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Social Entrepreneurship at the Macro Level: Three Lessons for Success

Innovations Case Discussion: Sekem

In recent years, the increasingly popular topic of economic entrepreneurship has included a concern with entrepreneurial innovation in the not-for-profit sector. It seems to us that this sort of entrepreneurship is not yet generally or fully understood. For example, a *New York Times* op-ed piece by Nicholas Kristof (2008) offers examples of social entrepreneurship. We question whether some of these examples really represent social entrepreneurship: Andrew Klaber's charitable foundation covers the school expenses of children orphaned by AIDS, while Jennifer Staple's organization collects old reading glasses in the U.S. and ships them to poor countries.

These are, of course, inspiring examples of young people who have created charities that have done a great deal of good, but they are not examples of entrepreneurship, let alone social entrepreneurship. A central reason is the fact that neither is truly innovative. Many charitable organizations, such as Orphans Against AIDS, provide educational assistance to such children; Save the Children is a well-known, long-standing example of this work. As for the mission of Staple's Unite for Sight, the Lions Club International has been collecting eyeglasses and distributing them to the poor for many years. One might argue that Kristof's examples are innovative because they are Internet-based, but both of the much older charities we mentioned also have extensive Internet sites.

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Some would argue that social entrepreneurship is characteristically different from "ordinary" entrepreneurship. Gordon Shockley (2008), however, has pointed out that the fundamental attributes of entrepreneurship in the public and nonprofit sectors are actually no different from the fundamentals of entrepreneurship in the private for-profit sector. His argument rests in good part on Joseph Schumpeter's (1934) classic definition of entrepreneurship: its core is defined by innovation, and the entrepreneur, whether a person, a nonprofit corporation, or a government agent, is merely the carrier of the innovation into society. This is not an unreasonable point, especially as few would care to argue against as respected—and innovative—an economic theorist as Schumpeter. Shockley seems to be correct in asserting that some nonprofit and government-based entrepreneurial operations are really not much different from private-sector entrepreneurship. However, we believe that the example of Sekem, detailed in the case written by Ibrahim and Helmy Abouleish, teaches us that social entrepreneurship, while surely based in innovation, may—and perhaps must—go farther than the description that Schumpeter applied to private-sector innovation and entrepreneurship.

First of all, when examined carefully, the case of Sekem makes it clear that at least in some cases—specifically, large-scale or nationallyfocused social entrepreneurial efforts—the innovator is just as important to the success of an entrepreneurial effort as the innovation itself. The Sekem case also points out the importance of context for success in social entrepreneurship at what we might label the macro level. We refer here to social entrepreneurship that successfully brings innovation—or, more properly, many innovations—into a large social system ranging from a community to a nation.

Specifically, then, the Sekem case points out three crucial elements of social entrepreneurship at the macro level:

The innovation, without which there would be no entrepreneurial activity. While this is hardly a new idea, it is worth noting that a recent critique of entrepreneurship (Shane, 2008) pointed out the high failure rate of new business ventures as proof that entrepreneurship may not be, as Schumpeter (1939) declared three-quarters of a century ago, the driving force of capitalism and economic development. That proof, however, is in fact erroneous because new business ventures are, to a large extent, mere replications of extant business operations. That is to say, as Schumpeter and other entrepreneurship researchers such as Danny Miller (1983) have observed, entrepreneurship is not entrepreneurship without innovation.

The entrepreneur, that person who is able to (a) develop (or identify) an innovation, (b) take a highly active role in creating an organizational venture based on that innovation, and (c) take high (but realistic) risks to successfully establish that venture. As a macroeconomist, Schumpeter tended to downplay the role of the individual entrepreneur. Modern researchers, especially in the U.S., have, however, tended to overemphasize that role. This may be due to the extreme importance placed on individualism in American culture. A realistic view lies somewhere between these extremes, with the individual entrepreneur playing an important if not always crucial role. For example, the sociologist Robert Merton (1973) observed that while innovations, especially crucial innovations such as the calculus or the telephone, are commonly identified with an individual "genius," the fact is that those innovations—and many lesser-known innovations—were actually "overdetermined," that is, developed quite independently by more than one individual at about the same time

The social context of entrepreneurship. Contextual concerns are, of course, often taken into consideration in terms of competition and/or organizational partnerships. However, to achieve a full understanding of social entrepreneurship, such concerns must be extended to include key aspects of the communities—the social structures—within which innovations are adopted. Specifically, to obtain a comprehensive overview of entrepreneurship in general and of social entrepreneurship in particular, one must incorporate within a viable theory of entrepreneurship such social factors as education, health care, and cultural values. In fact, this is not a new idea. For example, in his classic book, *Diffusion of Innovations,* Everett Rogers (2003) observes that innovations inconsistent with the values and beliefs of potential adopters are unlikely to take hold on a large scale.

THE CASE OF SEKEM

Ibrahim and Helmy Abouleish, father and son, provide an inspiring account that might appropriately be titled, "The Emigrants' Return." The idealism Ibrahim Abouleish reflected in returning to his homeland to create innovative institutions that would advance both economic and social needs is more than admirable. It is the mark of one who, in terms used by the social psychologist David McClelland (1987), functions at the highest level of development of the motive pattern that characterizes leaders. McClelland and his associates (McClelland & Boyatzis, 1982) identified this as an exceptionally high power motive. But at this level, leaders use power not for their personal gain but, rather, to benefit the larger social system. McClelland called this "institutional power" because such leaders work within an organizational context, using organizations and institutions to apply power and influence in socially positive ways. Social entrepreneurship of the sort described in the Sekem case—that is, at the macro level—aims to create a sense of organizational community. It may even be aimed at creating change in a whole society, as did Mohandes (Mahatma) Ghandi.

McClelland observed that such leaders see their power as deriving from a greater or higher authority, often religion, as is true for Ibrahim Abouleish. The leadership scholar James McGregor Burns points (1978) out that leaders who use power in the manner we have described engage followers in "a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents" (p. 4). Exhibiting a power need at this highest level and using it to create communities of the type just described—and of the type developed by Ibrahim Abouleish—may well require that the entrepreneur have personal character of a most uncommon kind.

We have, the reader may note, already begun to focus our comments on the three elements of macro-level entrepreneurship that Sekem teaches are crucial for success. That is, we have already started to describe and discuss the nature of Abouleish, the entrepreneur in this case. Before going further, then, let us proceed in a more organized fashion. First we will attend to the innovation—and its many extensions—that is at the heart of this fascinating case. Next, we will return to the nature of the entrepreneur (and his successors), with a focus on several important aspects of the entrepreneur that extend beyond his inspiring and idealistic goals. Finally, we will turn to aspects of the context that this case teaches us are crucial for success of macro-level social entrepreneurship.

THE INNOVATION

In his history of the development of Sekem, which he founded in 1977, Ibrahim Abouleish describes his goal of developing a farm that used only organic farming methods. This was a response to the massive use of nonorganic fertilizers and, especially, pesticides in Egyptian agriculture. He barely notes the severe toll this widespread use of pesticides on produce of all types had on public health. However, as the former director of a medical institute in Austria, Abouleish must surely have recognized this problem.

But it is clear, from the beginning, the innovation behind Sekem was not simply the use of organic farming methods. Abouleish describes how, right after he had purchased the land for his farm, he began to plan for houses for workers, a school for workers and their children, a medical center to meet the health-care needs of his planned community, and a social-activities center.

As the farm, and the multifaceted entity named Sekem, took form and grew, so did the nature of the project's innovations. Production of an extract of a medicinal herb for an American firm was actually Sekem's first innovative venture. It did not in fact involve farming, but the construction on the farm property of a chemical laboratory to produce the extract that was sent overseas. Later, in 1986, Atos, a joint venture between Sekem, a German bank, and a German firm, was set up. Atos first marketed plant-based German drugs to Egyptian physicians. Later still, in 1992, another German firm became a partner in the production and sale of natural cosmetics in Egypt. Libra, a Sekem subsidiary established in 1988 to supply raw materials (such as the plants from which extracts were obtained) to other Sekem operations, began organic cotton production in 1994. Organic vegetable farming, another addition to Sekem's innovation set, was conducted by the firm Hator, a Sekem subsidiary founded in 1996 that partnered with a firm based in Cyprus. Much of the produce went overseas. It seems that each time a new product line was added, a new company was formed under the Sekem umbrella. For example, Naturetex, a separate subsidiary, collaborates with Egyptian textile firms to produce fabrics without using dangerous chemicals. Naturetex also produces children's clothing for export.

The success of the organic vegetable crops was clear, yet it was hindered by the continued pesticide spraying by nearby cotton producers, which left a residue on Sekem's products. A massive public relations campaign led to an agreement with Egypt's agriculture ministry to "test" the yield per hectare of the organic approach to cotton growing and compare it to that of farms using fertilizer and pesticides. Year after year of testing repeatedly demonstrated the advantages of Sekem's approach. Eventually, reluctantly, pesticide spraying was discontinued on nearby farms. According to the Abouleishes' historical account, all cotton production in Egypt eventually ceased to use pesticides! This alone would have made Sekem a success, due to the significant advance in public health achieved by reducing or eliminating the use of pesticides.

But there is much more to the story. Under the Sekem Development Foundation, a wide range of social services are provided to both employees and the community at large. A medical center and clinic serves 120 patients daily, not only employees but members of the local community. The Sekem School serves 300 K–12 students; many are the children of employees but the school is open to all. Education for child workers is provided, as is a program of education for the handicapped, programs in adult literacy and career skills, and programs in art, music, and sports. In expanding its activities, Sekem's initial training for workers has morphed into career-development training. Vocational training is offered to individuals who may or may not become Sekem employees. There are also courses for adults who want to start businesses.

We have repeated some of the detail presented in the Abouleishes' case in order to emphasize both the wide variety and the extensive interconnectedness of the innovations that make up Sekem, but the point is clearly made by Ibrahim and Helmy Aboulesih: successful macro-level social entrepreneurship requires the integration of multiple social elements, including but not limited to business innovations.

THE ENTREPRENEUR

Born in Egypt, Ibrahim Abouleish went to Europe for graduate study. He earned a PhD in pharmacology and became a researcher, generating more than a few drug patents and eventually becoming head of the Division of Pharmaceutical Research at the University of Graz in Austria. During these years he also married an Austrian woman, Gudrun Erdinger, and they had two children, a boy, Helmy, and a girl, Mona. A visit to Egypt in 1975 impressed upon Abouleish the need to deal with problems of pollution, education, and poverty, among others. So, in 1977, he and his family returned to his homeland to establish an organic-based farm. As we have already noted, if that were the true and sole focus of his efforts, it would hardly qualify as an innovation; organic farming was not a new idea, even in 1977. But Abouleish had a far broader, multifaceted goal: to create a comprehensive development initiative.

Abouleish's first aim, however, was to enlist the entire family in his dream. With that goal attained, he could begin a process that was to extend far beyond farming. As he writes, "I would move to Egypt, establish a self-sustaining farm, and then over time add additional projects focused on education, health, and culture." To begin to this process he needed funding. Abouleish was apparently reasonably well-to-do, with funds adequate to purchase the initial 70 hectares of land, but he needed a large infusion of capital in order to begin operations. He had arranged for an American firm to purchase a plant extract needed to manufacture an herbal drug remedy, but he still required funds to obtain the extract and build a chemical laboratory to process the plants. Perhaps a surprising beginning, when the overt aim was to establish a farm using organic methods—an aim that was not initiated until 1994, more than 15 years after the founding of Sekem.

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What we see in this account is Abouleish's pragmatism. His real aim was not limited to farming but was truly multifaceted, yet where he started depended on opportunity, not a rigid plan. Many years ago, Herb Shepard (1975), a highly regarded American organization development and change consultant, wrote that one of his key rules of thumb for successful change was, "Light many fires!" That is, rather than emphasizing a single major project, Shepard recognized that successful organizational change calls for many small but interconnected efforts that will eventually produce major change. Abouleish realized this instinctively.

Abouleish's pragmatism did not extend to a willingness to violate ethical principles. In a land where bribery and *baksheesh* are accepted as basic elements of doing business, Abouleish refused to participate, despite the difficulties this created. Here again we see a crucial aspect of the successful macro-level social entrepreneur: goals are *not* approached by doing "whatever it takes" but by doing what is known to be right. Abouleish's commitment to his values and his faith was a constant driving force behind his personal efforts and his step-by-step successes in lighting many fires.

THE CONTEXT

The successful entrepreneur rarely forgets the context of his or her entrepreneurial activities. Context is, however, most often thought of as government regulation, funding opportunities, and competition. Abouleish had many run-ins with government agencies and bureaucrats. He faced severe problems in obtaining initial funding, which were only overcome slowly and often with painful difficulties and setbacks. Even competition was a factor, in that the chemical companies that produced fertilizer and pesticides had no interest in being put out of business and had no scruples about paying off anyone who could help them. Regulation, funding, and competition are relevant issues for all entrepreneurs, including social entrepreneurs. Dealing effectively with these issues calls for the recognition of additional contextual elements. One of these is high-level contacts with power and influence.

Early on in his development project, Abouleish was confronted by an army general who wanted to take his land. Abouleish had friends and contacts in high places, including then-president Anwar El-Sadat, with whom he had gone to school. Abouleish used his influence with Sadat to stop what otherwise would have been the end of his dream. The general was transferred and forced to apologize to Abouleish—a deeply humiliating circumstance for the officer. Key influential contacts are part of the "working capital" of the macro-level social entrepreneur. At least some of these contacts must have not only strong positions of power but also a degree of honest concern for people and development. This is asking a lot in many situations, perhaps more than is possible.

Chemical companies, as noted above, were quick to catch on to Abouleish's aim of ending, as much as possible, the use of chemical fertilizer and the spraying of pesticides. They used spies and they paid government bureaucrats to foster false rumors about Sekem, asserting that the organization—and Abouleish in particular—were not true Muslims but actually worshipped the sun! (Sekem is the transliteration of an ancient Egyptian hieroglyph meaning "vitality of the sun.") They used Imams in local mosques to spread this lie.

Abouleish then set up a meeting, bringing together a wide variety of local officials, religious leaders, and influential sheiks. At that meeting, he used his deep knowledge of the Koran to explain to those present how what he was doing not only was consistent with Koranic teaching but was specifically aimed to carry out the principles expressed in the Koran. He used concrete examples to illustrate this, demonstrating to those present, slowly, step-by-step, that "Islam lives deeply in Sekem."

What we refer to here is not simply Ibrahim Abouleish's evident religious knowledge but his understanding of the sociocultural context within which his development projects had to function. Abouleish's awareness of the cultural context and his ability to make social innovation congruent with local custom and culture (in this case, religion) were crucial factors in the success of Sekem. Recall, too, that in describing individuals at the highest level of leadership development, McClelland observed that they often see the source of their vision and goal as being based in and deriving from their religious belief. One implication here is that one who is not native to the social context in which he or she attempts macro-level social entrepreneurship may be unlikely to succeed in ventures of the sort described in the Sekem case.

CONCLUSION

Let us briefly consider a third example of social entrepreneurship offered by Nicholas Kristof, one that really is social entrepreneurship, perhaps even macro-level social entrepreneurship. In Mexico, Ariel Zylbersztejn founded Cinepop to project free movies in parks using inflatable screens because the vast majority of Mexican citizens could not afford the price of admission to a movie theater. If that was all he had done, Zylbersztejn would have simply founded another charitable venture. However, his model is based on finding sponsors who pay to have advertisements included in the free show. These funds not only support the free movies, they are used to supply microcredit, in partnership with other agencies, to individuals and families hoping to start small businesses, as in the model pioneered by Nobel laureate Muhammad Yunus, founder of the Grameen Bank in Bangladesh. The money raised is also used to partner with social-welfare groups to help impoverished families who show up to see the movies. Cinepop is now three years old, and 250,000 people attend their movie screenings each year. Zylbersztejn's goal is to use the Cinepop model in other nations with mass poverty, such as Brazil, India, and China.

Note that Zylbersztejn has developed a real innovation. This innovation is not simply showing free movies to the poor in public parks; that is not new. His innovation is, rather, the way he has "bundled" his free movie plan with a complex, interactive, and community-focused set of partners, goals, and activities. In this case it is clear that the innovative entrepreneur is just as important as the innovation. Indeed, it is hard to separate the two. We also see that the Abouleishes' third lesson—the crucial involvement of community and culture—is a key aspect of the Cinepop model. After all, what defines culture more than the movies people go to see?

We see clearly that the lessons presented by Ibrahim and Helmy Abouleish may not be limited to Sekem, yet we cannot conclude this analysis without noting the true difficulty of success in such social entrepreneurial ventures. One of us, Ayman El-Tarabishy, is a citizen of Egypt. His father emigrated, much like Ibrahim Abouleish, and founded a successful international import-export business. And, again like Abouleish, he subsequently returned to his native Egypt. His hope and aim was to establish a factory that would create prosperity for his employees and the surrounding community, and thus demonstrate the real possibilities of economic development and change. His idea was innovative, though perhaps not to the degree of Abouleish's concepts. Moreover, his past efforts demonstrated that he had the personal character required for entrepreneurial success. However, Tarabishy lacked the sort of network of influential personal contacts that Abouleish describes, almost in passing. He could not go to Sadat or Mubarek when faced with uncooperative bureaucrats or generals with hidden agendas. The larger culture, in which this man had little influence, defeated his efforts and his dreams, and he suspended his entrepreneurial efforts in Egypt.

We do not mean to cast a pessimistic veil over the likelihood of success of macro-level social entrepreneurship efforts. Such efforts are desperately needed and they can succeed, as demonstrated by Abouleish and, for that matter, Muhammad Yunus. Nonetheless, our own experience tells us that we must attend carefully to all three elements of successful macro-level social entrepreneurship as defined and demonstrated in the Sekem case. When we do, we may be able to more successfully identify situations in which this form of social entrepreneurship can succeed and situations that are best avoided. For this we must express great appreciation for Abouleish's teaching with respect to this sort of social entrepreneurism. The lessons we have extracted from the Sekem case seem to us to be crucial for both understanding and successfully engaging in macro-level social entrepreneurship. We have much for which to thank Ibrahim and Helmy Abouleish—as does Egyptian society.

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