

# Social Entrepreneurship for Sustainable Economic Development: A Need to Increase Workforce Participation

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## Abstract

Economy downturn has become the trend of the society. The stability is the base of growth and prosperity. The culture whose people enjoy the security of necessities prospers. The prosperity of the market and its sustainability for the long term needs financial stability of the people of the society. This paper focuses on the need of sustainable economic development for the world economy. The harms of sustainable competitive advantage have been discussed further. It shows how the traditional business practices leads to the harassment of human capital on such a large scale. It further discusses the importance of social entrepreneurship in bringing the transformation of economy towards sustainable economic development. Special emphasis is given on for-profit social ventures to bring out the charm in such enterprises for long term growth and prosperity.

**Keywords:** Human Capital, Poverty, Social Entrepreneurship, Sustainable Economic Development

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## 1. Need for Sustainable Economic Development

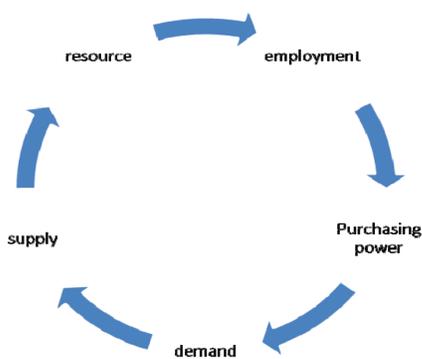
Sustainable economic development is often defined as generating permanent income for all without declining capital stocks (hickson income). Capital stocks include: produced stocks, human stocks and social stocks. The maintenance of these stocks is required for economic sustainability<sup>6</sup> (Pearce & Atkinson 1993, Spangenberg JH 2005, Serageladin 1997). Sustainable Economic development requires wellbeing of all the participants of economy. A healthy balance among all of them. But as observed since industrial revolution, the companies are fighting among themselves for competitive edge. And they end up in exploiting capital of the economy

'Income for all' and 'without declining capital stocks' is the two main factors of Sustainable economic development. As per Hicksion definition economic downturn can be linked with exploitation of human capital. With the increase in employment, more buyers are instilled in the market and increase the purchasing power of the entire buyer. This shifts the increase in demand. The increase in demand attracts sellers in the market, who increase their capacity to fulfill the demand. In order to increase their capacity, organizations need resources. This generates employment. All these factors are positively correlated with each other. Increase in any of them will lead to increase in all and

vice-versa. The question arises here; if increase in employment is an important factor that drives economy then why world's top 200 companies that equal nearly 30% of the total world GDP employ less than 1% of the world population. Exploitation of human capital can be linked with negative sentiments in any economical framework. As said by Swami Vivekananda the accumulation and proportional distribution of power is important for proper functioning of society<sup>1</sup>. From the perspective of this theory, it could be inferred that the accumulation of money in few hands and distribution to very few avoiding the major chunk of human capital has adversely affected the economy. The MNC's try to find new ways of Sustainable competitive advantage but do not focus on employment generation. More than four billion people of world population live below poverty line. The two-third of world population does not participate in its development.

## 2. Sustainable Competitive Advantage Perspective

Sustainable competitive advantage as defined is an approach as per which the organization try to maintain its superiority in revenue generation over many years. Companies try to maintain their competitive edge over other market players. The market players react only to maintain their competitive edge. The change in their



**Figure 1.** The flow of economy.

practices is due to either threat of survival or an opportunity to gain competitive edge. The market has always reacted to change in consumer behavior in order to attain Sustainable competitive advantage. The market players have seen each other as rivals and their basic aim is to attain larger piece of pie, i.e., larger share of consumer pocket<sup>13</sup>. The late 19<sup>th</sup> century has seen the production era, when goods were produced in bulk to obtain economy of scale. These end products were thrown in the market at cheap prices where customers have none or very limited choice. This era was overtaken by product era, when the companies in order to attain Sustainable competitive advantage over their competitors have shifted their view of obtaining economy of scale to product differentiation through quality. They try to differentiate their products by maintaining high quality standard. Sooner this concept was overtaken by sales orientation which was followed by marketing concept. Then came the societal marketing concept, where the market players try to nourish their image by involving in social work. Now some companies especially in service sector have started practicing experiential marketing. The companies try to create delightful experience for the customers which in turn suppose to increase brand loyalty. The competition between the market players will always be present but the point of concern is where this practice is driving the economy. Sustainable competitive advantage on the expense of exploitation of human capital should be practiced or its extent should be checked to move towards Sustainable economic development.

### 3. Exploitation of Human Capital

Human capital is suffering since industrial revolution. Around 4 billion people in the entire world earn only \$1500 per annum. Perhaps more than a billion people earn less than \$1 per day. This deprived section represents 40 to 60% of all economic activity in developing countries. Abandoned with proper infrastructure like education, connectivity, credit and communication, this section of the world need to be connected to the mainstream of world

economy<sup>2</sup>. While Sustainable competitive advantage focuses on competitive edge, Sustainable economic development presents a healthy balance between long term growth of economy and prosperity of humankind.

The question arises as to how to move in direction of sustainable economy? How workforce participation can be maximized? How maximum human capital can be utilized? It becomes obvious that this goal cannot be achieved through traditional pursuit of wealth maximization. The nations have shown their concern over economic sustainability. The rising avoidance of human capital, that is an important concern for poor and developing countries, has not left developed countries as well, the recession after US sub mortgage crisis have trembled the strongest economies around the world. The failure of world's strongest economies has necessitated the need to embrace Sustainable economic development throughout the world economy.

### 4. Entrepreneurship and its Social Aspect

Increase in workforce participation in economic development is very important for its sustainability. Enough space should be created in the market so that more and more workforce can contribute in fulfilling the demand in the economy. Business development will not be sufficient to increase workforce participation. As it will shift the economy towards the rich, as it seems to be happening. We have to think beyond entrepreneurship for self to entrepreneurship for all. A business model that grows with society. We have to link entrepreneurship with society. This is not a new approach in Indian context, but definitely needs a boost. Vinoba Bhave, a great social reformer and spiritual successor of Mahatma Gandhi, had started, Bhoodan movement or land gift movement to help landless peasants. With its roots in Pochampally village of Telangana, Bhave initiated a practice by asking for large chunk of agricultural land from land owners and distributing them in small fragments to landless peasants. Bhoodan movement has helped landless peasant in becoming self dependent. They don't had to work in others field, they can now work on their own fields and generate livelihoods for their family. At its initial phase, Vedre Ramchandra Reddy, had donated 100 acres of land for this purpose, which was distributed among 100 landless peasants in equal fragments of 1 acre to each. This movement had gained popularity throughout India and later widened its base to gramdan, where whole village was sought for this purpose. With his aim of establishing Savodaya Society (the rise of socio-economic-political order), bhave had initiated many social reforms. Social reformers around the world have taken many initiatives from time to time for socio-economic development of the deprived ones. The recent example is of Dr. Mohammad Yunus's

Grameen Bank<sup>12</sup>. He initiated a scheme to lend credit to rural poor in Bangladesh without collateral. The success of Grameen Bank has established the fact that profit can be made along with serving the society.

Social entrepreneurship not only includes social reformers, who took initiatives for socio-economic development of society without earning for themselves. But with the advent of time, social entrepreneurship has become more powerful in financial terms. As defined by Zahra et al<sup>9</sup> social entrepreneurship encompasses the activities and processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organization in an innovative manner. Social entrepreneurs intelligently mix their noble mission of societal development with wealth creation. It provides a path of long term growth and prosperity for both the organization and society.

Social entrepreneurs grab business opportunities, create wealth and grow their business as for-profit firms do. This approach of internal financing gives them a long term support to develop themselves and serve the society<sup>10</sup>. Social entrepreneurs have very positive impact on Sustainable economic development. As they work for betterment of the society and not only for

themselves. They have a mission of societal development. They are more concerned about ethical aspect of business. They don't lead to exploitation of capital stocks. In fact the world learns many a times from these entrepreneurs as how to do business and deal with current or upcoming problems of the society.

Table 1 brings up those entrepreneurs who have contributed to the theme of sustainable economic development through out the world. The entries have been selected from the Forbes list of top 30 social entrepreneurs. Forbes has selected a panel of experts (bill dryton, founder of Ashoka; Dean karlan, Yale economic professor to name a few) who helped in identifying leading innovators from different sectors. We have further studied and selected only for-profit enterprises from Forbes list. These entrepreneurs, through their intelligent ideas and determination, started their ventures and now converted into a profit making business. Even the traditional for-profit business pursuits have risk of failure and many businesses fails to grow. The same happens with social ventures too. But social ventures have greater chance of growth and prosperity. It has been observed that the social entrepreneurs hit accurately at their target segment's need, which increases their chance of success. Further their aim to create social wealth

**Table 1.** List of for-profit social entrepreneurs (data collected from <http://www.forbes.com/impact-30/list.html>)

COMPANY	FOUNDER	HEAD QUARTER	OBJECTIVE	IMPACT
IGNIA	Alvaro Rodríguez Arregui	Mexico	a venture capital firm that supports high growth enterprises serving the base of the socio-economic pyramid in Mexico.	Managed assets of \$102 million
D.LIGHT DESIGN	Sam Goldman and Ned Tozun	San Francisco	D. light provides portable solar lamps at affordable price to people who don't have access to reliable electricity	Provided solar lamps to 49 million people <sup>14</sup>
TERRACYCLE EMBRACE	Tom Szaky Jane Chen	Trenton, N.J. San Francisco	Used worm poops as organic fertilizer Develop a device that keeps low-birth-weight babies warm even when the electricity in hospitals and clinics fails.	\$13 million revenue generation in 2010 struck a global distribution deal with GE Healthcare. Next up: a hot-water-powered product that doesn't require electricity to warm newborns.
KICKSTART	Martin Fisher and Nick Moon	Nairobi, Kenya	Developing low-cost, high-impact products, –including a brick press and a machine that makes cooking oil from sunflower seeds. Develop pumps that allow farmers to pull water from a river, pond or shallow well and irrigate up to 2 acres of land.	sold 28,000 of pumps last year in small shops throughout Africa
NEW LEAF PAPER	Jeff Mendelsohn	San Francisco	Use recycled waste paper and environmentally friendly bleach to create high-quality stock that is largely used to print magazines.	generated \$20 million revenue in 2010
MEDIC MOBILE	Josh Nesbit	San Francisco	Developed tools that allow health care workers to explain patients' symptoms and transmit medical records using simple text messages.	Soon be in partnership with a group from UCLA to offer a \$15 diagnostic tool that uses a cell phone's light and camera to remotely analyze a blood sample for malaria and tuberculosis.

makes them to go on affordable pricing instead of skimming pricing. That makes their products and services economical for the consumers. And since they are working for some social cause, they always enjoy public support. Social entrepreneurship has a very positive impact on Sustainable economic development. But it shares a very little space in world economy. The major chunk still goes with for profit firm. The time has come to rethink about business practices. The avoidance of human capital on such a large scale will not drive the economy for too long. Initiatives must be taken to move towards sustainable economy. Whether creation of social wealth should be mandated or not but the Sustainable economic development will be the necessity of the near future.

## 5. Conclusion

Three kinds of organizations play a major role in infrastructural development- MNC's, NGO's and local firms. Different organizations have different objective of existence. MNC's are profit making firms whose objective is to increase their shareholders value. There is no doubt on few MNCs positive role in societal development such as starbucks, HP, Unilever, to name a few. But the point of concern is their objective, which pushes their strategies in profit aspiring practices. As far as deprived section of human capital is concerned, it is an attractive market for their Sustainable competitive advantage. The MNCs role will be a restrictive one that will not focus on the overall development of poor.

On the other hand, the basic objective of NGO is to contribute towards development of the society. The overdependence of NGOs on external financing limits their contribution to the society. Accept few big names most of the NGOs get limited due to lack in financial support.

Local firms have emerged as a bigger opportunity, these firms, according to the need of the local market and society, built their business structure, their emphasis on internal financing helps them to drive social change at mass level. Their focus on dealing with local problems gives them competitive edge over the giants. They make the profit and expand, which in turn generates employment.

The shared value concept is the key to the efficiency of social entrepreneurship at the bottom of the pyramid. As defined by Michael E. Porter in his work<sup>3</sup>, "Creating shared value" shared value is a concept that enhances the competitiveness of the company while simultaneously advancing the economic and social

conditions in the society in which it operates. Shared value creation focuses on expanding with societal and economic progress.

Sustainable economic development shows the future of world economy. It is becoming necessity of the humankind. The exploitation of human capital cannot be avoided. Their will always be need to maintain healthy balance among all the participants of the economy. The wheel of social entrepreneurship will always be driven by noble souls. But to accelerate it, government intervention is required at both national and international level. Whether policies would be framed only to contain competition, to benefit consumers or whether emphasis should be given to provide organizations and society a common path where they can move in direction of growth and prosperity collectively.

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