

Business Schools as Incubators of Social Entrepreneurship

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What: This session will focus on transforming MBA and other management programs in order to address global problems – poverty, hunger, disease, and other forms of human suffering. I will report on methodologies my students and I have used in response to Hurricane Mitch in Honduras (1999), the earthquakes that hit El Salvador (2001), and the Asian tsunami that decimated countries of the Indian Ocean (2005). Key issues to be addressed are how business schools may serve to transform the world and fight poverty. What leading edge tools can be applied in new and creative ways to build civil society? What learning experiences in universities can empower students and faculty to become agents of world benefit by strengthening NGOs, starting new nonprofits, and facilitating microfinance and social entrepreneurship globally? After analyzing these cases, I will engage participants on how they may adopt/adapt these cutting-edge approaches in launching their own projects to reduce human problems by extending their traditional professional practices into new frontiers for social and economic justice.

Why: Global Needs and Suffering:

3 billion poor people: illiteracy, disease, war, natural disasters, hunger, unemployment, inaccessible capital, government corruption, etc. In short, the world is immoral, unjust, lacks equality and opportunity for the masses.

“It is a very great poverty to decide that a child must die that you might live as you wish.” -- Mother Teresa

Questions:

- What can business schools offer to solve Third World problems / alleviate human suffering?
- Do we have skills and tools that can make a difference?
- How much do we care?

Context:

Traditional approaches to international development have had both successes and failures: U.N., World Bank, Red Cross, USAID, Green Revolution, etc.

New Tools:

Definitions include what is social entrepreneurship, NGO, microcredit, microenterprise, microentrepreneurship, micro finance institution (MFI) and village bank.

Interventions:

Old Strategies:

Top-Down
Large Scale
Bureaucratic
Business – Government
Formal Controls
Huge Dollars
Return on Investment

New Strategies:

Bottom-Up
Small Scale
Self-Organizing
NGOs
Participatory
Microcredit
Ongoing Reinvestment

“Credit to the poor must become a fundamental human right.”

-- Muhammad Yunus, Grameen Bank

Inquiry:

How may linking business school models with emerging new development strategies operate and succeed?

The Marriott School, BYU as a Global Change Agent:

We have been utilizing traditional and social entrepreneurship processes for fighting global poverty. Our work has fostered new directions at other universities who are also seeking to create a social entrepreneurial, pro-poor track or emphasis. Microfinance has become hot: Omidyar donated \$100M; Corporate partnerships have been developed by such organizations as Deutsche Bank; Gates Foundation \$20M.

BYU OD efforts: New courses, MBA Track, 9 conferences, field research supported by the World Bank, CGAP, and FINCA on microcredit impacts, publications, CESR \$3M, 16 NGOs/social enterprises started up in 32 countries. The NGOs we helped start have received a number of awards: GF-USA, Clinton Global Initiative, Fast Company/Monitor Consulting Group

Collectively in 2005 alone our NGOs achieved the following:

- Raised \$8 million;
- Trained a hundred thousand microentrepreneurs in small business skills worldwide;
- Provided microloans to more than 470,000 impoverished families in 22 nations;

Outcomes show significant change documented through 11 studies:

- Rising microentrepreneur household incomes,
- Improved food security,
- Higher participation of children in school,
- Better housing,
- Female empowerment,
- Increased social capital.

Spin-off Case 1: HELP International

The non-profit, non-governmental organization (NGO) HELP International was created at the Marriott School in spring 1999 in response to the late 1998 Hurricane Mitch Disaster. Mitch flooded large areas of Central America, leaving thousands dead, many missing, and a million people homeless. The country of Honduras was hardest hit, with experts declaring it had been set back half a century. I decided that we could reframe my soon-to-start course, and HELP International grew out of it. In addition to my regular instruction load, I proposed a new BYU course titled OB 490: "Becoming a Global Change Agent/Social Entrepreneur." It included students from such programs as MBA, MPA, MACC, management undergrads, and others from across campus in the social sciences, engineering, and so on.

We formed the class as a "self-organizing system" into 8 teams to cover various aspects of the project: Each team did research on their topic, presented to and trained their colleagues, and prepared documentation for a volunteer manual. The strategy was designed so that after the semester ended, the first team of leaders would fly to Honduras to lay the groundwork for other teams that would be established in-country, finalize our partnership with an MFI that would keep operating the village banks we were to launch after we returned to college in the fall, and they would also arrange housing and other logistical things that would be needed.

HELP Story Details:

Hurricane Mitch devastated much of Honduras, as well as other regions of Central America during late 1998. As a professor of social entrepreneurship and organizational behavior, I was scheduled to teach my regular load of MBA-type courses. But shocked by the unfolding havoc Mitch was unreeling as floods engulfed the area, I decided to teach a new elective for students from across the Brigham Young University campus to be called "Becoming a Global Change Agent." It was going to be an action research experience at mobilizing college students, training them how to change the world, organizing teams of practitioners who would help to plan and/or actually go to Honduras during summer 1999 to serve as relief and reconstruction volunteers, as well as creators of new communal banks among the poor.

The course was a dynamic, participatory experience. All told, some 79 individuals, either registered for the course, or attended twice a week as auditing students. We formed teams to plan the logistics of going to Honduras, where the needs were greatest, and to explore what microfinance institutions (MFIs) were in the country, which ones we could partner with, and determine relief and humanitarian aid we might offer to poor families. As well, we organized a Honduras culture team to teach volunteers about local norms, values, and technical terms in Spanish, established a PR group to obtain media attention, a fundraising team to help generate monies, and a group of microcredit resource people who would train everyone about in the class about village banking.

University administrators, faculty colleagues and community professionals generally opposed this project. They claimed I would not get more than a half dozen students to go, we would not raise sufficient funds, as well as asserting that large relief organizations would take care of everything: USAID, the U.N., World Bank, churches and the Red Cross.

But they were wrong. Forty-six students went to Honduras, committed to volunteering six weeks or more each. We raised \$116,000. We created 46 new communal banks with our partner, FINCA International. We also gave FINCA \$40,000 to recapitalize village bank groups whose microenterprises were destroyed by Hurricane Mitch; thus, in reality, creating a total of almost a hundred banks all together. These young social entrepreneurs became quite skilled very rapidly.

They selected the name H.E.L.P Honduras for the new NGO (meaning “Help Eliminate Poverty”). We put together a packet of the deliverables from each of the OB 490 teams, and it was bound and distributed as “The Honduras Stewardship Project Handbook.”

Arriving in Central America, we were shocked at the destruction’s impacts after a few months time. Even though we had seen TV footage, read press reports, and searched the internet to gain a comprehensive understanding of the crisis, we were not prepared for what we encountered in-country. Many hurricane survival victims were cramped into temporary lean-to shelters, make-shift “houses” of blue plastic tarps that were gradually being shredded by the strong blasts of evening winds. Dead bodies were still being found under the bushes along the banks of the main river that meandered through the capital, Tegucigalpa. Buzzards high up in the trees hovered around, waiting to get at the next torsos of rotting human flesh they knew would soon appear. Bridges and other sections of the great Pan American Highway were destroyed. Overturned automobiles, trashed downtown buildings that looked as though they had been thrown during a game of pick-up sticks, and other signs of devastation and garbage odors abounded. People were afraid, primarily women and children, especially during the night. Every time a bit of rain began falling, they ran screaming for help and safety. Hundreds of thousands of Mitch survivors struggled as they tried to cope with Post Traumatic Stress Disorders (PTSDs).

In this traumatic environment, we began our labors. While some NGOs told us nothing could be done, in fact much was accomplished. Hopefully, from our learning in the trenches, as well as citing the experience of others, some of this paper’s ideas and suggestions may be useful to the reader. Out of the mess and the mud and the homelessness, insights were acquired. This manuscript is, thus, not about some ethereal concepts or theoretical treatise. Rather, it arises from the blood and guts of Third World realities.

HELP. volunteers lived with poor families, paying them a per diem amount for room and board which aided in the Hondurans’ financial recovery. Over 20,000 hours of volunteer service were provided—to women and children in refugee camps, to shoveling out the mud, washing the walls, disinfecting them, painting and re-opening village schools, to providing manpower to local governments—cleaning streets, rebuilding bridges, assisting

groups of peasant farmers who suddenly had no tools, no seed, and no fertilizer. Many hours were given in loving aid at orphanages, to the children and the Catholic nuns who were overwhelmed by the growing number of new orphans. HELP purchased tools for farmers so they could jump-start farm preparations on their tiny plots and be ready for the next growing season, and we also bought fertilizer and seed.

Honduras, declared the multilateral aid institutions, was set back five decades by Hurricane Mitch. Seventy percent of the country's infrastructure was damaged. Nearly 90 percent of its agricultural produce was obliterated and the large MNC fruit companies pulled out. Throughout Central America 20,000 people died, an equal amount was missing and a million were homeless. HELP Honduras' microcredit efforts created some 800 jobs benefiting nearly 4,000 individuals. Beyond microcredit, we taught computer skills, brought older street children into care centers, and served in understaffed rural medical clinics. One young BYU student even delivered five babies!

We sought donated relief supplies from church groups in Utah, Idaho, Arizona and California. We took toys to impoverished children in the Mitch refugee camps, including lots of soccer balls and air pumps, which we gave away. We delivered quilts and baby blankets lovingly made by the hands of Mormon Relief Society women throughout communities in the Rocky Mountains. We took school kits--crayons, paper, pencils, pen, tape, scissors, etc.--to give children when we got their schools reopened and ready. We assembled hundreds of newborn kits for expectant Honduran mothers. We also put together hygiene kits for refugee families—soap, towels, toothpaste and toothbrushes, washcloths, hair shampoo, and so on.

The results? Our social entrepreneurial efforts, new capital, training materials and organizing skills were supplemented with a host of other humanitarian aid to help the poor get back on their feet. The needs were considerable for the thousands of families that HELP was able to assist. The result was a vision these business school students gained that, while they can't do everything, they can at least do something. They can make a difference. They learned the importance of preparation, financing and skill acquisition. Perhaps most importantly, they learned that young college students can become empowered to serve the poor and generate long-term impacts that may eventually become sustainable. By doing so, they begin to have a life-changing experience that will continue to be played out as other Third World crises occur in the future. The ripple effect of HELP Honduras may go on into the rest of their lives as social entrepreneurs.

Summary of HELP's outcomes:

- Participating students in the project were also recruited from other institutions-- Utah Valley State College, Stanford, Colorado State, Washington University of St. Louis, Virginia Tech, University of Utah
- 79 students were trained as social entrepreneurs
- 46 students served in Honduras between May and August of 1999
- Raised over \$116,000
- 47 new village banks were created and 50 FINCA village banks destroyed by Hurricane Mitch were re-capitalized

- Over 800 jobs were generated that benefited over 4,000 victims of Hurricane Mitch
- Contributed over 20,000 community service hours in local governmental projects, refugee camps, schools, rural health clinics, orphanages, etc.

From that humble beginning has come a much-expanded role for HELP International in other countries, gradually offering a wider range of products and services. HELP grew within BYU as a sort of business incubator where we had computers, copy machines, phones and computers, as well as meeting facilities for recruiting and training the bulk of our volunteers. But it eventually became a university spin-off with its own small, but paid staff, office setup, and independence from the Marriott School. This allowed us to take risks, be more innovative, and solicit a growing number of college age volunteers from other schools that now totals over 500 students who have worked for a summer in one or more of the following nations:

- 2000 – Projects in Honduras, Peru, Venezuela, El Salvador
- 2001 – Projects in Peru, Honduras, El Salvador
- 2002 – Projects in Bolivia, Guatemala, El Salvador
- 2003 – Projects in El Salvador, Guatemala
- 2004 – Projects in Brazil, Guatemala, El Salvador
- 2005 – Projects in Guatemala, El Salvador
- 2006 – Projects in Uganda, Guatemala, El Salvador

Types of social entrepreneurial projects HELP has offered include microentrepreneurial training, square foot gardens, house construction, school teaching, rural health clinics, microcredit loans, orphanage and street children care, teaching English, constructing Lorena stoves and other appropriate low tech village technologies, teaching computer skills, starting women's cooperatives, and so forth.

Further HELP Business School / Management Interventions:

After the terrible 2001 earthquake in El Salvador, we organized a five person professional OD consulting team which traveled with HELP's board of directors on a 10-day site visit to project locations in El Salvador to assess impacts that destroyed or weakened thousands of office buildings and homes throughout the nation, and to plan for the future. Composed of BYU faculty and/or alumni who had their own corporate consulting practices, the other goal was to provide professional services as pro bono consulting that was typified by the following:

- Action Research
- Process Consultation
- Strategic Direction and Governance Discussions
- Branding and Marketing Strategy
- Individual Feedback and Coaching of Country Leaders
- Team Building
- Confrontation and Conflict Resolution

Shift in Strategic Direction in 2002:

- Later a two person OD consulting team met with the chairman of the board and the executive director to further discuss strategy and direction
- A clear set of alternative strategic choices was laid out
- The chairman and executive director presented the information to the rest of the board of directors and a major shift in purpose and direction was selected
- HELP's first and primary mission was shifted to "Creating a life-changing experience in the lives of our volunteers as they serve the poor"
- This life-changing experience will then lead to a lifetime of service and future donations to causes of economic and social justice by past HELP volunteers
- Serving the "poorest of the poor" thus became the secondary purpose of HELP International

Results of the New Strategic Direction - Life Changing Experiences:

Participants in HELP International have begun to accelerate their impacts beyond college and their typical roles as young adults with new jobs, new families, new residences, and so on.

They've gone beyond their own summer experiences to create new ripple effects illustrated by the following mini-cases:

- Establishment of the 5-year Arizona/Honduras Partnership
- The power of one: from swimming champion to Salvadoran medical services
- California Action Group for microfinance
- Soles for Souls Project at the city dump
- Payson School Annual Deliveries to Central America
- Creation of new NGOs by our alumni social entrepreneurs

Case 2: The Marriott School and the Evolution of Empowering Nations:

Empowering Nations was a second program we designed as a response to the December 26, 2004 Asian tsunami which left 260,000 dead, many more missing, whole villages destroyed, and billions of dollars in damages within the eleven nations that border the Indian Ocean. Somewhat like the HELP International experience, this effort grew out of my OB 490 course, "Becoming a Global Change Agent." However, drawing upon years of successful interventions with HELP, this project perhaps went more efficiently and smoothly.

Purpose:

Use OB management school problem-solving skills in rebuilding communities decimated in coastal areas of Thailand

Global Level Tactics:

Sent teams through our not-for-profit social enterprise, Empowering Nations, to Asia

Radical Innovations:

We decided to launch a bottom-up strategy to alleviate the tsunami's devastating effects. We mobilized/recruited a hundred students from BYU, Utah, Harvard, Portland State,

GWU, Berkeley, plus an organizational change consulting team of older professionals, who were mostly BYU alumni that offered pro bono interventions during summer 2005.

Training Offered:

Third World organizational diagnosis, NGO organizational design, decision-making, team building, TQM, NGO strategy implementation, crisis interventions

Commitment:

A month or more as volunteer change agents in Khao Lak, Thailand where entire villages had been destroyed

Funding:

Raised \$200,000

Measurable Changes:

- Started worker-owned cooperatives and other self-sustaining enterprises to lift Thai families out of poverty
- Consulted with large aid organizations to help them become more effective in delivery of services (Thai Red Cross, Tsunami Volunteer Center, and others)
- Secured humanitarian materials from throughout the U.S. for Thai refugee camps
- Generated high-impact projects--built 120 houses, refurbished damaged schools, taught classes to 624 Thai children

Action Research Evaluation:

- Coaching volunteer leaders
- Conducting interviews and focus groups as an evaluation process
- Assessing partner relationships
- Meeting with government officials

Business School Reflections:

Like HELP International, Empowering Nations has now been spun-off from BYU in order to become a 501(C)3 nonprofit social enterprise. This way, future donations may be tax deductible for those who give us funds. However, in contrast to HELP, Empowering Nations does not have a paid staff, office or overhead resources. The goal is to retain its spirit of being a spontaneous culture, wild and creative, able to mobilize quickly when disasters occur. This also means that the personal financial costs for volunteers is much lower than HELP's—approximately \$2,100 versus \$3,700. Whether this more informal, self-managing structure can be successfully maintained over the long haul is still a question.

So far, the initial evidence is promising. A team of mostly new volunteers at BYU's Marriott School planned for expanded programs to carry out in summer 2006. This time Ghana Was picked as our primary area of focus, in part due to both desperate needs and viable conditions for high-potential growth. Other countries and partners were also identified and plans were begun for those areas as well.

The results for this past summer's work are quite impressive: Ghana where some 45 volunteers labored to improve health through various community service projects such as fighting HIV-AIDS, as well as teaching skills in schools, building new schools, etc.; Thailand where other volunteers prepared a feasibility study for establishing a long-tailed fishing boat cooperative, expanding the tsunami pearl jewelry co-op of Khao Lak women we helped to launch last year, etc.; Peru where our volunteers partnered with Eagle-Condor Foundation in income-generating activities; Mozambique where our small team analyzed and made recommendations for strengthening an NGO's Family Preservation Program; and Panama, where we carried out a needs assessment and conducted a feasibility study for starting a new MFI that will begin providing microcredit to poor families with funds donated by the Marriott School's MBA women graduates, Class of 2006, which pooled some monies from their corporate signing bonuses to form a long-term commitment supporting the creation of communal women's bank, an action group they call "Grupo Eva."

But the rapid growth of social entrepreneurship around the world suggests such Third Sector approaches for alleviating human suffering and poverty will continue. This new social movement will expand, and university settings for fostering such innovations are accelerating, especially in American business schools. More and more students believe they can change the world while still young, relatively poor themselves, and still in college.

Major Question:

How may business schools support an NGO's organizational evolution from its wild chaotic response to the dire consequences of a natural disaster, to become a sustainable institution that will carry forward the memory of hard-won experience and lessons learned, eventually becoming an enduring institution that makes a difference in the lives of the volunteers, as well as indigenous people who are being served?

Current and future tough organizational issues for NGOs:

- How do we retain the memory of the experiences we have each year so we can learn and apply lessons to other future challenges and opportunities?
- How do we conduct recruitment, assessment, selection, and development of volunteer leaders, volunteers, and staff people?
- How do we carry out rapid preparation of volunteer leaders and the volunteers as a whole so that they can hit the ground running each year in-country?
- How do we create a steady flow of donations to sustain the overhead expenses of funding an ongoing nonprofit organization?
- How do we sustain relationships with partner NGOs and develop new partnerships in each country?
- How do we strike the balance between being an agile, high-energy group of people doing great work, and that of becoming a stable organization with defined processes, formal roles, and responsibilities?
- How do we keep from losing our social entrepreneurial spirit?

Call to Action:

As a business school community we need to use action research tools in fighting poverty, launching new NGOs, carrying out microcredit impact studies, training future global change agents, and building corporate-NGO partnerships that emphasize doing good while doing well. How can we generate new conceptual models and systems for the growing Third Sector? How can we apply business models in getting to the next stage of microfinance? What scaling up strategies can be developed to exponentially expand MFI resources for aiding the world's have-nots? Are there workable social inventions to reduce the gap between available capital and financial needs of the poor?

I believe we should marry MBA programs with international development, and generate a new synthesis. By doing so, NGOs can become more effective and sustainable income-generating social enterprises. Global enterprise at the grassroots offers a new arena for practice among the world's poor, perhaps creating a kind of Global Business School Peace Corps.

One of Peter Drucker's last articles focused on social entrepreneurship as the next great career for managers and professionals who will retire early with plenty of money and time to become volunteers in the betterment of society. Stephen Covey's new book, *The 8th Habit*, argues the same point: That we need to move from effectiveness to greatness to find our own voice for improving the world, and then helping others to find their own voice, as well.

Business school global practitioners, both faculty and students, should consider becoming voluntary social entrepreneurs in the new frontier of strengthening civil society and building socio-economic justice. In so doing, this will add meaning to their personal lives as well as in their professional career. Pro bono consulting will enhance our reputation as business schools which do not only create effectiveness, efficiencies, and management change in corporate and government structures, but in our larger society as well – alleviating poverty, reducing hunger, creating jobs – in short, reinventing business so it truly becomes an agent for world benefit.

"You must be the change you wish to see in the world."

-- Mahatma Gandhi