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Can Social Welfare Business Reap Profits?

The debate on whether contributions for a social cause and corporate profits could go hand in hand continues. Both research and recent trends have established that they indeed can. In other words, organizations can manage to reap profits even while focusing on sustainable development and social entrepreneurship. In fact, the social entrepreneurship model enables organizations to make a strategic foray into developing markets. In general, social entrepreneurship creates markets and builds economies. These in turn generate value for all the individuals/groups involved.

In the process, there is a lot of expectation in the air among the stakeholders, particularly the shareholders. This is reflected in the soaring share prices of organizations across sectors at the bourses in anticipation of future cash flows. However, there is another twist to this tale. With a huge market potential in the backdrop, markets are witnessing more entrants and hence becoming increasingly saturated. In addition, political and economic uncertainty is creating a negative impact on spending patterns.

Another emerging scenario was the growing focus on the bottom of the pyramid (BOP) group in the late 1990s that was ignored for long. This segment proved to be a huge potential market comprised of four billion people with incomes of up to four dollars per day. However, things have not been as bright in terms of revenue turnover from this segment as was imagined to be. The reasons have been many. For example, there is a distinct lack of homogeneity in the income levels of the poor. Most of those in the lower income groups cannot constitute any kind of market. Other failure factors have been the centrally designed solutions that failed locally apart from the lack of commitment of management resources and organizational designs of established corporations in capital markets.

Getting into the act

In the given scenario social entrepreneurs can reap rich rewards. This can be attributed to their ability to integrate social and economic value creation. Some success stories in this regard:

Leading the way in eye care for the poor: The background behind the entry of one company into eye care for the poor was the statistic of 40 million blind persons and 130 visually impaired persons in the developing world, with cataract being reported as the main eye disorder. In effect, the world economy suffered an estimated 25 billion dollar loss per annum in lost productivity even as just 8.7 million cataract surgeries were conducted each year.

To tackle this market failure, an entrepreneur set out in an effort to nibble at profits through a social mission. In other words, he opted for compassionate capitalism wherein the lowest price is free treatment. The company commenced operations next to the a hospital to manufacture lenses. Currently the hospital, along with a group of five other nearby hospitals, conducts 220,000 surgeries per year. Of these, 47 percent of patients are



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treated free-of-cost, 18 percent pay two-thirds of the cost of manufacture while the remaining 35 percent pay well above cost of manufacture, thereby ensuring profits for the company. In fact, the overall profit margins are a healthy 60 percent on revenues of approximately 4.3 million dollars per annum. This is managed through effective control over the entire value chain of manufacturing, pricing and distribution. The company has extended the eye care success story to hearing aids and surgical sutures too.

Social entrepreneurship - On the road to success

The above example is just of the innumerable success stories in social entrepreneurship in recent times. Not only do such business activities derive tremendous support from the governments and the public at large, they also provides immense satisfaction for all those who are part of the program in the form of contribution to the underprivileged sections of the society. No wonder the concept of corporate social responsibility, as 'a business contribution to sustainable development' is fast becoming a global reality and a highly profitable one too.