

Developing Social Business in Palestine



By Luigi Bisceglia

In Palestine there is fertile ground for developing a new business model defined as social business, an enterprise that creates income for the poor or provides them with essential products and services.

Developing the concept of social business began in Palestine on July 28, 2017, when Bethlehem University and the Yunus Center signed a Memorandum of Understanding in Dhaka, Bangladesh, leading the way for the Faculty of Business Administration to create a Yunus Social Business Center at Bethlehem University (YSBCBU). This is a major endeavor as it is the first social business center in the Middle East accredited by the Yunus Center in Dhaka. The partnership is also supported by the University of Florence and VIS (International Voluntary Service for Development), an Italian NGO working in the field of economic development. The YSBCBU is an operational arm of the School of Business Administration and any profit deriving from its work is reinvested in its activities to promote social business in Palestine.

The center aims to promote Yunus' vision of alleviating poverty by implementing the concept of social business. It also provides strategic support, incubation, and acceleration services for start-ups that want to become real social businesses.

The YSBCBU carries out research activities related to social business in Palestine. It is committed to developing a multi-annual social business action plan, carrying out awareness-raising activities on social business in the private sector, institutions, and among Palestinian students. The center conducts consulting for companies that want to expand their social business activities and create partnerships with other Yunus Social Business Centers and social businesses worldwide. It trains researchers, consultants, and professors at Bethlehem University. It also teaches recruiters in preparation for social business workshops in high schools and universities. Capacity-

building activities are carried out in collaboration with the Yunus Social Business Center in Florence and the Yunus Social Business Lab in Pistoia. The center promotes visibility through activities such as an annual social business plan competition. It also plans to start new social businesses and currently supports a three-year development project (2019–2023), entitled “Start Your Business!” led by the Italian NGO VIS.



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Developing and supporting the spread of the social business model in Palestine presents an opportunity for Palestinian growth. Professor Yunus, a Nobel Peace Prize Laureate (2006) and founder of Grameen Bank, identifies it as a form of social entrepreneurship suitable to grow both in developed and developing



The first meeting of Professor Muhammad Yunus and Luigi Bisceglia, in Dhaka (Bangladesh), in July 2017.

In 2017, the Yunus Social Business Center was established at Bethlehem University. It is the first center accredited in the Middle East. The center owes its name to Professor Muhammad Yunus, Nobel Peace Prize Laureate 2006 and founder of Grameen Bank, who theorized the concept of social business. The purpose of the center is to promote social business creation to boost economic growth in Palestine.

countries. A social business is an enterprise that creates income for the poor or provides them with essential products and services. It operates much like a traditional enterprise but with a social or environmental objective. Unlike a charity, it produces profits that must be reinvested entirely in the business, ensuring that profits help achieve the social objective. This concept must not be confused with the more general social enterprise idea as social business is based on clear principles that shape its operations. Its primary objective must focus on overcoming poverty or other problems that afflict society; although a social business has both investors and owners, they do not obtain profits, dividends, or other forms of economic benefit.

Social businesses operate like any traditional business; they carry out their activities within the capitalist system. They must find a way to sell their products and services to cover costs and possibly produce additional revenue that can be reinvested in the company to expand its activities. Like any traditional business, they have to deal with financial problems, recruitment of talented personnel, marketing, management problems, and expansion goals. However, the absence of financial gain for investors, due to the reinvestment of profits in the company, makes a social business more stable than a traditional business; the lack of a link between investors and the share price means that in times of economic difficulty investors will be less inclined to leave the uncertain company. This has a substantial impact on the life of social business and allows long-term planning to achieve social or environmental

objectives, as well promote transparent management.

A social business must be able to attract talented staff and management. Often these individuals are discouraged from social enterprises because of the widespread notion that their orientation towards helping people involves appealing to “benefactors” who are willing to sacrifice their interests for the good of society. This is not the case in social businesses; they aim to offer competitive working conditions with the for-profit sector to attract talent from the same labor market that for-profit companies exploit, offering competitive wages and benefits. This is made possible by the excellent economic stability that this business model requires compared to traditional nonprofit organizations.

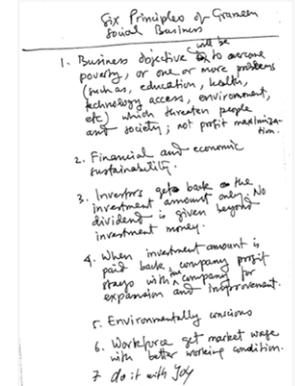
An employer’s personal rewards in a social business are greater than those provided by traditional companies. The most significant benefits are identified in the person’s ability to contribute to social or environmental change in their community, with equal tasks and economic conditions compared to a for-profit business, which aims primarily to satisfy investor interests.

This organizational model is open to all market operators: companies, foundations, individuals, and governments, and any type of economic or social entity. Social business aims to solve social or environmental problems that were initially the responsibility of governments. In turn, governments can manage social businesses or collaborate with them. This social model allows businesses, individuals, and civil society to access a form of business to solve

Seven Principles 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.

■ The seven principles of social business elaborated by Professor Muhammad Yunus, Nobel Peace Prize Laureate 2006 and founder of Grameen Bank. On the right side of the figure, the original manuscript written by Professor Yunus.



a social or environmental problem without having to wait for public intervention that may be slow or even impossible.

On the contrary, social business can expand and create continuous social impact. In Palestine, the dependence on international aid and its fluctuation, the highly bureaucratic public sector, structural unemployment, and fiscal shock, together with profound political instability and the Israeli occupation, limit the ability of the Palestinian Authority to respond to people’s social needs. The presence of unsatisfied social needs, high unemployment levels, and a negative trade deficit make it necessary to develop a private sector to meet the Palestinian population’s needs, absorb structural unemployment, meet social needs internally, and reduce excessive dependence on imports.

Thus far, the solution to governments’ difficulties in responding to the needs of the population has been identified by the concept of privatization,

which involves handing over public property to private individuals to pursue personal gain. Social business could be a reasonable opportunity to counter the foreign policies of international aid. For example, NGOs, like other nonprofit organizations, can own a social business, therefore donations can be used as an investment to launch this type of activity; over time, this activity could pay back the organization’s investment, which can be reused for other initiatives. Social business is a new way for some government activities to combine the merits of business activities, such as creativity, innovation, and energy, with a government’s typical social mission.

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