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SCHUMPETER DISCUSSION PAPERS

**Discussing Social Business Innovations:
An Interview with Professor Muhammad Yunus**

**Michael Wirtz
Christine Volkmann**

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Discussing Social Business Innovations

An Interview with Professor Muhammad Yunus

Michael Wirtz and Christine Volkmann

Abstract

Muhammad Yunus is one of the world's leading social entrepreneurs, having been awarded the Nobel Peace Prize for founding the Grameen Bank in Bangladesh. This microfinance institution is the largest one until today, counting eight million borrowers. We conducted research on Grameen Bank, related organisations and the concept of social business over the past years and asked Yunus questions which arose as a result of the research.

Keywords: Social Business, Grameen Bank, Microfinance, Social Business Cities, Joint Ventures

Michael Wirtz was a Research Assistant under the chairmanship of Professor Christine Volkmann at the University of Wuppertal, Germany. During his work at the Chair he has written a cumulative PhD Thesis containing studies in the field of social business.

Christine Volkmann is Professor of Entrepreneurship and Economic Development, holding the UNESCO Chair in Entrepreneurship and Intercultural Management at the University of Wuppertal, Germany.

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Introduction

Social business is a concept which aims at solving social problems with the help of business methods. Muhammad Yunus, who has founded the microfinance institution Grameen Bank in 1983, providing microloans to about eight million borrowers today, calls his organisations social businesses and defines a social business as “a non-loss, non-dividend company with a social objective” (Yunus 2010: 4). Social business is often used synonymously to the term social entrepreneurship. However, there are some features which differentiate between the two. The so called ‘seven principles’ clarify the concept of social business:

- 1 Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization.
- 2 Financial and economic sustainability
- 3 Investors get back their investment amount only. No dividend is given beyond investment money
- 4 When investment amount is paid back, company profit stays with the company for expansion and improvement
- 5 Gender sensitive and environmentally conscious
- 6 Workforce gets market wage with better working conditions
- 7 ...Do it with joy (Socialbusinesspedia 2018).

According to these principles, the term social business in Yunus’ definition can be distinguished from the concept of social entrepreneurship, which is a rather vague concept with varying definitions (Dacin et al. 2010; Bacq and Janssen 2011). The distinction between the social business concept of Yunus and the concept of social entrepreneurship basically refers to funding and profit-distribution issues: firstly, a social business entrepreneur is looking for ‘investors’, not donors, and investments in social businesses have to be repaid only to the original amount. Secondly, no dividends are paid to shareholders, thus profits are not distributed but stay within the company. This way Yunus’ social business concept can be seen as a subcategory of the overall concept of social entrepreneurship. All in all, one could define a social business as a non-loss, non-dividend social enterprise.

The Grameen Bank is not the only company Yunus has founded. There are so called Social Business Cities, like Wiesbaden, Fukuoka and Pistoia. Additionally, different forms of

microfinance institutions have either adopted the system in Bangladesh or have become inspired by the idea, and tried to modify it according to local circumstances. Lastly, we can observe global players engage in cooperation with Grameen so as to install social business joint ventures in Bangladesh.

The tasks of the UNESCO Chair held by Christine Volkmann at the University of Wuppertal focuses on some of the seventeen Sustainable Development Goals (SDG). Among the goals pursued by the Chair are “Sustainable Cities and Communities” (SDG 11), “Decent Work and Economic Growth” (SDG 8) and “Responsible Consumption and Production” (SDG 12). Accordingly, the studies on social business issues conducted by the authors are in line with these objectives: interviews with representatives of the Social Business Cities were conducted in 2013 so as to find out more about these emerging ecosystems (Wirtz and Volkmann 2015). We did research on different forms of microfinance organisations in 2014 (Wirtz and Volkmann 2015a). Finally, we explored the ongoing cooperation between Grameen Bank and the global players Danone, Veolia and Intel (Wirtz and Volkmann 2017).

In 2016 we were given the opportunity to discuss questions related to our study with Muhammad Yunus. Although the last research project had not been completed until then, we had already conducted the interviews and could derive insights as well as ask questions about the joint ventures. Thus, the following questions were developed:

1. The case of Grameen America shows that a Bangladesh oriented microfinance concept can also work in an industrialized country. Currently in Germany more individualized models, like Social Business Women are expanding. In your opinion, how would a microfinance institute like the Grameen Bank perform in Germany?
2. The Social Business City concept is expanding with Barcelona becoming the latest SBC in March. Nevertheless, some think that those local ecosystems take too much time to develop and generate an impact. Do you agree and is there a way to accelerate their growth?
3. The joint ventures Grameen Danone, Grameen Veolia and Grameen Intel still have not reached breakeven, although the financial gap is narrowing. Why does it take so much time for social business joint ventures to become financially sustainable?
4. According to quite recent research projects, there is significant risk that companies declare themselves a social business in spite of not meeting the seven principles. Therefore researchers have recommended a certification process for social businesses. Would you support such a measure?

5. The concept social business seems to be very ‘attractive’ for people, one of the interviewees, Hans Reitz, expressed that some people are very persistent when trying to establish it in their companies. Can you explain what especially attracts people, why do some of them stick with it until they succeed?
6. Some criticize a no-dividend policy as being uneconomical. What is your view on this? How strictly do you apply this principle when creating new social businesses?
7. Beyond microfinance institutions, joint ventures and urban ecosystems – in which other fields can social business innovations expand?
8. In an article based on an interview with you conducted by Kickul et al. (2012), you recommended measures for academics. Can you make further recommendations for stakeholders such as politicians, managers, students and entrepreneurs?
9. In Germany and other European countries, the refugee crisis currently dominates the political agenda. How can social businesses help to solve the problems brought about by immigration?
10. In 2009, Kerstin Humberg, who wrote her PhD about Grameen Danone and Grameen Veolia, conducted an interview with you. Her last question concerned the general response of the public in Bangladesh to your entrepreneurial actions. You replied that nobody paid attention, because, I quote, “people do not pay attention to somebody who is doing crazy things next door”. Do Bangladeshis still think that you do “crazy things”?

The interview was conducted by one of the authors along the European Social Business Forum in Utrecht. Yunus has edited the transcript, which can be found below. Subsequently, we discuss his answers in the following section.

Authors: Good afternoon, Professor Yunus.

Prof. Yunus: Good afternoon, hello.

Authors: Thank you for giving me the chance to conduct this interview with you. I prepared 10 questions and I would like to start with the first one, if you agree.

Prof. Yunus: Go right ahead.

Authors: The case of Grameen America shows that the Bangladesh oriented microfinance concept can also work in an industrialized country. Currently in Germany, more individualized models like Social Business Women are expanding. In your opinion, how would a microfinance institute like the Grameen Bank perform in Germany?

Prof. Yunus: Microcredit, first of all, is a concept of delivering financial services to the people who are rejected from the financial system. It's like curing a disease - if you try to cure a disease by medicine, you try it out on animals then later on, on people whether it cures people. If it cures people, then that medicine is applicable anywhere in the world. It's the same human body everywhere. So, whether it was tested in Bangladesh or some other country; Brazil or whatever, it doesn't matter because it works, it cures the problem, so it should cure similar diseases in all countries. So microcredit is the medicine, designed for the particular problem, the problem that banks do not extend services to poor people. It was designed in Bangladesh and it worked. It's the people and the service, so when you come to Germany, again, it's people and service. The concept is the same, so either you can design Grameen Bank as a whole or another small thing, it's up to you, but the procedure is the same if it's working, we saw it that way. We didn't think, "Oh, in Germany, it may not work. It may work only for Bangladeshi people". That's not what it is. There are deprived people from the financial system in all countries. Grameen is a system which comes to the deprived people, delivers the service and makes it work. I am confident that it will work anywhere else. Now the proof has to be seen by doing that, "No, no, it only works in Bangladesh," people said in the beginning, and I said, "No, you are wrong. Try it in another country". So, Malaysia was the first country to try it and it worked, then came the Philippines and it worked, Indonesia, it worked. This is how it has spread. Then finally I was told in the USA that "It doesn't work in the USA. Many programs which were launched were closed down. They all failed. We have done it 500 times with 500 organizations. We tried it, but it didn't

work,” and my answer to that observation, I said, “You can do it 5,000 times, and every time you fail, I will still say the system will work in the USA. It failed every time because you didn't know how to do it.” Then they said, “Why don't you come and show it to us?” so I went, I started doing it and now we have 18 branches all over the USA; eight branches in New York and 10 branches in 10 other cities. This is how we did it, and it works beautifully. We have 65,000 borrowers, 100% women. We have lent out over time since 2008 more than \$340 million. The repayment rate has been near 100%, around 99.5-99.6%. So it works. This is my thought that it's a question of applying it properly. If you do that, it should work.

Authors: In Bangladesh, you have this group lending model.

Prof. Yunus: It's the same in the USA. Everything is the same. We didn't change anything.

Authors: Yes, but in Germany, we only have individualized concepts so far, like Social Business Women.

Prof. Yunus: Sure, it could be, but then they departed from our system and we don't know about that. It may work, it may not work. If it fails, I'll say that it was not the right thing. The Grameen system worked everywhere, and I will say it will work in Germany, too.

Authors: Okay, thank you. Question two; the social business city concept is expanding with Barcelona becoming the latest Social Business City in March. Nevertheless, some think that those local ecosystems take too much time to develop and generate an impact. Do you agree and is there a way to accelerate their growth?

Prof. Yunus: I agree completely because it's the first time it's happening in the city context to do that. There's no particular driver to make it happen step by step. Some enthusiastic people get together to do that. They need a structure, an ongoing structure, a business structure so that they can push it through. Those things have not happened. But there's a tremendous amount of interest. People are very enthusiastic and want to succeed. They have to work with the city people, city officials, work with the businesses and so on. The first step that needs to be taken is to demonstrate one social business solving one tiny piece of the problem that exists in the city. Unemployment may be one, or old age, or healthcare for people who are left out of healthcare, or refugees may be the one. They have to create examples of success. So far, those

instances are not coming up as fast as we hoped they would. The fact that the initiative is there, and the promoters want to do that, that's very important. Barcelona just started, but they still don't have the structure by which they can move forward in a systematic way. If you want to assess what progress has been made, I would say good intentions are there. Structures have still not been developed in the way that can speed the process up. But it can be done. It's an excellent initiative.

Authors: Within the Social Business City concept, I figure you say the same as for the business, start small?

Prof. Yunus: Always start small, then you can test it and you know the proof of the concept. Once it's proven, you can take faster speed.

Authors: Thank you. The joint ventures Grameen Danone, Grameen Veolia and Grameen Intel still have not reached break-even although the financial gap is narrowing. Why does it take social business joint ventures so long to become financially sustainable?

Prof. Yunus: For one thing, this is a multinational company. They follow their own principles, like salaries, it's not a NGO so that you can develop your own salary level and so on. They have to maintain their salary scale and other standards. It's a Danone company, whether it's a joint venture, whether it's a social business or not, it's a Danone company and there is the standard of the Danone company and the salary, etc. This is on the higher side than what you would normally expect in a country like Bangladesh and then lots of things they have to do at the same level of standard, efficiency, and quality. So it becomes expensive. That way, expense is high obviously. It doesn't mean that the break-even point cannot be reached. It takes time. The development phase always takes time. When you build your first car, it takes a lot of time. When you know how to build a car and put it through the factory process, probably every hour or every ten minutes there's a car coming out. This is the time you're developing the prototype. Every business that we have, it becomes extra difficult for multinational. They cannot afford to make mistakes. If you make a mistake, it becomes big news even if you are doing social business. So you have to be very careful on the legal issues, on moral issues, political issues and everything, so they have to be very cautious, step by step. This is what is done. Our own interest is not to come to the break-even point right away. Our main issue is to come to operational break-even, just make sure you cover whatever you're spending now. Overheads

have to be done over a long period, because overheads are built for a much larger market, but you start with serving only a few people at the beginning. Overheads cannot be covered by the product that you produce right away. If you want to do that it becomes too expensive. When you grow, when volume becomes big, then you come to cover the overheads. In the beginning, you just look at the operational cost. Even the operational cost is higher in multinational joint ventures because of the reason I explained to you.

Authors: And the reason you just explained, for example, in a social business joint venture, is that the quality is the same as what you sell in Europe? It's very high quality.

Prof. Yunus: Exactly. It's very high quality.

Authors: This might differentiate this approach from a BOP approach, where a multinational company sells low cost products so that the quality is not a very important issue.

Prof. Yunus: Even then, quality is very important for multinationals, because they carry their brand name. A BOP product is a product of the same company. They cannot compromise the quality because somebody will say, "Look, they are selling second class products." They have to maintain their quality. For BOP products they overcome it because they have a big structure already and a big market already. Their overhead cost doesn't weigh much on this one product. Overhead costs are spread out over many products and over a bigger market.

Authors: According to quite recent research projects, there is significant risk that companies declare themselves a social business despite not meeting the seven principles; therefore researchers have recommended a certification process for social businesses. Would you support such a measure?

Prof. Yunus: Yes, I've always promoted that idea that we should go back and have the certification process installed for several reasons, not only the seven principles. The important reason is that you start with good intentions, follow all seven principles, you come to the break-even point. It's an excellent idea that you have and you created a successful social business, and you have done it for five years already. During the sixth year, you may change your mind, and you want to make personal money from this business. You have quietly shifted from a social business to a conventional business without publicising about it. People still know you as a

social business. Nobody knows that, in the meantime, you changed the type of business. How do you protect the consumers, protect the image of social business, and also protect the promises that you made? The people cannot detect that you are no longer a social business. So, it needs more than a one-time certification, it needs annual auditing, a social business audit. There should be two audits, one is the conventional audit making sure your financial reporting is correct and you abide by your legal requirements. Another separate audit should be on checking whether you have complied with all the requirements to remain as a social business for the audit year. This audit will look through everything that is relevant to a social business; have you given any personal dividend, whether you are in compliance with the seven principles. Audit will also give management report identifying how the company would do better as a social business. This auditing should be an integral part of any social business. Just because a business started as a social business, does not mean that it will remain a social business over time. Owners can change their mind. But people should know about it.

Authors: Is this already done?

Prof. Yunus: Not yet. We don't have the numbers yet, but this has to be done. There's no other option.

Authors: The concept social business seems to be very attractive to people. One of the interviewees expressed that some people are very persistent when trying to establish it in their companies. Can you explain what especially attracts people and why some of them stick with it until they succeed?

Prof. Yunus: It is about natural social commitment among people. Many people have social commitments. But they cannot express it within their company framework. They cannot express their social commitments because they're only devoted to profit making for the company. So they feel unfulfilled. They are providing their services, but it is only going to increase the profit of the company for the shareholders. They are not delivering any significant of social benefit. When they hear about social business, or when they get involved in social business, they want to do more of it. An individual may have a social business idea while he is still working for the profit seeking company. He wants to find an opportunity to put it into action. There may be social commitment already within a person who never gets a chance to express it. Now, that

commitment can be expressed in terms of social business. Given a chance they may encourage the company to get involved in social business.

Authors: Some criticize a no dividend policy as being uneconomical. What is your view on this? How strictly do you apply this principle when creating new social businesses?

Prof. Yunus: Social business is defined as a non-dividend company. So there is no question of social business being a company which can give dividend. It's not possible by definition. When you say it's not economical, I don't know exactly what you mean. Does it mean that it doesn't survive the market test?

Authors: I can specify.

Prof. Yunus: Go ahead, yes.

Authors: It occurred after email correspondence with an editor of a social enterprise journal and he said that in his view, this no interest policy would hinder economic development, for example, in terms of investors or whatever.

Prof. Yunus: First of all, this is not true. When we say no dividends, it does not mean no profit. I think he has in his mind it's non-profit. Social business is not a non-profit company; it's a profit making company. Simply, I don't want to take this profit for myself as an owner. I can get back my investment money, but after that I'll not take any more dividends. All profits will be ploughed back into the company. As a company, it has to be a profit making company, only the owners don't want to take the profit for their enjoyment. As a company it is as good as any other company. It's the relationship between the company and the owner that is different. The owner says, "I don't want to take dividend, I want to plough it back." As a company, it is actually a more robust company than the conventional company. In the conventional company, owners take away their profit. In a social business, profit stays with the company. As a result, the company financially becomes stronger. Instead of being uneconomic, I'll say it's more economic, if you compare them both. In one you drain out the money from company, in another, you keep the money inside, recycle it again and again. Economically, social business company is stronger. You can question why an investor doesn't want to take dividend after he recoups his investment. But that's his personal decision, to contribute to the wellbeing of the society.

Authors: Okay, after being paid a salary of course.

Prof. Yunus: No, a salary is something else. That is not profit. It is paid for the work one does for the company. If the owner also works for the company, the company should pay him a salary that he can get elsewhere for the same type of work.

Authors: Yes, of course. I just wanted to make the point.

Prof. Yunus: Sure, sure.

Authors: Beyond microfinance institutions, joint ventures and urban ecosystems, in which other fields can social business innovations expand?

Prof. Yunus: Everywhere. Social business is not restricted to one or two economic activities. Anything that you see as a social problem in any field, you can design a social business to address that. Through social business you can address, for example, for all types of healthcare problems, environmental issues, agriculture, employment, welfare, old age, refugees, education, infrastructure, technology, anything. It has no limits. You identify the problem then you figure out what kind of social business can be built for that, in order to address it. Looking at a problem one may say I can't see how anybody can create a social business to solve this problem. It is beyond the subject matter of being any business, let alone social business. But that does not mean it is impossible. In the beginning, it is possible that one cannot find a way to translate a social problem into a business model. But that is simply the inability of a person. But that does not mean that it cannot ever be done. It is not a limitation, it is a challenge. It may be one's inability, but also one's opportunity. I would say social business doesn't have a limited scope of activity. It has an unlimited scope of activity.

Authors: Thank you. In an article based on an interview with you conducted by Kickul et al. in 2012, you recommended measures for academics. Can you make further recommendations for stakeholders such as politicians, managers, students and entrepreneurs?

Prof. Yunus: What did I recommend in 2012? What did I say?

Authors: (Break) I have read it of course.

Prof. Yunus: Do you remember so that I know what topic we're discussing?

Authors: Yes, for example, you expressed that when building up a university, a social business ecosystem, the faculty has to point out someone who is very enthusiastic, responsible and can motivate students, for example. He has to be a key player. Other recommendations, I'll have to read, I'm sorry.

Prof. Yunus: I'm saying a similar thing. Religious people, teachers, politicians, all are encouraging people, preparing people, through advice, examples and so on. For me the basic issue for every individual is to find out what is the purpose of life. Each individual, each citizen has to define his own objective of life; what do I expect out of my life? Today, it is all taken for granted, we just follow a routine path: I grow up to find the best job with a decent retirement benefit. My life is done, as if that is what life is about. That's not life. Life is much bigger than just getting a job and having a decent retirement. Life is about a purpose. Each human being has unlimited creative capacity. By remaining engaged in a job, one hardly gets the opportunity to use one's creative power. When one signs up for a job, one does it in a way that seems like one is signing away the rest of one's life. Step by step, he'll come to the age of 65, or whatever the retirement age is, and then they will retire him and they'll give him retirement benefit so that he can live the rest of his life with an assured income. That's not really human life. Human life is about pursuing an objective. Where is that objective? That has to be defined. That's what each person should be continuously searching for when he is in school, when he is growing up, as a child, as a young man, as a young woman; what is the purpose of my life? What do we want to do? Another thing as a human being with unlimited creative capacity, each individual should naturally be asking himself: What kind of world do I want to build for me and for my

future generations? Because I'm the builder of this world. Each generation has the opportunity and responsibility to build the world according to their design.

As we grow up, each one of us will have our individual version of the world. During educational life, we'll continuously debate and discuss with our friends, which kind of world we want. My friends will influence me, I'll influence my friends. At the end of the year or the end of the class, we'll prepare a joint picture of the world that we want to create. That's just an exercise, but that exercise influences me as I grow up. In my adult life, I can always say, "This is not the kind of world we wanted to build. This doesn't fit into the world that we wanted to have", and start working on the one we wanted to have. The preparation of a joint picture is important because we need something to compare with. If we don't have anything to compare with, everything looks okay. Alright it's okay because we don't know what we are looking for.

If you go to a shop to buy a shirt and you don't have any idea what kind of shirt you are looking for, the salesman will persuade you to buy any shirt. But if you have a very clear idea of the shirt you want, you'll go through a thousand shirts and you'll discard every one of them because none of them fit into the specifications you have in your mind. You'll continue to go to shop after shop until you find the one you wanted. Finally, when you get it, you get excited.

Preparation for creating a world according to my specifications is very important. That's the point I was raising.

Authors: In Germany and other European countries, the refugee crisis currently dominates the political agenda. How can social businesses help to solve the problems brought about by immigration?

Prof. Yunus: We have been talking about addressing the problems immigration and refugees through social business because this is a very effective way to address them. Refugees represent a big challenge to the host country. The first response is challenging because people come in big numbers, no time to arrange anything or plan anything. They need food, they need shelter, they need security etc. After this comes the real challenge. What do they do? The obvious answer is that they should get busy taking care of themselves. They come from all segments of society. Among them are highly professional people, business leaders, shop keepers, technicians, artisans and skilled people. The solution is to get them activated.

Why can't we let them use their capacity, their talent, their creative power in the new society they are in? That's when social business becomes useful to identify and give them a chance to live their life and place them in the right places so that they don't remain unemployed - and not

do anything, or not create anything. There are excellent ways of how social business can help resolve this, but the problem arises with existing restrictions imposed by the host country on employment, trading, production etc. If they're not allowed to work, if they're not allowed to run a business, then social business is useless. They cannot participate because they need money, they need investment to start their own economy and so on. We have to come up with an understanding of how much we allow them to participate in the local economy. The host country will be a beneficiary, not a loser, because refugees bring new technology, new ideas, new experiences to contribute in a new country. Embracing them and allowing them to perform will extend and strengthen the local economy. In the beginning, there will be some mismatches. So people will be worried about that. They'll think, "He's taking away my job", but ultimately it would be good for everybody else. That's why social business would be a good starting point to minimize the conflict in the beginning so that the host country doesn't suffer the psychological difficulty of absorbing refugees in their society and economy.

Authors: The last question is, in 2009, Kerstin Humberg, who wrote her PhD about Grameen Danone and Grameen Veolia, conducted an interview with you. Her last question concerned the general response of the public in Bangladesh to your entrepreneurial actions. You replied that nobody paid attention because, "People do not pay attention to somebody who is doing crazy things next door". Do the Bangladeshi still think you do crazy things?

Prof. Yunus: I don't think so. In the beginning, it happened because you are not known. They don't recognize who you are, what you do. But over the years, when people have seen what you have done and people feel proud of what you have done, they admire you for what you do. After so many prizes, so many recognitions, so much work for poor women, people love you. Now whatever you do, people think, "this will be a great thing because he's doing it". Over the years, one builds up the credibility, an image that "he has done good things for us. Whatever new thing he is doing, it will definitely lead to good results, even if we don't understand it now." Today, there is no question or doubt about that. They all have a tremendous amount of trust and respect. If you put the brand name 'Grameen' on anything, immediately people will say, "This must be good, because it is Grameen", without even checking this out. They take it as a blind

faith that Grameen never cheats and never deals with people in a way which is harmful. People are extremely supportive. People welcome us, people want to join us.

I would say that's not an issue now. In that interview, I was probably describing my few initial years, but after the initial years, people could see what was happening and they had no hesitation in accepting us as one who is dedicated to help them.

Authors: Well, thank you Prof. Yunus for this interview.

Prof. Yunus: Thank you. Thank you for coming.

Discussion and Conclusions

In this section we evaluate Professor Yunus' replies to our questions. Our first question was concerned with the form of microfinance that enables the inclusion of the poor in the financial system and whether this could work in Germany, too, where only individualized microfinance models exist so far (Wirtz and Volkmann 2015a). According to Yunus, his system, deployed in Bangladesh, would function in every country regardless of whether it is an industrialized or a developing one. It is a matter of "applying the system properly". In terms of the Grameen Bank, this entails the forming of a group of five non-related women in order to ensure group support. During the first six weeks, two of these women receive a microloan. If these loans are successfully repaid, the other members also receive a loan. A striking aspect of this is that Grameen Bank today uses the form of individual liability group lending, in contrast to joint liability group lending, which was used previously. Obviously, the latter case produced a form of group pressure too high and contra-productive, as group members had to stand in for each other in terms of the repayment. With regards to individual liability group lending, the group members do not have to do this and the group functions as a supportive element. Additionally, the support of the bank is another crucial factor. Grameen America has about 92,000 beneficiaries at present (Grameen America 2017).

On the topic of the Social Business City concept, Yunus confirms that it takes a long time to make such a network function efficiently. He points out that this is the first time anything like this has been initiated. During our research we only found a similar concept in England, the Social Enterprise City, which was initiated shortly after the emergence of the Social Business

Cities. Our article of 2015 investigates the possible impact that these cities may have. We also referred to the concept applied in England, which is supervised by a governmental organisation. The application process as to become a Social Enterprise City entails a detailed time plan, including setting milestones. Plymouth is one of them and the people responsible for the program work with the local University as a partner and currently a total of 150 social enterprises within the city network (Plymouth Social Enterprise City 2017). In 2016, Barcelona became a Social Business City and here we find activities which are supposed to enhance the initiation of social businesses; among these we find a social business lab and a social business investment fund (Social Business City Barcelona 2017). Whilst the Social Enterprise Cities are related to England, the Social Business City concept is an internationally expanding one. As research by Lovric and Tokarski (2017) shows, the latter could also be applied in the Swiss context.

Success stories like Silicon Valley and Silicon Ven show that universities can pose as an initiator for the creation of an entrepreneurial ecosystem. Such an ecosystem can be defined as “a dynamic community of interdependent actors (entrepreneurs, suppliers, buyers, governments etc.) and system-level institutional, informational and socioeconomic contexts” (Audretsch & Belitski 2016: 4). In a social entrepreneurial ecosystem the ‘social orientation’ of the stakeholders becomes an essential characteristic (Volkman et al. 2012). The grade of interrelation and cooperation might even be higher than in an entrepreneurial ecosystem due to the shared goal of the stakeholders: an urban sustainable development (Wirtz and Volkman 2015).

In his recently published book, Yunus (2017) points out that an increasing number of universities set up so-called Yunus Social Business Centres, fostering the idea of social business through teaching, research and project developments (more than 40 of such centres exist). Yunus stresses that especially educators intend to create social entrepreneurship ecosystems. In the Social Business Cities Pistoia and Fukuoka each social business centre is linked to a university. This way Yunus Social Business Centres linked to universities can indeed play an important part in building social entrepreneurial ecosystems.

Question three asks why the joint ventures take so long to achieve break-even. As a reply, Yunus states that, on the one hand, since standards of a MNC have to be maintained, the costs run high. This guarantees the high quality of the products and adequate salaries for the employees. He also highlights the risk for global players possibly losing their reputation if the joint venture fails. On the other hand, achieving break-even straight away is not the first aim

for such a joint venture since, in contrast to business joint ventures, the orientation is a different one: the main task is to prove the concept: that it is possible to create a business model which is cost-covering. At this point operational break-even is achieved, and consequently the approach becomes scalable.

An article by Yunus et al. (2015) compares the low-cost approach to the social business approach in France. One point highlighted by the authors is that in contrast to the low-cost approach, in which profit-maximization poses as the underlying motivation for MNCs, the social business approach includes a comparatively high quality of products. Therefore we explicitly mention the BOP approach in the interview (p. 8). Yunus declares that also the BOP approach assures the high quality of products. Reflecting on his answer we come to the conclusion that both cases are part of the activities of MNCs at the bottom of the pyramid: there might be companies selling low-cost products in developing countries with a high quality; but there might also be those which sell products of lower quality.

The reply to the fourth question poses as a comment on the necessity of a certification process, previously expressed by various experts on the joint ventures. Yunus confirms that he supports such an idea, since the risk of a company declaring itself as a social business without being one runs high. Such a voluntary audit could be implemented following the legal one. We agree with this, since this form of certification can be done without using a strict label or procedure. Additionally, the companies are given the possibility to certify and legitimate themselves by this procedure.

The fifth question was derived from an interview with Hans Reitz in one of the studies. Yunus refers to a general social commitment as part of us as human beings; according to him, social business is one way to express this in an economic context. Interviewee Okada, coordinator of the Social Business City in Fukuoka, expresses a similar train of thought in our first study: social business has been part of the cultural DNA and was practiced in Japanese economy some hundred years ago already; not only the seller, but also the buyer and additionally the entire society was to benefit from economic activities (Wirtz and Volkmann 2015).

With regards to the sixth question, in which we refer to what has been expressed by an editor of a social entrepreneurship journal via email during a review process, Yunus replies that, in contrast to the opinion of this editor, the social business approach fosters economic development. If one regards the seven principles of social business, the non-dividend policy is

clearly expressed (Socialbusinesspedia 2018). Considering some legal forms of social enterprises, such as the Community Interest Company in England or the Low Profit Liability Company in the United States, a modest return on investments exists. The objections may have been made due to the fact that, if one is repaid only the initial investment amount, a loss is inherent due to inflation. On the other hand, if the money stays within the company, it can be used for consolidation and further expansion. Hence, a non-profit distribution policy is one which is totally committed to the benefit of the public. Another reason for Yunus to stress this idea is to avoid conflicting goals for a social business entrepreneur: “In times of stress, profit will always trump the other ‘bottom lines’”(Yunus 2010: 14). Finally, Yunus explains that it is a personal decision of the investor. If a social investment is in fact only and wholly intended to create a social impact, it could indeed facilitate social business entrepreneur’s work. Therefore, we finally share Yunus’ point of view that the social business model would foster economic development from a macro economical perspective.

Question seven regards other possible fields of innovation in which social businesses could expand. According to Yunus, there are no limitations and every problem can be solved by a social business. In a study conducted in 2016, in which the charitable model was compared to the social business model, the interview experts stress that a basic prerequisite of a social business model to be installed is a form of market availability; customers need to be identified in order to create revenues (Wirtz 2016). We support the latter opinion, but we know, there are means like cross-subsidizing in case no immediate ways of creating a business model can be found.

In his answer to question eight, Yunus especially refers to young people and students looking for an adequate job. Yunus frequently addresses the younger generation in other speeches or interviews as well, since this generation has the ability to induce a broad social change due to the immensely expanding power of technology.

Question nine was asked in relation to the refugee crisis. Especially refugees are possible beneficiaries of social business models, because, similar to the women in Bangladesh who are empowered through microloans and thus included in the financial system, refugees are suffering a situation which is system-caused: if they have the chance of arriving in Europe at all, most of them are kept in camps or separated hostels without having the permission to work. As microfinance is means changing societal structures by empowering the poor at the bottom of

the pyramid, Yunus advises host countries like Germany to create structures in order to include these migrants. “The solution is to get them activated”, he said, and he referred to the enormous chance the arrival of those people could bring about: they have a huge potential to contribute to our society with their skills – if we enable them. All in all, the global refugee crisis is not only a danger for our society, as some people perceive it; it is also a chance for countries like Germany, where these potentials are asked for.

Yunus’ answer to question ten, where he is asked to comment on the public opinion of the people in Bangladesh in relation to his activities, can be summed up by a famous quote by Mark Twain, who said: “A man with a new idea is a crank – until the idea succeeds”. This is something often observed with regards to pioneers.

Theologian Hans Küng, well-known for his work on bridging the gap between different religions by identifying common values, once published a book in which he explicitly refers to the economic system (Küng 2010). He explains why it is of vital importance for our society to create an economy based on morals such as tolerance, solidarity and justice. At the end of his recently published book Yunus argues in a similar vein: “We can create a new civilization based not on greed but on the full range of human values. Let’s begin today” (Yunus 2017: 266). One of Yunus’ mottos, as expressed in the interview, is to ‘start small’. In line with the last words of his book, we would just like to add: and start now.

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