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5 Exploring the potential of social entrepreneurship in developing countries

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Using a case study of Waste Concern – an initiative of social entrepreneurs in Bangladesh – this chapter aims to deepen our understanding of social entrepreneurship and how it can lead to sustainable development in developing countries in the South Asian region (which includes India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and the Maldives). Bangladesh, a country in South Asia, has all the characteristics of a developing country such as low per capita income, an agro-dominated economy, poor infrastructure, prevalence of poverty, a lack of adequate facilities for health, education and sanitation, political instability and environmental pollution (World Bank, 2009). Due to its sharing of similar economic, social, political and environmental contexts of developing countries, this chapter uses Bangladesh to justify the ‘developing countries’ context, particularly those in the same geographic region of South Asia. In this chapter, the term ‘developing countries’ is therefore used to refer to developing countries in South Asia.

Entrepreneurial actions can lead to both economic and social goals by reducing poverty and improving social indicators such as health and well-being, education and self-reliance (Patzelt and Shepherd, 2010). Research further suggests that in developing countries, social entrepreneurs, through their innovative and creative strategies, are transforming social problems into manageable problems (Seccia and Mair, 2005). The concept of social entrepreneurship appears to have been attracting a lot of attention recently; however, it has existed for quite some time with differing initiatives in an attempt to address social problems (Thompson et al., 2000; Alvord et al., 2004). The recent interest in social entrepreneurship can be explained by the fact that social entrepreneurs recognize opportunities in innovative ways and their intended outcomes are multifaceted, ranging from reducing poverty to promoting education or feeding the hungry, compared to initiatives of traditional entrepreneurs (Murphy and Coombes, 2009: 333). Social entrepreneurs, like other entrepreneurs, also create value through innovation and creativity; however, they differ from business entrepreneurs as they focus on both social and economic goals rather than just economic goals.

Fowler (2000) describes social entrepreneurship as the creation of viable socio-economic structures, relations, institutions, organizations and practices that yield and sustain social benefits. Austin et al. (2006: 2) further broadly conceptualize social entrepreneurship as an ‘innovative, social value creating activity that can occur within or across the non-profit, business, or government sectors’. In addition to the aspects of innovation and value creation, the definitions of social entrepreneurship mostly focus on economic and social goals and therefore refer to a double bottom line, rather than a triple bottom line, which has an additional focus on preserving the natural environment (Patzelt and Shepherd, 2010). Although the definitions of social entrepreneurship emphasize that the double bottom line places social and economic aspects on an equal footing, most existing definitions imply that social entrepreneurship relates to exploiting opportunities for social change and improvement ‘rather than traditional profit maximization’ (Zahra et al., 2009: 521).

Social entrepreneurs share a passion for pursuing social issues, yet there remain major differences among them in terms of how they discover social needs, pursue social opportunities and make an impact on the broader social system (Zahra et al., 2009). Consequently, social entrepreneurship has been described as having multiple meanings, leading to three main approaches (Alvord et al., 2004). The first approach mainly views social entrepreneurship as combining commercial goals with social impacts; that is, using business skills and knowledge to create enterprises that carry out social purposes (Emerson and Twersky, 1996). The second approach, on the other hand, views social entrepreneurs as focusing on innovative initiatives that place greater emphasis on social gains rather than economic gains (Dees, 1998). The third approach (Alvord et al., 2004) views social entrepreneurship as a catalyst for social transformation by producing small changes in the short term, which, in turn, lead to bigger changes in the long term. For the purpose of this chapter, social entrepreneurship is defined as including all the three approaches, that is, combining commercial and business goals, focusing on innovative approaches and acting as a catalyst for social transformation. Further, social entrepreneurs in this chapter are defined as having a focus on a triple bottom line – economic, social and environmental aspects – rather than emphasizing a double bottom line that represents economic and social gains.

The chapter is organized as follows: first, a discussion on the ‘bottom of pyramid’ is provided to give a sense of the opportunities and challenges it offers for businesses. Next, the potential of social entrepreneurs in promoting sustainable development at the bottom of pyramid is explored in the context of developing countries. This is followed by a case study of Waste Concern in Bangladesh. This case study demonstrates the potential of social entrepreneurs in contributing to sustainable development by alleviating poverty and promoting environmental sustainability in Bangladesh, despite facing multiple obstacles. This is followed by a discussion on the case study, highlighting the factors that differentiate social entrepreneurs from mainstream entrepreneurs. The chapter concludes with avenues for further research.
The bottom of the pyramid and social entrepreneurs

Since its initial articulation (Prahalad and Hammond 2002; Prahalad and Hart 2002), the concept of bottom of the pyramid (BOP) has attracted both interest and controversy as a means for poverty alleviation through innovative business strategies (London 2007). The BOP ‘represents the poor at the base of the global socio-economic ladder, who primarily transact in an informal market economy’ (London 2007: 11). The population includes four billion low-income people around the world, who survive on incomes below US $3,000 per annum in local purchasing power (World Resource Institute 2007). The BOP involves the world’s poorest population, yet it is increasingly being seen as an important emerging market that remains untapped and that businesses apparently cannot afford to ignore. Despite their relatively poor income, the BOP population collectively has substantial purchasing power constituting a US $5 trillion global consumer market (World Resource Institute 2007).

The BOP proposition has attracted a lot of interest, with the argument that the poor who lie at the bottom of the economic pyramid are potential customers, and provide a vast, untapped and unexploited opportunity (Karnani 2009: 2). The BOP proposition is based on the argument that by tapping the vast BOP markets through designing and developing customized products, MNCs can simultaneously make money and also curtail poverty (Jaiswal 2008). For example, Prahalad and Hart (2002: 14) argue that ‘pursuing strategies for the bottom of the pyramid dissolves the conflict between proponents of free trade and global capitalism on one hand, and environmental and social sustainability on the other’. However, recent research also indicates that the BOP approach is associated with unrealistic expectations (Karnani 2011). Karnani (2011) further argues that the BOP is misunderstood and that solutions to date have not met true needs of the population as it comprises poor people – who have very little disposable income to purchase anything other than basic needs and cannot be treated as traditional customers. In order to help the population at the BOP level, Karnani (2011) challenges conventional thinking about poverty and proposes an eclectic approach to poverty reduction that emphasizes the need for business, government and civil society to partner together to create employment opportunities for the poor. In this context, the discussion in this chapter is timely as it provides insights into the potential of social entrepreneurs to partner with government and businesses in developing countries to fulfill the needs of the poor while making profit and producing environmental benefits.

While the BOP proposition has received considerable attention, much emphasis has been placed on how dealing with the BOP population has the potential to lead to economic and social benefits. However, whether these benefits translate into environmental benefits as well is an important question. While the BOP population can also lead to environmental benefits remains under-researched, thus presenting a major gap in the literature. For example, research on BOP markets focuses predominantly on the BOP (Hammond et al. 2002) and how BOP ventures need new market entry strategies, and on how to explore business development (Hart and London 2005). Also, much of the focus of the BOP literature has been on large multinational companies; individual social entrepreneurs have not attracted much attention, despite having the potential to create economic, social and environmental impacts at the BOP level. This is mainly because social entrepreneurs have the potential to come up with creative and innovative solutions to address the problems (Zahra et al. 2009), and change the systems that create and sustain poverty (Seelos and Mair 2005), with less likelihood of being discouraged by contextual constraints (Haugh 2005).

The role of social entrepreneurs in promoting sustainable development

The BOP approach has contributed to shifting the view about the poor as being ‘customers’ rather than being ‘recipients of charity’ (Seelos and Mair 2007). However, the social, cultural and institutional characteristics of the BOP make it a unique market. Due to their low socio-economic status, BOP populations are highly dependent on informal or subsistence livelihoods. They also have low levels of education and awareness of their rights, which limits their access to market information as well as financial services. In addition, they are dominated by the informal economy and are not integrated into the global market economy (Azmat and Samarutane, 2013). As they are economically, culturally and socially deprived, they are vulnerable (Karnani 2009), implying that traditional products, services and management processes will not work and need to be changed or tailored to meet their specific needs.

Some examples of products and services specifically designed for the BOP that have been successful to some extent include soaps and shampoos provided by Hindustan Lever in India in small sachets, single use or other packaging strategies that lower prices, and microcredit services offering small loans to people who have no financial assets in Bangladesh. This implies that businesses, in order to be profitable while catering to the needs of the poor, need to come up with innovative strategies as well as radically rethink the whole supply chain (Prahalad 2004). This therefore indicates the opportunity for involving social entrepreneurs at the BOP level in developing countries due to their potential to come up with innovative strategies to address social and economic problems.

Research suggests that social entrepreneurs generally have a more positive outlook than the population as a whole and, therefore, are less likely to be discouraged by contextual constraints (Haugh 2005). Haugh (2005: 4) further contends that in the context of financial limitations, bureaucracy and inflexibility of the market – common in developing countries, market opportunities fail to attract mainstream entrepreneurs; however, ‘in these conditions, social enterprises perform a residual function and are instrumental in garnering resources and capitalization to make sustainable', successful ventures with high social impact.
Seelos and Mair (2005) also report that in the context of developing countries where the government and market structures are not effectively developed, social entrepreneurs come up with innovative initiatives that not only expand and grow on an impressive scale but, at the same time, also promote sustainable development by addressing a wide range of human, social, economic and cultural problems. Similarly, Austin et al. (2006) also argue that market failure creates differing entrepreneurial opportunities for social entrepreneurship.

The BOP approach establishes a business case for companies by rethinking strategies and models, acquiring and building new resources and capabilities and forging local partnerships (Seelos and Mair 2007). Social entrepreneurs can leverage existing capabilities and local partnerships to build markets to cater to the poor and be profitable at the same time. By building on existing capabilities and partnerships, social entrepreneurs utilize their potential to come up with innovative strategies to address the economic and social problems with environmental sustainability, thus leading to sustainable development. This is supported by Murphy and Coombes (2009: 332), who contend that 'social entrepreneurial discoveries allow economic, social, and environmental resources to reinforce one another in novel ways'.

Developing countries present a number of contextual challenges for businesses in terms of stability, crime, corruption, lack of access to finance, bureaucracy, weak legal institutions and poor infrastructure (Sinha and Fiestas 2011). Research suggests that social entrepreneurs are not discouraged by these challenges (Haugh 2005); however, they are likely to start their initiatives on a small scale by producing small changes in the short term. With the passage of time, these small changes act as a catalyst for social transformation, which, in turn, leads to bigger changes in the long term (Alvord et al. 2004), which is consistent with the third approach of social entrepreneurship as mentioned earlier.

The following section discusses the case study of Waste Concern in Bangladesh, which demonstrates how social entrepreneurs are contributing to sustainable development by alleviating poverty and promoting environmental sustainability, despite the contextual constraints.

The case of Waste Concern

With the motto, ‘Waste is a Resource’, Waste Concern, a social business enterprise in Bangladesh comprising both ‘for-profit’ and ‘not-for-profit’ components, was founded by two entrepreneurs in 1995. Overcoming hurdles such as rigid bureaucracy, lack of access to finance and other resources such as land and information, and the prevalence of corruption and poor infrastructure – common in developing countries – that emerged from the unique contextual realities in Bangladesh, Waste Concern has been successful not only in disposing of waste in an environmentally friendly way but also in creating economic and social gains as is discussed below.

Bangladesh is geographically slightly smaller than the state of Iowa in the United States, yet is one of the most populous countries in the world, with 160 million people residing in 143,998 km² (CIA Fact Book 2011). Bangladesh is particularly interesting as a case study because it faces a myriad of problems, with the combination of population, poverty, environmental degradation, a depleting resource base and poor governance all creating developmental challenges. Bangladesh is interesting to analyse because, despite weaknesses in governance and the complex problems it has been facing since its independence in 1971, it has been growing 5–6 per cent per year since 1996 (CIA Fact Book 2011), with remarkable achievements in the social indicators in terms of life expectancy, female schooling, contraceptive adoption and so on (World Bank 2007; Mahmud 2008). As a result of this growth, the poverty reduction rate is estimated to be 2 per cent per annum (DFID, 2010). This is, no doubt, a remarkable achievement, yet having roughly 30 per cent of the population still under poverty line (World Bank 2012) also suggests that, despite decades of assistance provided by international development agencies such as the World Bank and the Asian Development Bank, Bangladesh has been unable to eliminate extreme poverty. These mixed results of strengths and weaknesses have led to the emergence of the concept of the ‘Bangladesh paradox’, referring to the economic resilience despite many problems as discussed (World Bank 2007). Although this situation creates challenges for development, at the same time it also provides possible opportunities for involving social entrepreneurs in addressing the problem of poverty at the BOP level.

In terms of population, Dhaka, the capital city of Bangladesh, is the eleventh-largest city in the world, with 12.3 million people. The city is projected to be the fourth-largest city in 2015, with the population growing at the rate of 1.56 per cent per year (Sinha and Enayetullah 2010; CIA Fact Book 2011). The increase in population is also associated with an increase in the generation of waste. The urban population in Bangladesh is reported to generate, on average, 14,000 tons of waste per day (Rahman 2010), creating a major challenge for waste management. Dhaka City Corporation (DCC), a public sector agency responsible for managing waste, can only collect 50 per cent of the waste. Due to a lack of adequate financial and non-financial resources, DCC is not even capable of disposing of the collected waste in a hygienic way. The problem is compounded by the fact that Dhaka has only one official landfill site (Sinha and Enayetullah 2010). The remaining waste is often piled up in the streets and in unmanaged landfill sites. It is reported that around 70–80 per cent of the waste generated in Dhaka is composed of organic materials, which are biodegradable and generate greenhouse gases polluting the environment (Sinha and Enayetullah 2010). The accumulation of waste on the streets and in unmanaged landfill sites leads to various social and environmental impacts. These range from the spread of disease, insufferable odour and leakage of pollutants into water sources, to greenhouse gas emissions. In addition, the waste also exposes the ‘waste pickers’, who
are mostly women and children at the extreme end of the BOP, to toxic and other hazardous substances (Seelos and Mair 2007).

In this context, Waste Concern has been assisting with the problem of managing waste effectively by recycling waste into organic fertilizer. In this process it is reducing poverty and creating jobs at the BOP level as well as producing carbon credits to sell in the international market (Waste Concern 2011). Despite initial problems with bureaucracy, a lack of resources and technology, and the absence of a conducive policy for recycling, over the years since its foundation, Waste Concern has managed to overcome these constraints and has been able to create a system that not only allows the community to dispose of waste effectively but also improves their economic and social standards with positive environmental impacts. It is interesting to note that Waste Concern has not only been successful in decoupling economic growth from environmental pressure, but has also taken the whole concept to the next level by making a positive impact on the environment through very simple, cost-effective, flexible but innovative strategies. As a result, the Waste Concern model has been replicated in a number of countries, such as Nepal, Pakistan, Sri Lanka and Vietnam, and was expected to be replicated in ten African cities by 2012 (Waste Concern 2011). The successful replication of this model in South Asian developing countries further confirms Bangladesh as an exemplar of developing countries, particularly in the South Asian region.

The Waste Concern model

The main concept of Waste Concern is to recycle and convert the organic matter in urban waste into organic composts and fertilizer without emitting greenhouse gases, thus earning carbon credits to sell in the international market. Waste Concern hires the poor and marginalized – particularly women – to collect organic kitchen waste from households within the community and vegetable market and deliver it to the composting plants, where the waste is converted. The resulting high-yield, lower-cost organic compost is sold to rural farmers via fertilizer companies, while the emission reduction is sold to the international market (Waste Concern 2012). This process of converting waste into resources is cheap, simple and has a number of benefits that spans across economic, social and environmental areas as discussed below.

Economic gains

Waste Concern, operating in different cities all over Bangladesh, is acting to alleviate poverty at the BOP level in a number of ways. It is providing job opportunities for the population at the BOP by employing them as waste collectors and employees in the compost plant. The plant recycles the organic waste into organic fertilizers or compost without any greenhouse gas emissions. While the carbon credits are sold in the international market and cover the entire cost of the project, the organic compost/fertilizer is used in rural areas with a number of benefits. It is reported that in the period 2001 to 2006 the compost plants reduced 17,000 tons of greenhouse gas, created jobs for 986 urban poor and saved a landfill area extending 33.12 acres and 1 metre deep (Ashoka’s Citizen Base Initiative 2007).

In the process of recycling waste, Waste Concern is also creating an urban–rural symbiosis by producing organic compost from the waste generated in urban areas which is used by farmers in rural areas. This organic fertilizer reduces the need for chemical fertilizers by at least 30 per cent and also leads to increased yields and improved food security, which again indirectly contributes to poverty reduction in the rural areas. Further, the recycling of waste into organic fertilizers is not only solving a major urban problem of waste management but is also contributing to food security – a major challenge in the context of Bangladesh. Finally, the effective management of waste also leads to poverty reduction by improving human rights at the BOP level by offering improved access to the basic rights to life and health. In addition to reducing poverty at the BOP level, Waste Concern is helping the DCC to manage waste effectively. According to the Waste Concern website (2012), in the period of 2001 to 2006, 124,400 tons of waste were processed, producing 31,100 tons of compost that benefited about 2.9 million people. The total value of the compost sold in the local market in that period was US $1.10 million, and a further US $1.24 million in foreign currency was saved by avoiding the import of chemical fertilizers (Waste Concern 2012).

Social gains

In addition to economic benefits, Waste Concern is addressing social problems in a number of ways that relate to poverty alleviation. First, it creates jobs at the BOP level, particularly focusing on waste pickers at the lower end of the BOP, and provides these employees with facilities such as health insurance, day-care centres and free meals – people who otherwise would be engaged in illegal social activities (Azmat 2013). Second, it is playing a role in the empowerment of the poor, particularly women, who are employed by Waste Concern at a reasonable wage rate. Third, the improved food security in rural areas due to the use of organic fertilizers also leads to better social outcomes. Finally, the manufacture of compost from the recycling of waste that would otherwise be left lying in the streets also decreases the spread of various diseases.

Environmental gains

Considering waste as a resource, Waste Concern is recycling the organic waste into organic fertilizers or compost without any greenhouse gas emissions, thus creating carbon credits for sale in the international market. In addition, the organic compost is not only cheaper than chemical fertilizers but is also environmentally friendly, as it does not drain the soil of nutrients the way
can be adapted to both urban and rural areas and can be implemented on a small, medium or large scale, based on needs. The model is also a classic example of a successful integrated governance approach, with a partnership between the public sector (the DCC), the private sector (Waste Concern) and the community. Research suggests that prior approaches to poverty reduction have not been effective, partly because they emphasized one sector – the government – taking on the primary responsibility in most cases despite the synergy that can be created by involving each sector – government, business and civil society – to work together in an integrated way (Karnani 2011). The concept of integrated governance is defined as including both better integration between government (inter and intra) and collaboration with other actors to increase efficiency and improve transparency (Azmat et al. 2009). It is emphasized that networks in integrated governance draw their strength from the comparative advantages of the resources, capabilities and knowledge of the actors involved (Wright 2000; Steets 2003). In recent years, networked or integrated governance has gained importance as governments worldwide are increasingly turning to opportunities for working jointly with other sectors such as businesses and civil societies to create synergies and to be efficient and effective (Szirm et al. 2002). Although integrated governance is yet to emerge as a functional model in developing countries, in terms of efficiency, transparency, effective coordination and provision of sustainable development (Azmat et al. 2009), this case provides evidence that integrated governance linking the state, the private sector and the community can lead to a functional model. As this case shows, the integrated partnership approach between the DCC, Waste Concern and the community is leading towards sustainable development by the pooling and sharing of resources, capacities and knowledge of each of the players involved.

The success of Waste Concern in the context of Bangladesh has been huge and acknowledged by international agencies such as the United Nations Economic and Social Commission for the Asia and the Pacific (UNESCAP), United Nations Development Program (UNDP) and Asian Development Bank, who are assisting in replicating the model to other Asian and African countries. Waste Concern has been effective in confronting the persistent problem of poverty, involving communities, creating awareness of waste recycling, promoting environmental sustainability and making profits at the same time.

Conclusion

This chapter strengthens and deepens our understanding of social entrepreneurship in promoting sustainable development in Bangladesh, a developing country. Through the case study of Waste Concern, the chapter illustrates that social entrepreneurs can come up with innovative strategies, such as the concept of 'turning waste into resource', to cater to the poor in developing countries, and radically rethink different ways to address problems. Their
unique and innovative strategies also have the potential to achieve economic and social development with environmental sustainability, thus leading to sustainable development. The chapter also reinforces earlier findings that social entrepreneurs differ from mainstream entrepreneurs in their positive approach and are not hindered by contextual constraints (Haugh 2005), such as lack of financial and non-financial resources, bureaucracy, inappropriate technology, lack of support and inflexibility. As this case shows, the social entrepreneurs, instead, took advantage of market opportunities that had failed to attract mainstream entrepreneurs. Through their innovative approach and creative thinking they overcame the hurdles, thus acting as catalysts for sustainable development by contributing to economic, social and environmental gains.

As Bangladesh has the characteristics of a typical developing country in the South Asian region, with its large population, low per capita income and an agriculture-dominated economy (World Bank 2009), the case provides insights for academics and policy makers as well as practitioners, particularly in developing countries in South Asia in a similar geographical context, into the possibility of addressing social and environmental obligations while making profits through social entrepreneurship. The findings also reinforce earlier suggestions (Seeleos and Mair 2007) about the need for innovative ways of addressing social problems rather than the traditional efforts, such as development aid, donations and charity, in developing countries. Social entrepreneurs, through their innovative approach, have the potential to play a positive role in sustainable development and reducing poverty, even within the difficult contextual constraints of developing countries.

This chapter has some limitations that prompt future research on the topic. Most of the information concerning Waste Concern – although credible and reliable – is sourced from the Waste Concern website due to lack of academic research on this topic. The lack of academic research and access to data is a methodological concern that may create a challenge for fellow researchers who intend to undertake a similar investigation. The lack of academic research further highlights the need for empirical research on this social enterprise and its impact on economic, social and environmental aspects as well as social inclusion efforts. Further research is needed to explore other social enterprises in other developing countries in order to come up with generalizable findings. In addition, research could also explore the strategies and motivation that drive social entrepreneurs to grapple with the inevitable contextual constraints, and also how they identify the market opportunities left unutilized by the private sector, to provide a better understanding of social entrepreneurs and their success, particularly in developing countries.

References


6 Corporate social responsibility in Pakistan

Corporate engagements in the local community and their social impact

Ashique Ali Jhatial, Nelanine Cornelius and James Wallace

Corporate social responsibility (CSR) is a mechanism for aligning company policies and practices within the socio-economic, cultural and environmental challenges facing society and, in particular, communities. Though the majority of empirical research on CSR has been conducted in Western companies, there is growing interest in CSR in transitional and developing economies, as well as Western firms working in developing countries.

The focus of our study is CSR in Pakistan, a country that emerged as an independent nation on 14 August 1947 after previously being under British colonial rule for two centuries. Since then, the country has experienced interludes of democratic and military governments. Religious norms and postcolonial civil-military and landed elites play a powerful role in the country’s institutions. Pakistan is a distinctive environment where government organizations are often run within traditional, legal and administrative frameworks. Nonetheless, the country has vibrant multinational and private sectors along with widespread networks of social enterprises and non-government organizations (NGOs). However, Pakistan also faces many challenges, including political and civil instability and widespread poverty. In this chapter, we evaluate CSR activities in commercial organizations in Pakistan. We consider also the views of NGOs, often a delivery mechanism for the CSR activities of firms. We undertake in-depth interviews with senior executives in commercial organizations and NGOs. Additionally, we consider the effectiveness of Pakistan government regulation that sets minimum standards of CSR disclosure. We draw conclusions regarding the rhetoric and reality of CSR action generally, and the distinctive character of some of the forms of CSR activity found in Pakistan given cultural values and norms. Finally, we consider if CSR activity in Pakistan provides the basis for sustainable social impact at the local community level.