a rural region. RangSutra has a collaboration with IKEA and FabIndia, 85 percent will be done business to business (B2B) sales. Business to consumer (B2C) through wholly owned online websites or third-party website owners.</td>
</tr>
<tr>
<td>Haiti</td>
<td>Palmis Eneji</td>
<td>Energy and Environment system</td>
<td>Deforestation is the vital problem in Haiti</td>
<td>Palmis Eneji allocates the reasonable and harmless energy to the poor people in Haiti. They stopped deforestation by charcoal production and facilitated health assistance to the people.</td>
<td>This social business provides reasonable, clean energy to the Haitian people. It Operates like social micro-franchise. Presently, Palmis Eneji has helped Haitian 15000 plus families to guard 7575 plus tons of CO2 emissions and protected 2800plus tons of trees.</td>
</tr>
<tr>
<td>Colombia</td>
<td>Pomario</td>
<td>Farming and Living</td>
<td>Columbia is an agriculturally based country and 88% of employment from agriculture. Due to soil erosion, 40% of the land and continuous war against Farc Guerrilla. 15% of the total population already migrated and facing unemployment opportunities.</td>
<td>Pomario is an agricultural, social business employs poor people. Rural average income at Colombia is USD 130, but Pomario provides farmers salary USD 272. The primary goal to reduce migration and increased the standard of living of poor people.</td>
<td>The revenue generated in the year 2017 was USD 487K and expected the end of the year 2018 income is USD 900K. The products are entirely organic. The SB helps to eradicate poverty and an increased standard of living of poor people.</td>
</tr>
<tr>
<td>Country</td>
<td>Program/Initiative</td>
<td>Area of Focus</td>
<td>Description</td>
<td>Impact</td>
<td></td>
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<tr>
<td>Brazil</td>
<td>4YOU2 Idiomas</td>
<td>Edification and Training</td>
<td>Only 5% out of 200 million people in Brazil can able to speak English. Language is the main obstacle for poor people or low-income families for jobs and opportunities. 4YOU2 Idiomas provides English lessons with abroad teachers at an affordable price with friendly learning technologies. Presently, seven schools opened across Brazil, and 2000 plus students are registered, and the school provides free access to English for higher studies.</td>
<td>Social business brings international teachers and considered as a part of community work and will give a reasonable salary. The Social business connects the bridge of international to local people at Brazil.</td>
<td></td>
</tr>
<tr>
<td>Balkans</td>
<td>Seniors Home</td>
<td>Health and Sanitation</td>
<td>Nine percent of seniors in Albania of total population faced a quality wise elderly care problem. In 2020 the senior citizen will increase by fifteen percent of the total population. Seniors Home is an aging home care social business will be taken care of old people also and adequately improve the quality of their lives. Senior home Provides employment and training for young professionals.</td>
<td>A senior home provides lodging, nourishment, everyday activities, physio and medical help to the old people in Albania. This social business provided now twenty-eight clients and further employment opportunities.</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>Hope Development Initiative (HDI)</td>
<td>Farming and Living</td>
<td>In northern Uganda, women anciently left out from the land. Deficiency of farming techniques yield the poor crop and facing poverty in the country. HDI presented rice, innovative crop and mainly focused on female agriculturalists. Provides technical training to the poor farmers for the rice growing. Hence, HDI has a partnership with 1000 plus women generates the revenue and they were economically independent.</td>
<td>Women farmers uplifted economically at Northern Uganda</td>
<td></td>
</tr>
</tbody>
</table>
Social entrepreneurship, social enterprise, and social business

Social entrepreneurship is the subset of both social enterprise and social business. There are distinct differences between a social business and social enterprise regarding its objectives and operations. Table 2 sheds light on the similarities and differences between these two concepts with a discussion in the following sections.

Social Entrepreneurship

A social entrepreneur is a person who can manage and create innovative ventures for societal change (Prabhu, 1999). A social entrepreneur helps the community to solve social problems rather than making a profit (Shams and Kaufmann 2016). Social entrepreneurship is a multidimensional concept that aims to achieve the social mission by addressing various social challenges (Rawhouser, Cummings, and Newbert 2019; Haugh and Talwar 2016; Rivera-Santos et al. 2015). It creates and combines financial resources to address social problems (Mair and Marti, 2006; Mort et al., 2003; Seelos & Mair, 2005). The social entrepreneurs identify market opportunities and develop products or services for social projects (Tracey and Jarvis, 2007). The initiative could be economic or non-economic and for-profit or not-for-profit (Perrini 2006). Thus, a social entrepreneur is an individual who can solve the social problems in society with the help of an economic or noneconomic venture either through a social business or through a social enterprise (Waddock and Post, 1995).
Table 2: The similarities and differences between a social business and social enterprise

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Social Business (SB)</th>
<th>Social Enterprise (SE)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission and Results</strong></td>
<td>- The key objective is solving a definite social problem. Further, the mission is to find an innovative solution for the social problem to attain a long-term self-sustainability. Independent organizations solve social problems through self-funding, a partnership with other organizations through recoupable initial investments where the subsequent profits are reinvested.</td>
<td>- The important objective is solving the social problem. Further, the mission is to find an innovative solution for the social problem to achieve long-term sustainability. To help the poor people by solving the problems community based on financial resources such as donations, charities, and funds.</td>
</tr>
</tbody>
</table>
| **Characteristics of business** | - Dividends were not distributed and reinvested to a series of social business  
- Investors can recover their initial investment but profits are reinvested continually | - It can be non-dividend or dividend taking business with the objective of maximizing social benefit |
| **Business model** | - The SBs focus on a specific problem and target market. They develop product/service and set a specific price before commercialization. | - Social Enterprises follow the same procedures to develop the business model. |
| **Financial Allocation** | - The stakeholders invest initially to provide the financial resources and funds to run an SB.  
- Not a charitable organization, highly competitive enterprise | - The stakeholders donate initially to provide the monetary resources through funds, contributions, and donations, to run a Social Enterprise  
- Charitable organizations |
| **Environmental consideration** | - Addressing environmental concerns is a part and one of the seven ideologies of an SB | - Addressing environmental concern is not a part of a Social Enterprise hypothetically |
| **Identity** | The innovative organization focuses on solving social problems rather than profit generation. | Business with a reason and mix of profit and non-profit generating activities |

Source: Adapted from Ashraf et al. (2018)
Social enterprise

Pearce (2003) defined a social enterprise as an organisation that markets product and services to achieve social objectives. Social Enterprise typically involves economic value creation (Dees 2017; Muñoz 2010; Peattie and Morley 2008) and revenue generation. A social enterprise that provides business solutions to social problems reflects ‘the good at doing right’ (Thompson 2008). Social enterprise is a community-based organisations in which volunteers come up on their own to find the solution to social problems but not business problems (Saebi, Foss, and Linder 2019). The features of social enterprise proposed by Thompson and Doherty (2006) predominantly identify that:

- A social enterprise has a social drive.
- The capital and properties are meant for community help.
- A social enterprise follows business activities. The delivery of the services to the clients waged by a third party, specific to the direct sales to the customers.
- Profits and additional money are reinvested in the trade and community.
- Workers or associates can take part in decision making and supremacy in the social enterprise.
- A social enterprise is answerable to both associates and community.
- A social enterprise is a double or triple-bottom-line model, and equivalence of social, economic and possible environmental concerns are accounted.

Social Business

Social business is defined as a subset of social entrepreneurship founded on profit-maximizing model to ensure long-term sustainability and empowerment (Beckmann et al., 2014). It is termed as a business that attains sustainability and satisfies all the stakeholders by solving the social problems constantly (Villis et al., 2013). It is an innovative business model to address social issues across the globe to eradicate social problems (Gebauer et al., 2017).
Social business is a self-sustained framework in which an entrepreneur sells the product or services and repays the money to the investors or owners. Its primary objective is to empower poor people (Mahfuz et al., 2018). It refers to the sustainable economic growth and upliftment of the people with the help of collaborating entrepreneurship at the community level (Shin, 2016). Moreover, it is defined as the social business to incorporate the business principles in the organisation systematically and minimises the specific social problems caused by poverty (Yunus et al., 2015). The profit maximization objective means social business brings a positive impact to the society or environment to succeed the social objectives with long-term sustainability (Yunus et al., 2010). It is also referring to a type of business mainly focusing on profit maximisation, reinvesting to the business rather than sharing the profits with shareholders (Yunus et al., 2015). Bylund and Mondelli (2009) define social business as an independent organisation which solves the social problems in a country. Wimmer (2012) revealed in her studies and studied the functionalities of how Grameen Shakthi works and explains the social business can change the lives of people in rural areas. Moreover, she observed that social business is the sense of responsibility to society.

Social business is primarily responsible for generating employment and income for deprived people living in social and environmental areas (Comini et al., 2012). It refers to the drivers of development and strengthens solutions to reduce poverty across the globe (Prahalad and Hart, 2002). It is a kind of organisation that addresses social and environmental challenges caused by traditional market and corporations (Haigh & Hoffman, 2012, 2014). Porter and Kramer (2011) revealed that social business fall between the non-profit and profit areas in solving social problems. The social business broadly categorized into two types.

**Type I Social Business:** The Type I social business refers to the companies mainly focus on providing social benefit, not maximising profit to the owners. This type of business owned by
investors who pursue the social benefits like eradication of poverty, healthcare assistance to the poor people, social justice universal sustainability and environment concern finally requires psychological, emotional and spiritual satisfaction rather than financial satisfaction. There is no loss, dividend in the company only meant to address the social problems. For example, Grameen Danone, a yogurt producing company, functioning in Bangladesh, will be a suitable example on Type I Social Business. The objective of the business to solve the nutrition problem in the rural areas and poor people can afford the yogurt at less price strived for social profit.

**Type II Social Business:** The Type II social business refers to the companies that mainly focus on profit maximisation objective, which is owned by poor people. In this business, the social benefit derived from the dividends and economic equity growth created by profit maximising business (PMB). The PMB mainly concerned to help the poor and reduce poverty. Profit-oriented organizations to address social problems and community development. For example, Grameen Bank is a suitable example of Type II Social Business company owned by millions of poor people who constantly fight to lift themselves out of poverty.

In contrast to social business and social enterprise, the main objective of corporate social responsibility (CSR) is to solve any social problem, or a humanitarian problem, or an environmental problem through the way of philanthropy or charity (Patwardhan 2017; BEN-NER 2018). CSR activities aim to improve brand image by maximizing social benefits and do not depend on the business model directly. CSR activities follow a process where a specific problem to be solved is identified first, and then specific activities are carried out under a project to solve that problem. The business itself donates its allocated funds to run its CSR activities and solve a particular problem.
Historical perspectives on the success factors of social business

The success of social business model depends on embracing business model innovation by generating new sources of revenue from social value propositions. According to Wilson and Post (2013), innovation is a critical component of such business model which is incorporated to address social problems that goes beyond the traditional non-profit framework. Yunus, Moingeon, and Lehmann-Ortega (2010) report that the success of a social business model depends on three factors: a social value proposition (i.e., What social problem we are solving? e.g., poverty, utility etc.), a social value constellation (i.e., how do we deliver value by involving partners in a social network?) and finally, a positive profit equation (i.e., how do we capture value from revenues generated after costs?). For example, Grameen Bank in Bangladesh eradicated poverty by giving microloans to develop positive revenue generating businesses for poor people. It has also challenged the conventional wisdom that entrepreneurship is a rare activity by the poor. It has also focused on win-win collaboration to serve poor people with quality goods and services. For example, Grameen Danone collaboration distributes quality yogurt to the poor at an affordable price through local production and distribution networks. The social business model not only focuses on profit for the business but also profit for all the stakeholders. For example, Grameen Danone’s mission statement is very explicit: ‘to bring daily healthy nutrition to low income, nutritionally deprived populations in Bangladesh and alleviate poverty through the implementation of a unique proximity business model’. In a similar spirit in developing a robust social business model, Yunus et al. (2015) suggest putting social goals at first, selecting the right partner, developing simple value propositions and meeting local needs. According to the authors, “…Such a business has three key characteristics: First, it seeks to alleviate social problems, including all forms of poverty. Second, it must be run sustainably—that is, it should not lose money. Third,
profits—when they exist—are reinvested in the business rather than funnelled back to shareholders. Investors eventually get back only the money they initially invested” (p.48). Overall, social Business is a profit-maximizing, an entrepreneurship-based business model that is based on self-sustainability and empowerment (Beckmann, Zeyen, and Krzeminska 2014).

**Methodology**

Drawing on a systematic literature review and an in-depth analysis of 31 social businesses in Bangladesh (see Appendix 1), the study identifies and evaluates the nature of social business models. The review process focused on the following research question: what are the drivers of social business models in developing countries? And what are the keys to success in developing countries? These research questions helped to establish rigour in the analysis protocol by properly specifying the key drivers and success factors. The analysis process resulted in identifying significant themes with the support of empirical evidence.

As part of exploring evidence to support a specific research question, systematic literature review is a useful approach (Greenhalgh et al. 2004). As such, first, the study developed search strings consisting of the keywords such as, ‘social business’, ‘social business* AND drivers’, ‘social business* AND success factors’. Second, using the search strings, five databases were investigated, for example Web of Science (Thomson Reuters), ScienceDirect (Elsevier), Scopus (Elsevier), Business Source Complete (EBSCOhost), ABI/Inform Complete (ProQuest) to select all the peer-reviewed journal papers and periodical based on title, abstract, and keywords. The process resulted in downloading and reviewing of a total of 50 publications. Third, 11 publications were found relevant to the drivers and success factors of social business in developing countries.
Finally, drawing on Braun and Clarke (2006), we conducted a thematic analysis of the extant literature (Ezzy 2002). Both the review findings and the in-depth analysis of the 31 social business models in Bangladesh generated a set of 8 themes on drivers and four themes on success factors, which are aligned with Yunus et al. (2015). Table 3 shows the drivers and keys to the success of a social business model based on the findings of 31 social business models in Bangladesh. Although these social businesses target different needs, they all have a solid track record of achieving social objectives. As part of our investigation, we found eight recurring drivers that contribute to the success of these business models. The success of all 31 companies is based on these eight building blocks, which contribute to the ultimate success and transformation of social businesses in Bangladesh.

<table>
<thead>
<tr>
<th>Market Needs</th>
<th>Example of Grameen Social Business Models in Bangladesh</th>
<th>Drivers of Business Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer centricity</td>
<td>Grameen Danone and its yogurt “Shokti +doi”</td>
<td>Essential products and services</td>
</tr>
<tr>
<td>Standard quality and features</td>
<td>Grameen UNIQLO and its products</td>
<td>Cost effective partners</td>
</tr>
<tr>
<td>Social needs</td>
<td>Grameen Healthcare Service</td>
<td>Addressing basic healthcare needs of the poor people</td>
</tr>
<tr>
<td>Latent demands</td>
<td>Grameen UNIQLO and its sanitary products</td>
<td>Behavioral change</td>
</tr>
<tr>
<td>Incidental gains</td>
<td>Grameen Shakti turns unemployed youth into social technicians</td>
<td>Collaboration with the community</td>
</tr>
<tr>
<td>Innovation through partnership</td>
<td>Grameen Danone and its yogurt “Shokti +doi”</td>
<td>Collaboration with the channel members</td>
</tr>
<tr>
<td>Inspiration from initiatives</td>
<td>Grameen Kalyan</td>
<td>Dedicated employees</td>
</tr>
<tr>
<td>Collaborative ecosystems</td>
<td>Grameen Shakti and its local distribution networks</td>
<td>Involving local employees in the value chain to ensure smooth operation.</td>
</tr>
</tbody>
</table>
Findings

Based on the findings of our systematic review, thematic analysis, and the framework proposed by Yunus et al. (2015), this study presents eight drivers and four success factors of 31 social businesses in Bangladesh (see Appendix 1). Although the discussion is social businesses in Bangladesh, these findings can be applied to any social business context across the world.

1. **Customer centricity:** We have heard of target markets in business, but in social value offering, customer targeting is taken seriously and only targeted customers are served with offers. Social businesses have exclusive customers, which means that they identify whom and how many to serve by the program and hence do not go beyond that pool of people. Of course, the customer pool may be broad or narrow, depending on the value offers. For example, the joint venture between Grameen Group and Groupe Danone has broadened since it was first launched in 2006 to create unique business models that deliver healthy nutrition to the poor people of Bangladesh, especially children. They have made a yogurt “Shokti + plus doi” which is full of healthy ingredients and was initially only offered to the poor children in rural areas, but then later expanded into urban areas to ensure economies of scale and cut down production costs.

2. **Quality intact:** Most companies offer both high and low-end products to serve their customer base. In order to avoid cannibalizing its offers, that is providing similar products for both its standard and low-cost offers where customers find it difficult to distinguish any difference, companies may lower the quality of the low-cost products, leaving out some features to create a trade-off between the standard and lower quality product. But in a social model, the offer is similar as long as the economics allow. It is done this way because the objective is to provide poor people with existing products and services that they require but cannot access. In 2010 UNIQLO started a social business with Grameen Bank Group where they used the bank’s network and expertise in producing and selling high-quality clothes at low prices (Retailing 2019). The local factories still need to meet the standards of UNIQLO while manufacturing clothes. The t-shirts are sold for about 60 cents each locally, compared to between one and two dollars for the core products so that people in
rural areas can also afford this clothing. This followed extensive market research by Grameen and UNIQLO. They also reduced costs by designing their distribution channel around the same rural people, who would go from home to home selling clothes.

3. **Social needs:** In most cases, social businesses try to address the actual needs of their targeted customers rather than producing low cost-low quality products and services for the poor. The best example would be Grameen Health Care Service Ltd. (GHS), which was established in 2006 to work with the health sector of the country. The aim was to enable access for the low-income group to quality health care services at an affordable cost. They also worked to raise health awareness through information, training and motivation. GHS now has 48 Grameen clinics (GCs), two eye hospitals and also manages a Nursing College. GCs serve approx. 50,000 people, two hospitals have provided services to 286,488 eye patients and carried out 11,950 sight restoration surgeries (Healthcare 2019). GHS serves the low-income group who are not capable of coming to the hospital due to their own problems.

4. **Latent demand:** Social business solutions should have sustained impact and hence result in changed behaviors of the beneficiaries. This was done through Grameen UNIQLO’s program. Grameen-UNIQLO started producing women’s underwear and sanitary products targeting rural girls. This is unique because few women in rural parts are used to wearing underwear or using proper sanitary products. Hence they started raising awareness among their potential customers by teaching them how underwear and sanitary products can help to improve hygiene and avoid diseases. Challenges of cost comes up when social business models are trying to address societal problems by offering reasonable prices to poor people by keeping the quality the same. Grameen develops the production and distribution channel of the products around the poverty-stricken people which helps with the cost. For example, there are weavers who make handlooms but due to lack of working capital they are not able to operate. Grameen Shamogree, established in 1996, provides them with capital, machinery and up-to date designs through which they can produce good products. Again, Bangladesh being a textile oriented country is not that dependent on home-produced
materials. When asked, textile producers said that they do not know where to approach for a bulk order. Hence, Grameen Shamogree helped to organize weavers so that they can streamline supplies. Distribution is also done by poor unemployed women of the village who thus earn daily. Working with and for the poverty-stricken people helps to empower them and also makes it possible to reduce cost of production.

5. **Incidental Gains:** The objective of a low-cost model is to create value for its shareholders by making profits. The business makes low-cost products for poor consumers but its ultimate aim is to make a profit for its shareholders. On the other hand, social businesses seek to address social problems by doing business sustainably. Of course, there will be profit but it will be reinvested in the company. For example, Grameen Shakti, a leading social enterprise with renewable energy solutions, made it possible to improve rural livelihoods by giving access to green energy in a sustainable manner. Grameen popularized Solar Home Systems (SHSs) and other renewable energy technologies, but sustaining such technologies in a rural area was initially impossible. They then trained local youths as technicians to be ‘social engineers’ who can go door to door to demonstrate the effectiveness of renewable energy and provide free-after-sales service right on people’s doorstep. The program has been successful and became popular among rural people. But social business does not only give social returns, there are other subtle payoffs, which we call the spillover effects, or incidental gains that may be as valuable in the long run as profits of a low-cost business model. Those gains come in the form of exploring opportunities and bringing innovations to new markets, inspiring employees and creating goodwill for the company, in addition of course affordable products and services.

6. **Innovation through partnership:** Whereas low-cost businesses bring innovation in processes and designs, social businesses bring about breakthrough ideas as they have to maintain their original quality by offering them at a lower price. One of the ways to adopt a customer-centric approach is to restructure the supply chain in order to reach target customers. Grameen Danone Foods Ltd is another example of effective partnership for innovation. For example, they introduced Shokti+doï which is positioned as a 'yogurt to give strength' for Bangladeshi children. This product was developed by the R&D experts
of Danone in collaboration with the global alliance for improved nutrition and Grameen to satisfy nutritional needs and ensure healthy growth of children. For example, 30% of a child’s daily nutritional requirements (e.g., vitamin A, iron, zinc & iodine) can be met by a single 60g cup of the yogurt, which is priced at 10 cents to ensure affordability by the poorest families. The main ingredient in the yogurt is milk. In 2009, Grameen Danone started to collect milk from local micro-farms and from ICMSE, an integrated farm with more than 100 milking cows. This extended partnership and continuous supply ensured better income for farmers and better milk quality for customers.

7. **Inspiration from Initiatives:** Our research shows that social business businesses inspire and motivate employees to carry out day to day operations. Generally employees are usually less enthusiastic when they know that their employer’s main objective is to make shareholders happy. When employees directly work for programs that serve to address social issues and problems, they tend to be more productive and give their 100 percent. This can be seen among the volunteers who take on projects without a payment but still manage to make a program successful. There are indirect ways too though which employees remain motivated. For example, Grameen Kalyan (GK) is such a not-for-profit Company established in 1996, which performs various activities for the welfare of Grameen Bank borrowers, employees and their families including operating primary healthcare services to the low-income households living in the rural area. They provide financial support by giving interest subsidy to the employees of Grameen Bank (GB) and their families. They offer medical loans to the GB employees and their family members for medical treatment. They also extend support for home appliances loans to the GB employees. To have social programs for the employees increases their level of enthusiasm and this translates into higher rates of employee productivity and retention.

8. **Collaborative eco-systems:** Social businesses result in low-cost supply chains by working with all the channel members. It can be well illustrated by the initiative of Grameen Shakti. It is one of the Grameen’s social business models which provides renewable energy to rural areas of Bangladesh. Giving access to green energy has remarkably improved the livelihood of rural people as mentioned earlier in the context of Grameen Shakti. This
example demonstrates the sustainability of social business models through collaborative supply chains rather than cutting cost, laying off employees or reducing quality. Social businesses have the ability to provide even greater access to high-quality products and services, and with its spillover benefits, such businesses can generate value over the long term, making it a noteworthy alternative to low-cost business models.

The Keys to success

The success of Grameen has spurred various activities in the social business sector in Bangladesh and many organizations have developed similar programs. However, Grameen still remains number 1 in Bangladesh and has now grown into more than 30 full-fledged social businesses or initiatives to create and enhance social models. Based on (Yunus et al. 2015), this study discusses the following critical success factors for social businesses in Bangladesh:

1. Social goal comes first: Social objectives are the first and foremost element in a social business and then the model might generate business returns. This is the flow that should be maintained and not vice versa. If the sole purpose of a social business is to boost reputation or use it as an innovation lab, then there will be mistrust among collaborators, which may ultimately hinder the collaboration needed for innovation. This will also give a negative impression of the company to employees who will in turn become demotivated. Of course, this does not mean that the business side cannot be discussed but that side should take the back seat and not the front, otherwise the company will get neither the social effects nor the business spillovers.

2. Invest time in collaboration: It is important to be patient when you are building the right model to address the desired social problems. The Grameen family started its journey in 1976 but the Grameen Bank was institutionalized in 1983, and finally, the ‘Grameen Model’ was introduced as a tool to fight poverty. Deliberation and dialogue are key to both internal and external ecosystem partners. It is important to be patient when finding the perfect collaborator or partner and the process is often difficult. You need to thoroughly
focus on the partners’ values and mindsets and need to figure out whose participation and credibility are essential for success.

3. **Simplicity is the key:** At present, numerous social service programs are sprouting in the developing world and the same is the case in Bangladesh. There are programs by the Government, CARE, NCVI, etc. However, every program has its own process and requirements for eligibility, which are often complicated and time-consuming. Hence it is challenging for poor people pressed for time to make an informed choice among all the programs. Take for example Grameen itself, they have many initiatives for almost every sector, yet not all the potential beneficiaries are able to enjoy the services. Thus, the sustainability of a social business depends on its ability ensure accessibility, ease of use and perceived enjoyment by the poor people as evidenced in the context of Grameen Bank.

4. **Start from home:** It is important to first focus locally before rolling out projects nationwide at the initial stage. It is important to decide on how best to collaborate with partners and that can be optimally done in a small set up. Fortunately, the limited number of target beneficiaries makes it easy to run pilots. Most Grameen projects started as a pilot, also we see initiatives by Grameen like *Grameen Poshra* in craft and cottage industry and *Grameen Shamogree in clothing industry*, particularly focusing on different regions like northern and eastern regions, to achieve the best outcomes for the project and also helping to lift the poorest people out from poverty. It is important to properly target customers, but that is quite daunting.

**Limitations and Future research directions**

Using the lens of social business principles, this study extends theoretical and practical contributions in the emerging social business research by conceptualising its key drivers and success factors. However, there are several limitations to our research that may instigate new lines of inquiry for future studies. Firstly, this study only examines key drivers and success factors of 31 social businesses in the context of Bangladesh. However, investigation of such factors in another country might present us new findings, for example, country specific organisational culture, regulatory framework and leadership issues would broaden our understanding of social
business applications. Secondly, though findings of our study on the key drivers and success factors of social business in Bangladesh are context-specific, replications of these findings in other contextual settings would augment its generalizability. Finally, since findings were based on a cross-sectional study, these represent the static nature of success factors and key drivers of social business as they are confined to a single point of time in a single country. A longitudinal study can provide deeper understanding of social business applications in developing countries.

Conclusions
Social Business is still at its initial stage. However, according to research, it can still help companies come up with market-based services to address poverty-related issues. However, even at this early stage, the achievements of social business, like creative products and services, goodwill and inspiration for employees, are important and should be recognized. The success of social business can bring peaceful revolution and be significant agents for positive social changes, especially when they partner with like-minded organisations. The most beautiful component of the social business is that it can bring together all the sectors of an economy-like government, businesses and non-profit organization- under the same roof. Thus it is a powerful platform as we need the collaboration of all sectors to fight against poverty.

References


Yunus, M., 2011. Building social business: The new kind of capitalism that serves humanity's most pressing needs. Public Affairs


# Appendix 1: List of Social Business Models in Bangladesh

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