

Social Responsibility Through Corporate & Business School Partnerships *

Warner Woodworth, Ph.D.

Marriott School – Brigham Young University

This paper briefly documents how universities may partner with corporations in using social responsibility tools to improve the quality of life for the Third World poor. The particular case at hand is that of the Marriott School of Management at Brigham Young University, where we have worked for two decades now to mobilize students, alumni, faculty, and the business community in empowering the poor. We use business models and concepts such as finance, motivation theories, planning and decision making, cross cultural management, conflict and negotiation, change management, leadership, and marketing to design projects.

We will first highlight the socio-economic context in which we work. Then we will describe several university cases in which the author designed classroom projects to fight poverty, implemented them in the Third World, and eventually spun them off as non-governmental organizations (NGOs). The paper concludes by illustrating how partnerships between academia and the business world were established, along with suggestions for future collaboration between business schools, corporations, and NGOs.

Third World Poverty

Globally there is a huge chasm between rich and poor societies. It is manifest in the per capita income gap between the industrialized world and developing nations. For over a billion of the planet's population, the suffering of the poor is manifest in the fact that they try to eke out an existence on less than one dollar a day. Another 1.3 billion struggle to survive on less than two dollars a day. Some 600 million of the world's children are not in school, many of them forced to labor in the fields and factories along side their parents. Illiteracy among adults in the Third World is a significant problem, as are such difficulties as poor health care, infant mortality, natural disasters, and diseases like HIV-AIDS.

Among many impoverished people, their problem is that of unemployment and/or under-employment. They cannot obtain jobs because of the lack of investment in the formal economy. In many instances, they lack the job skills necessary when there is a factory opening, or whatever. Thus, for many of these, the challenge becomes that of creating their own jobs through some form of income-generating projects. Those who struggle in this environment, that of the underground economy (or black market), face the enormous challenge of obtaining capital for their microenterprises. These are often hard-working and creative individuals who simply seek self employment. But to launch or to grow their microenterprises, they require credit, a small amount of working capital to run their tiny businesses and move toward profitability. A lack of access to financial capital thus becomes their major challenge.

Most such individuals cannot obtain financing from regular banks for several reasons. Often, the miniscule amount needed is so small that banks cannot justify the overhead

expense in servicing such small loans. Also, the poor usually lack financial credibility. They have no credit history and no collateral that would be equivalent to the loan size needed. For most of them their only option for financing is from a “loan shark” who may charge as much as 300 to 3,000 percent annually. It makes the possibility of success virtually nonexistent. As conservative Milton Friedman, who won the Nobel Prize in Economics, puts it, “The poor stay poor not because they are lazy, but because they have no access to capital.” They are essentially trapped in a losing situation and are unable to get ahead.

The most innovative strategy for addressing this global problem is the recent emergence of microcredit as a tool for lifting the poor out of poverty. To clarify the meaning of this concept and its associated terms, the following definitions are necessary:

- Microcredit: tiny loans of \$50 to \$200 each to poor individuals
- Microentrepreneur: recipient of a microloan with which to start or expand one’s small business
- Microenterprise: a very small, income-generating activity or family business
- Micro-bank: village or communal bank group
- Microfinance: a more inclusive term for all the above, plus, perhaps such programs as client savings accounts, health insurance for the poor, education loans, etc.
- MFI: Micro-Finance Institution which may provide multiple financial services
- NGO: Non-Governmental Organization that offer a range of humanitarian and development services such as literacy, health care, education, schools, aid in response to a crisis such as natural disaster, village development programs, agriculture, women’s empowerment, as well as microcredit

The University as Incubator of Microcredit Strategies

The Marriott School at BYU has emerged as one of the first pro-poor business schools in the United States. The university has a number of competitive advantages because of its institutional connection to its sponsoring church. Some 72 percent of students speak a second language, most of them learning to do so by living abroad for two years as Mormon missionaries. They become fluent in the language, understand and appreciate other cultures, and love the people. BYU teaches over 60 different languages on campus, more than twice those of the second most diverse language offerings being the 25 languages taught at Yale University. The school also has the largest study abroad program of any American university. Finally, students attend BYU from over 130 countries.

Drawing on these student strengths in the early 1990s, we began to organize a group of faculty to center our research on microcredit to begin with. We committed to using our academic work to better the world by empowering students as global change agents. We designed new courses and action research methods to send students out in the field to study the impacts of microcredit, our initial area of emphasis. The scope became broader as we also began to train individuals in non-profit management and humanitarian skills.

We sought to build partnerships with business leaders, entrepreneurs, and socially responsible corporations.

Some of the results of our efforts include 17 years in which we have trained over 700 students and sent them off to combat poverty and create greater economic justice among marginalized communities. For 13 years we have developed new courses or classroom modules in public entrepreneurship, microcredit systems, Third World development and NGO management. Over the past nine years we have sponsored an annual conference on microenterprise development, launched the new *Journal of Microfinance*, the first of its kind in this emerging field, and did a PBS documentary on the programs of our partners.

We have formed a number of NGOs, which started as classroom student projects and eventually were formally incorporated as 501 (C) 3 non-profit social enterprises. Three of them are described below as illustrations of what may be accomplished.

The EMI Case

The first NGO spin-off was Enterprise Mentors International (EMI), which we established in 1989-90 in the Philippines. It began with a readings course on economic challenges of the poor in the Philippines, and led to a field study on the needs of impoverished families, as well as existing humanitarian organizations in Manila that were servicing these communities. A feasibility study was prepared which led to EMI being launched in 1990. Over time, EMI gradually spread beyond Manila to the central and southern Philippines as we established other new indigenous partner organizations. With its corporate offices based in St. Louis, a board of interested executives and donors has guided the organization through the years. The board members' hands-on assistance in using their management skills and corporate experience has been a great strength to EMI's success. During the years, our efforts have incrementally spread to Mexico, Guatemala, El Salvador, and Peru. In 2006 EMI and its partners helped 29,334 families journey towards self-reliance, a 30 percent increase over 2005. Some 43,000 microentrepreneurs received training that year, and microloans were provided to many of them, resulting in the creation of 4,058 new jobs, as well as larger capitalization of many thousands more.

Working in partnership with numerous firms across the U.S., considerable funding has been provided to EMI by large institutions as Jet Blue, Nuskin, Levi Strauss and the Kellogg Foundation, as well as smaller and medium size firms that include Woodgrain Millwork, Market Star, and Tubular Steel, Inc. EMI's philosophy is that of "giving not a hand out, but a hand up." Early on EMI made the strategic decision to not seek or accept government funding in order to preserve its independence and avoid having to carry out bureaucratic reporting requirements. In total we have raised, through private donations, some \$17 million as loan capital for our microentrepreneur clients during the years.

Eagle Condor Case

Another MFI example is that of Eagle Condor Humanitarian (ECH), which was established in 2004 and is based out of Salt Lake City. It was launched by a number of BYU alumni, as well as local entrepreneurs, students, and donors from the business

community, who set out with a mission to enrich and strengthen family life in Peru. It drew its inspiration from the ancient Inca mythology of the eagle from the North and the condor from the South of the Americas coming together in the “last days” to work for the betterment of society. Since its founding, several dozen BYU students have spent summers in the rural Sacred Valley of the Inca, near Cusco and Machu Picchu, or in the northern urban cities of Chiclayo and Piura. The organization seeks to establish employment opportunities and raise the standard of living among the poor. It is a humanitarian organization that focuses on making a difference. Its ultimate goal is to empower people by building family self-reliance.

Eagle Condor is a very small NGO that consists of a board of 16 members, along with two paid employees in the U.S. It is incorporated in Peru as an Andean non-profit enterprise with its own Peruvian board of six individuals, four paid employees, and several volunteers. In contrast to the hyper-inflation of Peru in the 1990s, Eagle Condor now operates in a current situation of approximately four percent annual inflation. The country of Peru suffers from an official poverty rate of 54 percent, and the minimum daily wage is a mere \$4.33. The microfinance movement has grown significantly in Peru, some 43 percent in recent years. Eleven of the top 30 MFIs in Latin America are Peruvian. They make up a large portion of the nation’s informal economy, which today stands at about 59.9 percent of the total.

In contrast to most other Peruvian MFIs, Eagle Condor places a heavy emphasis on quality of clients and programs, not quantity. It spends a lot of time and resources in helping poor clients develop business plans, receive training in entrepreneurship, and each benefits from the services of a consultant to help translate one’s ideas into reality. Another unique feature of ECH is that about half its loans are offered to males, not just women. Also, the beginning loan size is somewhat large--\$500 to \$1,000. If the clients’ efforts yield good fruit, their future loans may grow up to a \$4,000 maximum.

HELP International Case

A third instance of Marriott School initiatives in microfinance is that of HELP International (HELP). It is an innovative example of utilizing student volunteers, local entrepreneurs, alumni, and faculty in mobilizing our collective efforts to serve the poor in Latin America. It began in response to the terrible destruction of Hurricane Mitch in Central America at the end of 1998. Facing the question of whether or not a business school has anything of relevance to a natural disaster which devastated a huge region, we established a new, not-for-credit course in January 1999 called “How to Change the World.” Eventually some 70-plus students signed up for the experience and formed self-organizing teams to plan how we might assist the victims of the hurricane. In spite of cynics at the university, who claimed students could not address such major catastrophes, we prepared 46 volunteers, who each spent two months or more in Honduras that summer. About \$116,000 was raised for establishing 47 communal banks, as well as recapitalizing an additional 50 bank groups of FINCA International, our MFI partner, whose client resources had been destroyed by the flooding.

MBA students served as on-the-ground team leaders over specific projects in-country. In addition to microfinance and economic development, approximately 20,000 hours of community service was rendered by HELP volunteers: Shoveling mud out of schools, rebuilding houses, mentoring street children, teaching computer skills, and delivering babies in rural health clinics. Over 800 jobs were created by these new microenterprise start-ups, which benefited some 4,000 family members.

That first experience of helping Honduras led to increased motivation for doing similar work elsewhere in subsequent years. As students, donors, and faculty began to feel empowered in their ability to make a difference, new crises inspired new strategies. Thus, in winter semester 2000, some 88 volunteers were organized and trained to serve during the following summer. We raised over \$250,000 and sent teams to continue our efforts in Honduras, as well as to expand to Venezuela, Peru, and El Salvador. We began to partner with more NGOs in these countries, starting more village banks in Honduras and El Salvador, as well as providing microenterprise training programs in Peru and Venezuela.

In the subsequent years, HELP has enlarged the scope of its efforts by going to Brazil, Bolivia, and Uganda, as well as continued its strategies in Central America. Today it has NGO partners that offer various services to the poor: Microcredit, square foot gardening, literacy, women's empowerment, home construction, agricultural and other appropriate technologies, as well as training in computer skills and English as a Second Language (ESL), serving in rural health clinics, teaching in schools, and volunteering in orphanages. HELP has worked to build partnerships with a number of businesses, which range from small firms like Marketing Alley in Utah and Smog 'n Go in California, to large companies like Starbucks, Novell, the Marriott Foundation, Walmart, Unitus, and Intel. They have collectively led to huge impacts among the poorest of the poor. Not only have we drawn on students from BYU over these years, but also from a dozen other schools like Stanford, Colorado State, Virginia Tech, and Washington University.

Carolina Microfinance Initiative

This year HELP began to collaborate more formally with university groups at other campuses. Although students from different schools have joined HELP as individual volunteers, the first formal partnership is occurring in 2007 with the University of North Carolina, Chapel Hill. Students and faculty there have established the Carolina Microfinance Initiative (CMI) to bring together students, corporate donors, microfinance institutions, Carolina community members, and entrepreneurs of the developing world. In this emerging experiment, students have been trained by UNC campus faculty, as well as the executive director of HELP International, based in Utah. The group has catalyzed with an existing microcredit NGO in Peru in order to help it serve even more clients with additional loans and training. During this summer students will conduct impact assessments on their work and that of their Peruvian partners. They plan to hold several events to mobilize support for microfinance, and they have committed to provide ample donor feedback. To do this, they will make a documentary for each donor, as well as for future volunteers.

Implications for Other Campuses and Corporations

Industry has played an important role in each of the MFIs described above. Among their various contributions are the following: Donated office space, board member participation, consultant interventions in helping design strategy, conducting NGO management training, and so forth. In several instances, these firms offered significant financial subsidies in getting these NGOs up and operating. At times, they were even willing to visit our programs in Latin America, Africa, and Asia, providing mentoring to our U.S. and international staff, as well as encouraging our partner NGOs of the Third World. In most instances, the result was of mutual benefit to all parties—business schools, MFIs, and corporations. The business schools were able to deliver innovative courses and action research opportunities that are increasingly demanded by MBAs and other students from across campus disciplines. Students enjoyed powerful and “real world” experience in relieving human suffering. They also learned how to apply business models to global non-profit efforts. The performance of the MFIs and NGOs we worked with has been enhanced by the energy of young college students, as well as the depth of experience offered by corporate executives and consultants. In turn, the companies were able to advance their corporate social responsibility and sustainability objectives.

To further improve partnerships, our experience suggests the following best practices:

- The three sectors can learn much from each other. The goal becomes that of knowledge-sharing. Each party must discover what it has to offer.
- The size and scope of a project in terms of demands for time, energy, and funding ought to be negotiated up front. Generally they should create room for later add-ons as necessary during multiple rounds of discussion.
- The parties need to define what “success” means, so that they come to an agreement.
- There should be a climate of experimentation, a willingness to try things out and reject or retain learning as needed.
- The parties ought to anticipate points of dissention ahead of time and determine how problems and conflicts will be dealt with.
- Finally, organizations need to develop exit plans as to when, why, and what will happen over time.

For other business schools, the BYU experience suggests several lessons. They include the fact that professors can actually do this kind of work with their students. It may be combined with research and field studies, as well as the teaching of courses, and it can develop long-lasting effects, not only for business students, but also in the lives of poor villagers of the Third World. Faculty need to think big and take risks. Their relationship with students needs to be participative, not like the formal control that often occurs in the Traditional classroom. In dealing with campus administrators, it is better to ask forgiveness from them, rather than seek permission for doing this kind of work.

Both business schools and socially responsible corporations can learn how to fight poverty effectively by understanding development theories, designing action research projects, generating internal motivation, and becoming champions of change. The NGOs

that will be established can serve as mechanisms for growth and sustainability among the world's poor.

Conclusions

The cases described in this paper are only a small portion of some 40 projects we have designed and implemented at BYU. Others that have been instituted, or at least strengthened by BYU student and faculty participation, include such NGOs as the Ouelessebouougou-Utah Alliance that has been working in Mali, West Africa, for two decades, empowering 35,000 people in 72 villages. Another entity is *Mentores para la Microempresa* (MicroBusiness Mentors), which we started in 2003, to provide entrepreneurial training and \$500 loans to members of the impoverished Latino immigrant community adjacent to BYU. A third NGO is the Academy for Creating Enterprise in Cebu, Philippines, which was started by our Entrepreneur-in-Residence at the Marriott School, along with several students. It trains Filipino young adults in a two month intense, live-in mini-boot camp, where students learn to write business plans, use laptop computers, and develop entrepreneurial start-ups. Still another example is that of Reach the Children, a New York-based NGO working in various African countries, focusing on education, orphanages, and other programs to improve the quality of life among impoverished children. One of the largest programs launched by BYU alumni, students, and faculty is Unitus, an MFI that has quickly risen to be one of the most successful microfinance deliverers in the world, with collaborative agreements in seven countries. Finally, beginning in 2005, we established Empowering Nations as a response to the horrific Asian tsunami by building 120 houses, establishing income-generating projects, and helping Thailand's coastal poor recover from the devastation. During that year, some 92 volunteers raised \$200,000 and served at least a month each among the tsunami-impacted villages in Thailand. Since then, other Empowering Nations teams have been sent to Ghana, Panama, Peru, Kenya, and Paraguay to perform additional work.

The 16 largest of these NGOs which were born within the BYU incubator of the past are now having significant impacts. In 2006 alone, we raised \$10 million in loan capital, trained some 220,000 microentrepreneurs in business skills, and we now have in excess of 1.2 million clients worldwide. The future of our efforts appears very bright at BYU, in collaboration with our corporate and NGO partners. Our feeling is that this kind of success can be replicated among many more universities and corporations across the world.

“Never doubt that a small group of committed individuals can change the world. Indeed, it's the only thing that ever has.” --Margaret Mead

* The author expresses appreciation to his former students and collaborators, who over the years have helped to design and manage the NGOs described in this paper, as well as assisted in presenting our experience at the ICCA Plenary Session, Baruch College, June

26, 2007: Jaime Figueroa of Peru, Adriano Oliveira of Brazil, and Lisa Jones Christensen of the University of North Carolina, Chapel Hill.