

Hard Covers

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Business that places people at the centre

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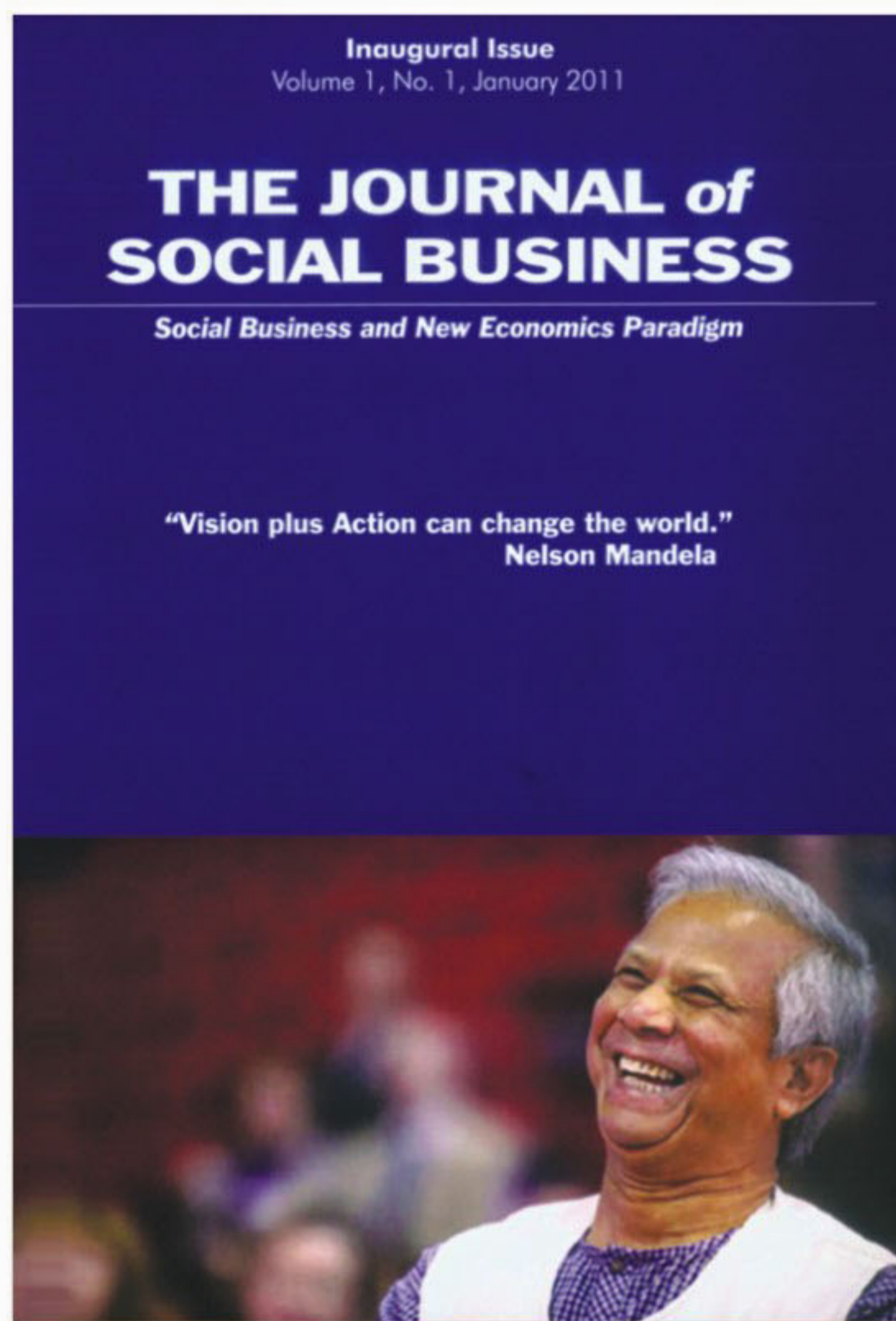
ECONOMIC analysis is about understanding the working of the economic system. Many elegant economic theories exist to analyse traditional businesses. These place their full attention principally on an issue -- how to increase the profitability of the firm; regardless of the costs this might impose on other parties such as employees, the environment or society as a whole. Real and sustainable wealth creation however can never be measured in terms of money profit alone.

Conventional economic theory focuses on a one-dimensional world. Prof Andrew Skinner, a pre-eminent scholar of Adam Smith, has argued that Smith -- the great economist -- would have had every sympathy with Prof Muhammad Yunus' rejection of the economists' one-dimensional treatment of human activity', and he joins Prof Yunus to say: "People are exceedingly multi-dimensional in what Adam Smith explained as the multifaceted nature of human behaviour -- while they have their selfish dimension, at the same time they also have their selfless dimension." Capitalism together with technological advancement and the role of the market that has grown up around conventional theories makes no room for the selfless dimension of people.

What improves the circumstances of the greater part can never be regarded as inconveniency to the whole. No society can surely be flourishing and happy, of which by far the greater part of the numbers are poor and miserable, as Adam Smith said in *The Wealth of Nations*. Despite Smith's observations and reasonable concerns, economists who have followed his ideas have failed to explore the impact of the selfless notion of people as a driver of behaviour for economic action (as, for instance, charitable and philanthropic activities). As such, economic theory has so far failed to integrate these other drivers of behaviour in mainstream economic models.

Smith rightly identified the importance of entrepreneurial activity and of competition. However, his writings were seized upon by traditional economists to do something else completely: to argue that the 'invisible hand' of the market always creates the best of all possible worlds. This closed off investigation of the 'real' challenge of economics: the design of sustainable, win-win systems. The notion of entrepreneurship was distorted into 'top down', value extraction, as distinct from creating 'bottom up', win-win-win possibilities. The core challenge of innovation is to invent or redesign wealth-creating networks or systems in order that win-lose and even win-win relationships are transformed into win-win-win virtuous spirals.

The mapping of social enterprises and initiatives directed at empowering communities while tackling poverty, disadvantages and inequalities in income, health, education and housing presses socially-conscious people to reinvent economics. Referring to the current inability of modern economics to solve societal problems, Prof Yunus explains in his book, *Creating a World Without Poverty*: "Things are going wrong not because of market failures. The problem is much deeper than that. The mainstream free-market theory suffers from a conceptualisation failure, a failure to capture the essence of what it is to be human."



Currently, the selfless dimension of entrepreneurial activity -- even charity or philanthropic work -- has no role in mainstream economics, yet these yield an important re-distributive function to improve fairness in economic outcomes. However, bringing 'social business' ideas into the crease of economic and business strategy theory would allow economists to better capture 'the essence of what is to be human'. Remarkably, the recent successes of Grameen-type microcredit and microfinance initiatives in addressing the critical needs of the people at the bottom of the global community, challenge economists to rethink assumptions about how poor households save, invest and build assets, and how institutions can overcome market failures. *What obviously is new: microfinance seeks to develop capitalist operations, even though on a small scale.*

The choice we face is to believe that human beings are not selfish, rational profit maximisers; they are social, reciprocal beings. Economics needs to be built on the foundation of humanity. And the articulation of Social Business and the New Economics Paradigm will allow us to better capture the essence of what is to be human, and to focus on how to create sustainable social business enterprises in order to regenerate the most humanly purposeful society. Indeed, the new paradigm idea has evolved out of a volume of

research, culminating in a number of ground-breaking presentations at the Global Assembly Conference (held on 4th July 2010 at the University of Glasgow) on diverse community initiatives directed at tackling poverty, disadvantages and income inequalities in Scotland and elsewhere. These included Grameen's global experiences and Prof Yunus' timely presentations to encourage innovative ideas, and to provide poor people access to technology and entrepreneurial non-loss non-dividend activities which have social cause-driven purposes to deal with their apparently insurmountable problems from malnutrition, inadequate healthcare, education and housing, as well as save and secure alternative energy sources.

In an attempt to address the issue of 'Social Business and New Economics' as a paradigm shift, the inaugural issue of this new journal includes a number of key articles which focus on these new dimensions of economics and business. For example, Prof John Struthers argues that the recent global financial crisis, in particular the banking crisis, gives an added impetus to economists to explore new ways of facilitating fairer banking and credit to help poor people. As he argues, this is a huge challenge for the profession and the New Economics approach is playing a central role in ongoing debates. This is partly a theoretical challenge, since the old models are failing to address the critical socio-economic issues. It is also a practical and pragmatic challenge not just for economists, but also for bankers and others who work in the world of finance.

Key theoretical, methodological, indeed historical contributions from Sam Daley-Harris, Jean-Luc Perron, Chris Macrae, Prof David Menace and Prof Frederic Dalsace, Prof Francesco Perrini and Dr Clodia Vurro and Prof Luisa Brunori extend the range of discussion on this paradigm shift away from a narrow economic perspective. The articles by Dr Ashir Ahmed et al, Prof Cam Donaldson et al, and Gordon Dryden, strengthen the case form their perspectives respectively of: poor-friendly technology, equality in healthcare, and the need for an educational and learning revolution. Interestingly, most of the authors made useful cross-references to Adam Smith and Muhammad Yunus in their pieces.

Poverty is still the gravest insult to human dignity. Poverty is the scar on humanity's face. As such, the issue of poverty alleviation demands urgency of appropriate action. Social cause-driven 'non-loss non-dividend' entrepreneurial activity, which Prof Yunus calls 'social business', aims at the elimination of poverty and enhancement of human welfare. His vision for a new dimension of capitalism as elaborated in *Building Social Business* is seen as an approach for 'harnessing the energy of profit-making to the objective of fulfilling human needs.' In a small way, the launch of this new journal may help in that process.

It is hoped that the launch of this exciting new international journal will be able to draw on new developments in theories of economics and business strategy, encourage scholarly research, but also lead to more effective practice and public policy in dealing with poverty. Also, the role of the Journal would be of providing a forum for wide range of discussions of the problems and experiences of the social cause-driven entrepreneurial activities-both for-profit and non-for-profit- in their various manifestations and various efforts to achieve social benefits where unmet needs are perceived.

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A success that looks like failure

The West's long run as top dog may be ending. But the values that made it great, consumerism included, have been sold on to the rest of the world

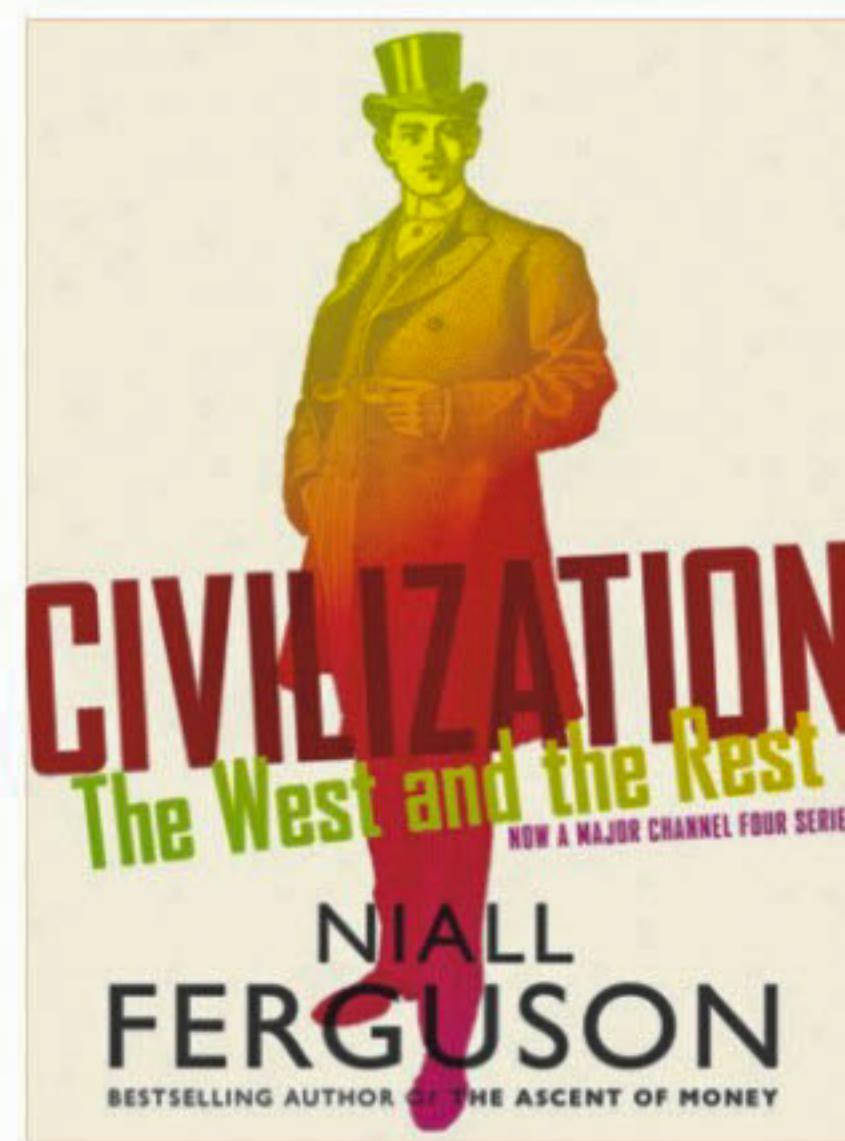
Civilization: The West and the Rest. By Niall Ferguson. Allen Lane; 402 pages; £25.

To be published by Penguin Press in November; \$35.

The two great issues of the age, Niall Ferguson believes, are how a handful of Western countries came to dominate the world, and whether their domination is now threatened by the rise of Asia. Not one to shrink from epic questions, Mr Ferguson, a British historian, has written a dazzling history of Western ideas that sets out to provide the reader with epic answers. Broadly speaking, he is more successful in explaining the West's triumph than in forecasting its fate.

Mr Ferguson starts with the overwhelming success of European civilisation. In 1500 Europe's future imperial powers controlled 10 percent of the world's territories and generated just over 40 percent of its wealth. By 1913, at the height of empire, the West controlled almost 60 percent of the territories, which together generated almost 80 percent of the wealth. This stunning fact is lost, he regrets, on a generation that has supplanted history's sweep with a feeble-minded relativism that holds "all civilisations as somehow equal".

After that swipe, the book goes on to devote a chapter to each of the six ingredients that Mr Ferguson thinks



together explain Western success (try not to be put off when he calls them the West's "killer apps"). Science, medicine and the protestant work ethic are familiar characters in this drama. More unusual are the grubby commercial trio that Marxist historians often underestimate: competition, property rights and the consumer society.

The pace is brisk thanks to Mr Ferguson's technique of weaving contrasts between the West and the rest. These include the riotous and merciless competition for spices between European merchant-explorers, next to the static perfection and, ultimately, the stagnation of the Forbidden City in imperial China;

the more-or-less free inquiry of Thomas Hooke and Isaac Newton in 17th-century England versus the demolition of Takiyuddin's "blasphemous" observatory in 16th-century Istanbul; the respect for private property among the pioneering middle-class of north America, contrasted with the misery of an underclass south of the equator that had little hope of wealth except by rising up against its abusive landlords.

Mr Ferguson is almost gleeful when he argues that the consumer society, butt of the bien pensant left, was the cog in the industrial machine that communism overlooked. "Capitalists", he writes, "understood what Marx missed: that workers were also consumers. It therefore made no sense to try to grind their wages down to subsistence levels." By contrast, although Soviet Russia could produce fighter jets and H-bombs, its jeans were rubbish.

Historians will find things to pick at -- how could they not in a whistle-stop journey through 600 years? The politically correct will bristle at Mr Ferguson's defence of empire -- though he does not shy from its enormities. But the book's main weakness lies when it comes to the second question: is the West doomed?

Mr Ferguson presents a thesis that the West risks not the genteel decline of old age so much as collapse. As a

highly complex system, civilisation has a "tendency to move quite suddenly from stability to instability." That, he argues, was what happened to Ancient Rome, the Ming dynasty in 17th-century China, the Bourbons in 18th-century France, 20th-century Britain and, most recently, the Soviet Union. The West's present fiscal crisis might yet prove to be a symptom of the rot within.

Leave aside whether the rule of Caesars was really shattered in a generation or whether the French revolution marked the end of a civilisation. The trouble with Mr Ferguson's view that the West may collapse is that he also believes Asia is adopting the West's values. China, following the path of Japan, is harnessing Western science, medicine and technology, and encouraging its hard-working people to become consumers and, within limits, to own their own homes. That is not so much a defeat of the West as its triumph.

Unless Asia has any exclusive "killer apps" of its own, it is hard to see how such a triumph could alone condemn the West to disaster. Whereas a handful of Western countries were once at it, a whole planet has started to join in. More likely than the end of civilisation -- and more boring -- is that the West will just cease to be special.

-- The Economist

The Indian mind and wallet

Consumer India By Dheeraj Sinha.

Wiley; pages: 192; price: \$24.95

The economic liberalisation of India, which began in the early 1990s, has had a profound impact on how Indians live and think. The opening up of the economy has opened up the mind of the people, and an understanding of how today's consumer India behaves must begin with an understanding of their changing mindset and how that is redefining what is culturally desirable to the Indian consumer.

This is what the new book by Dheeraj Sinha, "Consumer India: Inside the Indian Mind and Wallet" sets out to do. Going beyond the hackneyed "India is different, India is complex" argument, Sinha pins down what makes the Indian consumer and the market so unique in its own right. Contrasting this against the traditional way of living and thinking, as well as using anecdotes and stories from consumers, Bollywood, category data, marketing cases and macroeconomics, he brings alive the story of change and unravels the interconnections between the mind and the wallet of today's Indian consumer.

"It is imperative for brands and businesses seeking success with Indians to understand this larger cultural transformation," said the author. "As marketers take in how Indians are thinking and behaving today, their challenge is to find out how their brands can play a meaningful role in the lives of the people based on the new cultural codes."

Like everything else in India, marketing too is part logic, part gut. Drawing upon facts, fiction and personal experience, Sinha gives a rich practitioner's account of what Indian consumers want -- from the field, not the sidelines. Sinha is currently chief strategy officer at Bates141 India (a WPP Group company). -- Star Business

