



## Every Business a Social Business: Fantasy or Destiny?



**Ka Kui Tse** held senior executive positions at the Lam Soon Group and the Shui On Group respectively before setting up his management consultancy K K Tse and Associates in 1992. Since his early retirement in 2000, he has been active in promoting social entrepreneurship in Hong Kong and China. He is co-founder of Dialogue in the Dark HK Ltd. and the founding Chair of the Hong Kong Social Entrepreneurship Forum. He has edited and co-authored six books on social entrepreneurs. Born and educated in Hong Kong, Ka Kui Tse holds a Ph.D. degree in sociology from the University of Manchester and an MBA from the Cranfield School of Management, UK.

Business as usual is no longer enough, **Ka Kui Tse** insists. Corporations should be prepared to transition into social businesses or cease to be relevant.

In 2006, on Ashoka's 25th anniversary, its founder, Bill Drayton wrote an article summarising its experience and lessons.<sup>1</sup> There were a few noteworthy highlights. Social entrepreneurs are not only changemakers; they also inspire and empower a large number of ordinary people on that path. The most enduring impact is the mindset change that an organisation's services and products

bring about. The changemaker mindset is already evident at a young age. After the publication of the article, Ashoka went on to redefine its mission to be "Making Everyone a Changemaker."<sup>2</sup>

I totally embrace Ashoka's mission and I have been an advocate in this part of the world since becoming a member of the Ashoka Support Network in 2007.

Entering the 21<sup>st</sup> century, however, I think we should add another critical element to the picture: Making every business a social business.

### A New Capitalism is Needed

The rationale for this scarcely requires elaboration. Gary Hamel, a management expert, puts it succinctly, “I’m a capitalist by conviction and profession. I believe the best economic system is one that rewards entrepreneurship and risk-taking, maximises customer choice, uses markets to allocate scarce resources, and minimises the regulatory burden on business. If there’s a better recipe for creating prosperity, I haven’t seen it—and neither have you....So what stands in the way of creating a conscientious, accountable, and sustainable sort of capitalism—a system that in the long term is actually habitable?”<sup>3</sup>

Hamel argues that the answer lies in a matrix of deeply held beliefs that have long been taken for granted and, until recently, never examined and challenged. Among them are:

- The paramount objective of a business is to make money (rather than to enhance human well-being in economically efficient ways)
- Corporate leaders are held accountable only for the immediate effects of their actions (and not for the long-term consequences of their single-minded pursuit of growth and profitability)
- Executives should be evaluated and compensated on the basis of short-term earnings performance (rather than long-term value creation)

- The firm’s “customers” are the people who buy its products (rather than all those who are influenced by its actions)
- It is legitimate for a company to profit by exploiting customer ignorance or constraining customer choice
- Customers who have been ignored, manipulated, locked in, duped, or lied to will nurse their anger in private (rather than join forces with fellow sufferers to publicly shame their persecutors)
- Employees are human resources first and human beings second

“These beliefs,” Hamel maintains, “are the real threats to capitalism....I may be an ardent supporter of capitalism—but I also understand that while individuals have inalienable, God-given rights, corporations do not. Society can demand of corporations what it wills.”<sup>4</sup>

### Enter Social Business

I have a simple definition for social business: a normal business with the explicit goal of generating a profit and creating social or environmental benefit at the same time.

For a very long time, conventional wisdom declared that the sole purpose of a business is to maximise profit (or shareholder value) for its owners. The time has come for us to explicitly reject this as narrow and increasingly dysfunctional. In fact, the case for social businesses has already been argued at length and I won’t repeat here the arguments in its favour.<sup>5</sup>

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“Every Business a Social Business” should be the mantra for our effort to reinvent capitalism, because the question is no longer the why or when this will come about, but how to accelerate its realisation. To be sure, like “Everyone a Changemaker,” it might take decades, if not centuries, to realise “Every Business a Social Business,” but the winds of change are already blowing hard. Below in Table 1 are some exciting examples.

**“I Rest My Case Studies”**

The latest book written by Richard Branson of Virgin fame is called *Screw Business as Usual*.<sup>6</sup> It addresses the question: “Can we bring more meaning to our lives and change the world at the same time?” Branson attempts to show how exciting this new vision will be for all of us. His message is simple: It is time to turn capitalism upside down—to shift our values, to switch from a profit focus to caring for people,

communities and the planet. He says that it is “easy for both businesses and individuals to embark on a whole new way of doing things, solving major problems and turning our work into something we both love and are proud of.”

In the book, Branson documents a number of “I Rest My Case Studies” of companies that he admires and that show how a new capitalist economy should evolve. Examples include the Aravind Eye Care Systems, the Dutch Postcode Lottery and Salesforce.com.

The Dutch Postcode Lottery<sup>7</sup> model is a unique one. You don’t win as an individual—you win as a community. It is all based around postcodes. If your postcode comes up as a winner, everyone in that community who bought a ticket shares in the winnings. They have great block parties to bring everyone together to celebrate. Half of income goes

**Table 1: Examples of Companies Going Social**

Companies	Business as Usual	Winds of Change
Nike—Creating the shoes of the future	<ul style="list-style-type: none"> <li>Made its fortune through celebrity marketing, supplier exploitation, and total disregard for the environment.</li> <li>Obsessed with artificial differentiation.</li> <li>A textbook case of brand orchestration, push-marketing, mass-produced consumer goods.</li> </ul>	<ul style="list-style-type: none"> <li>Since 2000, launched Considered Index which assessed the environmental footprint of its shoes from design to production and distribution, energy use, water use, recycling intensity and carbon impact.</li> <li>Began using environmentally friendly, low-energy materials and recycled rubber. Result : a 13% lighter shoe with an 83% recycled sole.</li> <li>Committed to applying the same design approach to all shoes in 2011, all apparel by 2015, and all products by 2020.</li> <li>Future customers can bring used shoes to Nike stores for recycling to make new shoes.</li> <li>Comprehensive programme for reuse, recycle, repurpose, remanufacture and remarketing of all products and inputs.</li> </ul>
Danone—Partner for health	<ul style="list-style-type: none"> <li>A French family business founded in 1919.</li> <li>Used to manufacture a wide range of food products.</li> <li>Worth US\$16 billion, with a heavyweight board.</li> <li>Its shareholders only understood one word: Profit.</li> </ul>	<ul style="list-style-type: none"> <li>A new chairman in 1994 changed corporate focus and strategy.</li> <li>Started producing only wholesome health food and dropped all other lines.</li> <li>Partnered with Muhammad Yunus to form Grameen Danone to develop and market a highly nutritious and affordable yoghurt for children from the poorest families in Bangladesh.</li> <li>Largely because of its emphasis on human values and social principles, Danone UK was ranked No. 1 in the list of the best companies to work in the UK in 2009.</li> </ul>
Interface—the radical industrialist	<ul style="list-style-type: none"> <li>Used to be a conventional manufacturer of flooring products.</li> <li>Turned vinyl and other petroleum products into carpets.</li> <li>Total dependence on oil industry for inputs.</li> <li>Unsustainable from both business and environmental points of view.</li> </ul>	<ul style="list-style-type: none"> <li>Committed to pioneering the “next industrial revolution” and “unhooked from the oil well.”</li> <li>Developed technologies to produce carpets with recyclable bio-based yarns made from corn starch.</li> <li>Through its ReEntry programme, pioneered carpet reclamation and recycling—“Interface Wants Your Carpet”—recycling own and rivals’ carpets.</li> <li>Become “waste positive” by reclaiming other people’s waste, minimising total amount of waste in society.</li> <li>By far the world’s single most renewable business today.</li> </ul>

to charity. The Postcode Lottery now has over 2.5 million participants who buy more than 4.5 million tickets annually, which allows it to distribute hundreds of millions of Euros a year. The lottery model has expanded to Sweden, England and Scotland.

#### Fantasy or Destiny

It is not fantasy, as more and more “business as usual” outfits are transforming themselves into social businesses. Equally, it is not destiny as it requires a lot of will power and advocacy to make it happen.

But how are we to make sense of the winds of change and what should we do to shape future development?

Umair Haque offers some penetrating insights.<sup>8</sup> “In 1776, one man found himself at the centre of a maelstrom. Hurricanes of change lashed the globe: Growing markets, expanding international trade, a rising middle class, disruptive technologies, novel commercial entities. Yet, where his contemporaries saw chaos, Adam Smith saw hitherto unimagined possibilities. In the *Wealth of Nations*, Smith envisioned with startling prescience a very different prosperity: One in which capitalist, not the mercantilists, aristocrats, and agrarians who had preceded them, held sway.”<sup>9</sup>

But, as Haque reminds us, in 1776, horses provided power for carts and carriages; steam-powered locomotives would not arrive until the next century. The economy’s central axis was household-based, and not even medium-sized corporations. Ownership of land, mills, tools, and rights were concentrated in the hands of the nobility; the “joint-stock companies”, in their embryonic forms, required government charter or royal decree for incorporation.

“It was, in short, not a world in which the capitalist enterprise as we know it today might have been foreseen to flourish. Yet, by seeing through the maelstrom, Smith synthesised, in detail and with ruthless logic, his new vision of prosperity.”<sup>10</sup>

The question Haque poses to us is this: What if the future of capitalism could be as different from our present as Adam Smith’s vision was from his present?

It is totally possible. Although “Every Business a Social Business” seems such a far cry from our present reality, it is a future that is imaginable, conceivable and realisable. But it does not mean that we can just sit back and wait for it to happen. Through conscious and collaborative efforts from changemakers around the world, it is possible to greatly accelerate the process of its realisation.

#### Some Strategic Milestones

To bring about the reality of “Every Business a Social Business,” we need to identify and focus our attention and energy on a number of milestones. These include:



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- **Every Family Business a Social Business**

Two years ago, I was invited to address a conference organised by a family-run organisation. The conference theme was succinct: “Every Family Business a Social Business.” I was intrigued and asked the organiser why they had chosen this theme. The response was illuminating—because families are keen to pass on the business from generation to generation, they have a much stronger interest in making it sustainable over the long term.

Whether it is privately owned or publicly listed, a higher concentration of family ownership may make it easier for a firm to make difficult strategic decisions that might have an impact on short term profitability but which would result in better long-term outcomes. In other words, family businesses are likely to be more receptive to transforming themselves into social business, provided the right kinds of education, stimulus and role models are available to sway their thinking.

- **Every New Business a Social Business**

I mean new business in two senses: brand new start-ups and new business units set up by existing corporations. We hope one day “business as usual” will become so unattractive that all new business start-ups will be social businesses.

Currently, when a new business is formed, the range of support given to it is rather limited. It might consist of some government sponsored small business loan or grants schemes, tax holidays, and some business advisory services.

With social businesses, the range of support could be far more comprehensive. In addition to government efforts, there are already a lot of civil society organisations that provide a variety of support ranging from training, mentoring, incubation, and professional services, all the way to angel investing and impact investing. For existing businesses, the natural strategy for entering the social business field would be to set up new social business ventures. They might not require as much outside support as the start-ups, but they have the opportunity to collaborate with social businesses and/or NGOs in a variety of ways, sometimes leading to the creation of hybrid organisations.

- **Every Business School a Social Business School**

When the Harvard Business School was established in 1908, it was the first of its kind in the world. Two years later, it launched its two-year MBA programme, a move that represented exemplary foresight on the part of the university's leadership in anticipating the rapidly growing and unmet needs of business education. To this day, it's one of the world's best business schools.

As part of its centenary anniversary celebration, the School undertook a soul-searching review of its role in the 21st century. Two new books capture some of the deliberations.<sup>11</sup> The first paints an alarming scenario about the future of capitalism. Basically, it argues that the current mode of capitalism is unsustainable and that there are ten disruptive threats that could unsettle the global capitalist system beyond recognition. The second volume has already been hailed as a wake-up call for global business education. It highlights the growing gap between what business schools teach MBA students and what the real world demands of them.

The message is clear—if social business is what we need in the future, business schools around the world need to transform themselves in the direction of a Social Business School and not be content with sticking to skills and approaches for “business as usual.”

- **Every “Gap Year” a Social Business Experience**

“Gap year” refers to the year-long (sometimes

more than a year) interval between high school and university that affluent students in the West often take to travel abroad or do voluntary or paid work for some organisations. It is not as well known or popular in this part of the world. But things are changing. More and more young people in the more affluent cities of Asia are now taking the gap year, usually traveling overseas to gain exposure or work experience. Basically, having a gap year is very beneficial for young people and should be made universal so that both the well-to-do and not-so-well-to-do young people could benefit from this experience. This is particularly valuable to those who are seeking a university education.

More often than not, students embarking on university education have very little idea of what they want to do with their lives. A well planned gap year experience might help broaden the horizon of these young people and enable them to make more informed decisions on what to study and how to get the most out of their university education.

Indeed, Harvard University is leading the way by actively encouraging all its students to take a gap year before starting their courses. Admission rights will be retained till completion of the gap year. It would be wonderful if the gap year (or at least part of it) could be spent in a social business, either in one's own country or another country. The practical experience of working in a social business would be the best education for our young people before they decide what they want to do with their lives and their further education.

- **Every Intellectual a Social Business Advocate**

The term “intellectual” scarcely surfaces in daily language nowadays. Where have all the intellectuals gone? Or is their role no longer relevant in contemporary society? I think it has more to do with how we understand the concept of intellectual. Since the Industrial Revolution, concepts like “intelligentsia,” “intellectual,” “public intellectual” have been used in varying contexts to refer to a select group of the educated class that exerts substantial influence in society.

In its original pure form, however, “intelligentsia” referred to those well-educated members of the population who undertook to lead and guide the community to their enlightenment. The term was most widely used in 19th-century Europe. “Intellectual,” on the other hand, is more popularly used in the 20th-century in economically advanced societies and refers to a

person who uses thought and reason in either a professional or a personal capacity and is usually a person of notable distinction whose knowledge grants him or her intellectual authority in public discourse. “Public intellectual” is a common term for an intellectual engaged in public rather than academic or other professional discourse, and is expected to go beyond their own profession and address contemporary issues.

Today, it is possible to propose a new definition of the intellectual—a person who possesses insights (not just knowledge) into society’s central issues and who has the courage to harness his or her intellectual and other resources to shape society’s development. Given that the transformation of “business as usual” into social business represents perhaps the single most critical challenge of contemporary society, the contribution of intellectuals such as Bill Drayton, David Bornstein and Gary Hamel could make a major difference. The rethinking, reframing and advocacy for a change of the role of business will constitute major challenges for the intellectuals of our times.

### The Future is Here

“Every Business a Social Business” is not a fantasy, as more and more social businesses surface every day, every hour, and every minute in different corners of the globe. It is, however, not a destiny as the resistance generated from sheer habit and naked greed is formidable and might distract or slow down the process of full-scale transition to social business.

We need a fundamental if not radical societal paradigm shift from business as usual to social business and this will only come about through a global civic movement. In this movement, social entrepreneurs, capacity builders promoting social entrepreneurship, pioneer social business creators, business and professional organisations, educators, impact investors, intellectuals and changemakers of diverse persuasions will all play a vital part in shaping and guiding this transformation.

It might well be the single most important global civic movement of this century.



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<sup>1</sup> Its title dramatically captures the fundamental learning of 25 years of intimate association with leading social entrepreneurs throughout the world: Bill Drayton, *Everyone a Changemaker: Social Entrepreneurship’s Ultimate Goal* (Bill Drayton, 2006).

<sup>2</sup> As Drayton puts it, “The most important contribution any of us can make now is not so much to solve any particular problem, no matter how urgent energy or environment or financial regulation is. What we must do is to increase the proportion of humans who know that they can cause change....Multiplying society’s capacity to adapt and change intelligently and constructively and building the necessary underlying collaborative architecture, is the world’s most critical opportunity now.”

<sup>3</sup> From Gary Hamel’s foreword in Umair Haque, *The New Capitalist Manifesto: Building a Disruptively Better Business* (Harvard Business Press, 2011).

<sup>4</sup> Ibid.

<sup>5</sup> Muhammad Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism*, (PublicAffairs, 2009).

<sup>6</sup> Richard Branson, *Screw Business as Usual* (Penguin Portfolio, 2011).

<sup>7</sup> When entrepreneur Boudewijn Poelmann started the Postcode Lottery in 1989, he wanted to turn the Dutch lottery upside down. He came from a background of business and development and was passionate about combining the two to drive significant change in the world. He wanted the business to be all about communities and he wanted to raise significant funds to support organisations working for a fairer, freer and greener world, [www.postcodelottery.com](http://www.postcodelottery.com).

<sup>8</sup> Umair Haque, *The New Capitalist Manifesto: Building a Disruptively Better Business* (Harvard Business Review Press, 2011).

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Joseph L Bower, Herman B Leonard and Lynn S Paine, *Capitalism at Risk: Rethinking the Role of Business* (Joseph L Bower, Herman B Leonard and Lynn S Paine, 2011); Srikant Datar, David Garvin, Patrick Cullen, *Rethinking the MBA: Business Education at a Crossroads* (Srikant Datar, David Garvin, Patrick Cullen, 2011).