



ENTREPRENEURIAL PERSPECTIVES

Assignment-1



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Introduction:

Social entrepreneurs (SE) have become a social agent of changes by introducing innovative and cost-effective methods to address the deeply rooted social problems (such as poverty, gender inequality, etc.) which have challenged the traditional solutions (Cox and Healey, 1998). Mohammad Yunus was such a SE who was honoured with Nobel Peace Prize in 2006 for his entrepreneurial venture- the Grameen Bank, started in 1976 (formally founded in 1983) in one of the poorest country in the world, Bangladesh (Yunus, 1998).

It all started with a small loan of £14.50 that he gave from his own pocket to a group of 42 helpless women in Bangladesh, with no hope of getting it back. Remarkably, he not only got back his money, but also got his interest and all those women managed to do some small businesses by themselves (Yunus, 1998). With this extraordinary result, he visioned Grameen Bank offering micro-credit to impoverished people without any collateral, mainly on trust, so that these poor people can empower themselves and can break the vicious cycle of poverty (Yunus, 1998). In FY 2018, Grameen Bank had more than 9 million members and had a gross profit of more than £48 million (Grameen Bank, 2018). The borrowers are the shareholders and board members of the bank. It is a bank for the poor and operated by the poor (Grameen Bank, 2018).

Entrepreneurial Behaviour:

Mohammad Yunus exploited this opportunity not only for profit maximization, but also to bring in a social change and improvement, unlike traditional entrepreneurs who mainly reflect upon economic goals (Zahra et al., 2009). There are different typologies of SE focussing on different types of social problems, within their own realms. Mohammad Yunus can be considered as the best example of a social engineer who aimed to change the strongly established social institutions from outside the existing system, not from within (Zahra et al., 2009). His strategy was totally contradictory in nature compared to the traditional practices, where he offered micro-credits mainly to the poor women. Moreover, it does not work in collaboration with any governmental bodies, U.N. or World Bank or any such other organizations for any financial purposes, rather Yunus, kept his organization independent and his employees different as much as possible (Zahra et al., 2009). However, government and other financial institutions tried everything possible to make it difficult for Yunus, as a major

population of Bangladesh are poor and they started to take loans from Grameen Bank only, causing the money in other banks to sit idle, resulting in major losses to those organizations (The Guardian, 2012). Yunus was persistent to keep his bank independent and finally from 1995 onwards, the bank became self-sufficient enough to not to rely on donors anymore (Yunus, 2003).

His microcredits do not only help to break the vicious cycle of poverty in Bangladesh, but it also helped to change the age old gender power inequalities by empowering women financially. Previously, less than 1% of women were recipients of loans, as they hardly had anything on their names to use it as collateral (Zahra et al, 2009). Yunus changed the whole system of loaning operation, making women the major borrowers of microcredits which helped them to be self-dependent by opening their own small businesses/farming activities (Pitt and Khandker, 1998). His attempt immediately started to alter the existing cognitive institutions and assumptions. Yunus kept experimenting over time and started to work directly on changing the other cognitive and normative institutions in Bangladesh (Zahra et al., 2009). He started to enhance the feelings of interdependence within the village women by giving loans to a group of women only, instead of giving them individually (Bernasek and Stanfield, 1997). The group can then individually use the money for their purpose, however, the group is jointly liable for repaying the whole loan amount, creating a shared sense of obligation and it increased the chances of the loan to be repaid (Wahid, 1994).

The same model has been replicated to many parts of the world, especially in developing countries (Gangemi, 2005) which includes North America (Taub, 1998), Europe (Rogaly, 1996), Latin America (Thomas, 1995), Africa (Wall Street Journal, 1998) and Asia (Hulme, 1990).

Stages of Entrepreneurship:

The below model illustrates the social entrepreneurial process of SE like Yunus. Which has been discussed broadly because of the limited scope of the assignment.

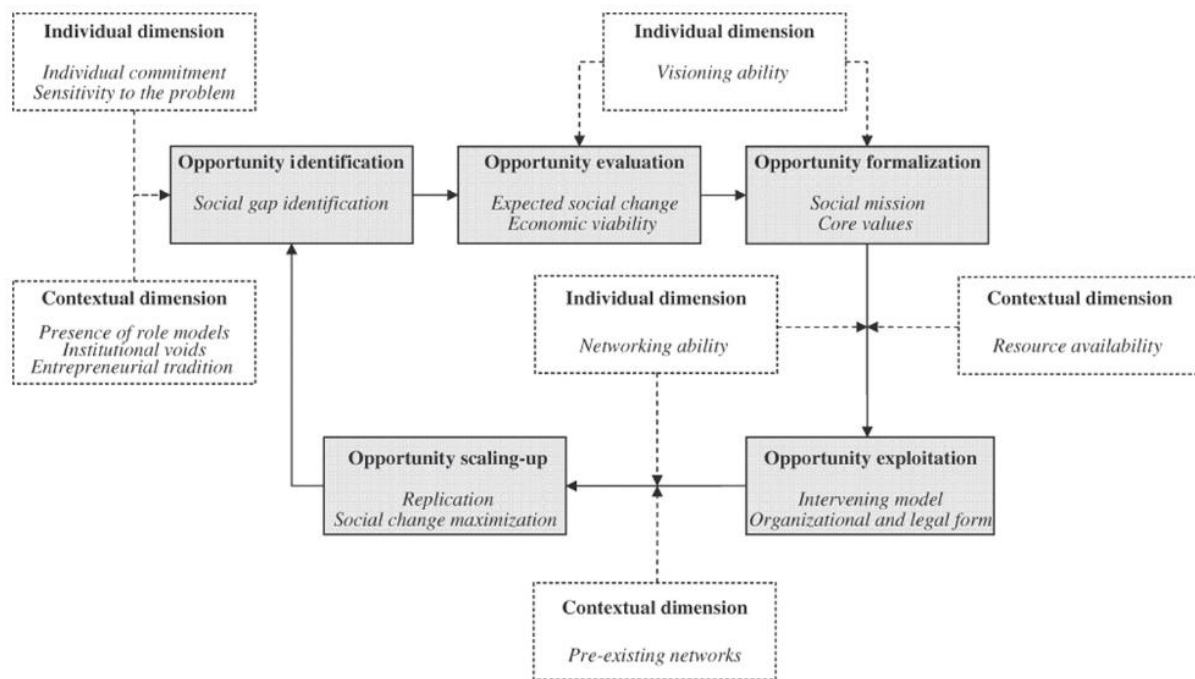


Figure: Various stages of the social entrepreneurship (Perrini, Vurro & Costanzo, 2010).

Five key stages in the process of social entrepreneurship:

- Opportunity identification:** SE has the ability to identify any opportunity where the supply/demand for a value-creating product/services exist (Kirzner, 1973). However, SE looks for general or specific social targets (Mair and Marti, 2006; Certo and Miller, 2006) and prefers social change over profit goals (Austin, Stevenson, and Wei-Skillern, 2006).
- Opportunity evaluation:** It is mainly triggered from personal motivation to bring a social change than strict cost-benefit analysis. It includes evaluation of available support system to achieve the social objective (Perrini, Vurro & Costanzo, 2010). However, to generate long-lasting impact, it should be sustainable enough so that it can identify sources of financing and resource providers by combining with direct economic value creators (Dees, 1998).
- Opportunity formalization:** This is one of the most crucial step, as it requires resource mobilization based on the soundness of a project created on the basis of well-established economic performance indicators (Dorado, 2006). As SE works within the unexplored/emerging fields where social inequality coincides with unfulfilled social needs, clarification and solid principles are highly essential to convince the related stakeholders in order to get support for the project (Johnstone and Lionais, 2004).

d. Opportunity exploitation: SE are not characterized as non-profit in nature (Perrini, Vurro & Costanzo, 201). The model based on which the organization is developed to address the social needs determines its access to financial and non-financial resources, performing activities, distribution of the resulting value and preservation of the ability to achieve its objectives, which results in reducing the risks of change in organizational behaviour and shifting away from its vision (Dees and Elias, 1998; Dorado, 2006)

e. Opportunity scaling-up: The social entrepreneurial process does not end only in exploiting the opportunity, but to successfully maximize the social change by addressing the scalability of the model which is highly important for the organizational growth, expansion and its replication (Dees, Battle Anderson, and Wei-Skillern, 2004). Scalability of the organization is highly necessary not only to increase financial gains but mainly to spread the social innovation which in turn will maximize the social change (Chell, 2007).

Leadership style:

Currently, Grameen Bank has more than 20,000 employees (Grameen Bank, 2018). To operate such a huge organization strong leadership skills are required. Different leadership styles are used based on the nature and purpose of the organization, and it also varies with different situational aspect. Yunus can be considered as a transformational leader, whose leadership was centred around self-respect, faith and transformation of his followers' attitudes, beliefs and values which is directly related with satisfaction, motivation and performance- the three key factors for the success of an organization (Wofford, Whittington, & Goodwin, 2001; Masi & Cooke, 2000). It is different from transactional leadership as it includes the exchange of certain things for value of another between the leader and subordinates (Masi & Cooke, 2000).

Transformational leaders are quite similar to charismatic leaders, but differs in the way they treat followers to the concerted goal (Conger & Hunt, 1999). Charismatic leaders (such as Adolf Hitler, Mahtama Gandhi, Mao Zedong, Mother Teresa, etc) have an ability to motivate and inspire to their followers to such as extent that despite of any obstacles and personal sacrifices, the followers will do more than what they would have done in normal situation (Daft, 2010). Charismatic leadership may or may not be the most effective leadership to achieve organizational goals, but their subordinates follows them

blindly with unquestionable loyalty (Uddin, 2015). However, Yunus (and other transformational leaders such as Mahatma Gandhi, Mother Teresa, etc) aside of having charisma, instilled the ability of questioning the established views and also to the views developed by their own leaders (Avolio & Bass, 1985). Yunus has the ability to compel his followers to be dedicated towards the congruent organizational goals by inducing high sense of commitment, trust and creativity within his employees to direct Grameen Bank towards the envisioned goal (Yucel, McMillan, & Richard, 2014; Braun et al., 2013).

Although all SE are driven by ethical obligation with a desire to reform and bring a social change, however, due to various social complexities and barriers, egoism can fuel in to follow unethical practices to reach to the goal. Ethical behaviour may vary from individuals based on their association with their entrepreneurial behaviour (Zahra, 2009). Many SE share the same core temperament as traditional business entrepreneurs with financial motives. In such cases, those SE tends to believe that their egoistic streak for the fulfilment of their ambitions which may bring a social change are ethically justified (Longnecker et al., 1988). At times, in pursuit of transforming a society for the betterment, behaviours may get intense, leading to social tensions, conflicts and acrimony instead of harmony and prosperity. In such a situation, a transformational leader with his passion and charisma only differs in terms of 'ego' from the charismatic leader that obligates him to be ethical while moving towards the goal (Zahra et al., 2009).

Conclusion:

Yunus lead the poor (especially the women) by inducing pride, drive, encouragements and desperation to achieve his vision and mission to such an extent that it became a shared goal, target and achievement (Uddin, 2015). Today, those poor women are the shareholders and board members of the Grameen Bank. His, vision, integrity, commitment, dedication, determination and desperation transformed millions of poor (mainly women) in Bangladesh and a non-traditional banking system into a full-fledged banking system called "Grameen Bank-a bank for the poor" (Uddin, 2015).

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