

# Don Dunstan Oration: Building a New Civilization

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“What do you want to be when you grow up?”

That was a question first asked of me when I was 3 years old.

It was levelled at me by my Filipino mum who had left everything she knew, including her family and language, to marry my Aussie father and raise me in country WA, where the air was cleaner and the professional opportunities more abundant.

Or so I thought.

“You want to be a doctor, a lawyer or an engineer”. She would answer herself, on my behalf.

And so I became a lawyer, and whether she shaped my destiny or ran interference, we will never know.

In the first two decades of my life, I absorbed two key messages around work:

1. Firstly – that we had to have a job; and
2. Secondly – in that job, we could either be a greedy capitalist who makes lots of money or a starving humanitarian who saves the world – but we can't do both.

For 10 years I wrestled with that trade-off - working in corporate law then funds management until I couldn't make the trade-off anymore.

Early last year, I quit my senior job at an ASX fund manager, without another one lined up.

For my farewell gift, my Group Exec gave me this book – “Oh the places you'll go”.

A few months later, I was approached by Grameen Australia to be their Australian CEO.

At Grameen, I have learnt that the traditional narrative – that you had to CHOOSE between a financial or social return – was wrong. The most sustainable business models won't distinguish between making a living or making a difference – they will do both.

So now I ask you: What if, instead of having to trade-off between reaping financial *or* social gain, we can blend the two and realise financial *and* social gain?

How? Through “Social Business”: A business designed to solve human problems.

Today we'll explore 4 types of social business models.

1. A Business that itself solves a social problem
2. A Business that employs beneficiaries + creates a market for them
3. A Subsidisation Business Model; and
4. A Business that disrupts an incumbent – and then BEATS them on social return

But first let's talk about our favourite elephant in the room: Capitalism.

Capitalism works for people who *have capital*. Not so well for those who don't.

Capital tends to flow to business-owners and job-creators. The majority of people are job-seekers and employees, not business-owners and job-creators. Thus the kind of capitalism we know, does not work for the majority of people.

When a business has capital, it deploys that capital to achieve a singular goal – the maximisation of profit.

But why is that the case?

Remember, at its core, a business is simply an organising mechanism to achieve a concrete goal.

- HOWEVER, as a society, we have agreed that the only goal worth organising around is profit maximisation.
- In fact we have *defined* shareholders' "best interest" as "profit maximisation".

This creates a cultural and legal phenomenon where businesses either pursue financial return at the expense of social return, OR prioritise social return at the expense of financial return and possible legal action from shareholders.

What drives this is our fundamental belief that the nature of the human spirit is SELFISH.

That we only have selfish needs.

Yet this hypothesis is incomplete.

It does not explain why people eschew lucrative careers to work for charities or serve the public, why they give millions of dollars to disaster relief campaigns on the other side of the world, or why they perform random acts of kindness.

Yes, humans are selfish .... AND .... we are also selfless and everything in between.

Yet there has been no capital raising vehicle for altruistic ventures, until now.

## What is Social Business?

- It is a business designed to solve a social problem.
- Unlike charity it must be revenue generating and capital can be returned to the investor up to 100% but no more.
- Unlike profit-maximising businesses the profits must be reinvested to scale impact instead of distributed to investors.
- If a charity dollar has 1 life; a social business dollar has infinite lives.
  - o What does that mean? Well, it means that a social business dollar doesn't go towards giving people a handout. It gives them a hand up as it is invested into a business that generates revenue. Eventually, when social business breaks even and is cash flow positive, it can return the original capital to the investor and fund its own expansion. The investor then gets to either put that amount back in the social business, or invest it in a different social business and growing their impact. The original donation is leveraged over and over again as the profits from the venture keep getting recycled back into the business.

## How is it funded?

The seed, start-up and scale-up stages need philanthropic capital, but when it is viable, it funds itself.

With the tool of Social Business, we can usher in a new kind of capitalism, one that values altruism and generosity just as much as it does financial gain, and in doing so create A World of 3 Zeros - Zero poverty, Zero unemployment and Zero net carbon Emissions – which is the vision of Grameen Bank founder and Nobel Peace Prize winner, Professor Muhammad Yunus.

The first example of a Social Business is the original model – Microfinance.

In the mid-70s, a young man named Yunus worked at Chittagong University at the height of the Bangladeshi revolution. Inside the university he taught traditional economics. Outside the university, he saw people dying of starvation – and the economic theories he taught did not seem capable of doing anything meaningful about it.

There was clearly a difference between the theory he was teaching, and how it worked in practice.

He wanted to understand the problem.

When Yunus talked to locals he found out that due to a lack of jobs, the only way people could make money was by selling woven goods. However to buy material, they needed working capital.

Banks wouldn't lend them because they had no assets. So they were forced to use loan sharks who charged exorbitant interest rates. The entrepreneurs only ever made enough money to pay the loan shark back and then repeat the cycle. It was impossible for them to break out of the cycle.

What was the Problem? The problem was poverty and the inability to access the banking system. To tackle this, Yunus decided to lend money to the people the bank had denied. He initially lent \$27 USD to 42 women. Within a week, 100% of the loans were repaid. He kept repeating the experiment successfully. The experiment eventually became Grameen Bank. Since then, Grameen Bank has issued over \$26 billion to over 9M in Bangladesh. In 2006 Professor Yunus and Grameen Bank won the Nobel Peace Prize.

What was the Solution? Prof. Yunus gave excluded entrepreneurs access to credit through group lending. He said that (slide) "poverty is not caused by the poor, but the systems that we make for ourselves". He made a system that unlocked the potential of people.

How?

1. Instead of protecting himself against "credit risk", he designed to unlock "credit potential". Instead of *penalising borrowers for default*, he *incentivised them to repay*.
  - a. He set up a system of social collateral, which replaced asset collateral.
    - i. It works by lending to a group not a person; defaulting meant you let the whole team down
    - ii. Having peer support lowered the likelihood of default.
2. Instead of repaying the loan in a lump sum after a long period, they repay in weekly instalments at team meetings, thus building up their credit score.
3. At the weekly meetings, the group gets mentoring and training; in Grameen Australia Philippines' we have an SYOB or "Start your own business" program
4. Finally, the group adopts a Social Development Agenda (SDA) - a code of conduct promoting discipline and accountability. This goes beyond financial help, and distinguishes the Grameen-model as a social transformation process, which raises the *social* and *political consciousness* of the newly organized groups.

It is the antithesis of conventional banking.

Whilst the clients of conventional banks are typically capital-rich men, the client base of Grameen is overwhelmingly capital-poor women. And whilst conventional banks like Lehman Brothers and Bear Stearns collapsed under the weight of the GFC, the worldwide repayment rates of capital-poor mothers in developing countries remained... a steady 97%.

What is the revenue stream? Interest. The program becomes viable by charging a reasonable amount of interest to cover the set up and operating costs. In the Philippines the rate is 1%, in America the rate is 10%. That rate is slightly higher than the cost of borrowing conventional working capital but much less than informal loan shark rates; loan sharks being the only other alternative. Beyond the usual operating and capital costs, remember the interest has to fund the cost of delivering the training and mentoring. A piece that totally absent in the traditional banking model.

With this example, the problem of poverty and financial exclusion was addressed by giving people access to credit in a business that makes revenue by charging reasonable interest.

How can this apply in Australia?

Why do we need a Grameen intervention here – the lucky country?

People sometimes say that microfinance doesn't work in developed countries.

Yet, in 2008, at the height of the GFC, Grameen America was born. In the 10 years since, it has issued \$1 billion of loans to over 100,000 women borrowers with a recovery rate of 99.98%.

And 10 years on, set against a backdrop of a Royal Commission into misconduct in the Banking industry, Grameen *Australia* has been asked by communities in NSW and VIC to pilot an intervention on home turf as well.

Because ladies and gentlemen we do need an intervention.

Despite two (2) decades of unbroken economic prosperity spurred by a mining boom and high levels of education, 17% of Australians of working age are financially excluded – many of these are women.

What does this mean? It has implications not just for personal fulfilment. Systemic financial exclusion impacts our welfare, health, education, housing and social systems.

If a Grameen-style microfinance is set up as a social business, in areas of disadvantage, it can empower people to develop their own businesses as an alternative to seeking employment or relying only on Government welfare.

What does this mean for systems change? Well the following. It:

- promotes a hand-up not hand-out mindset
- generates jobs through self-employment & hiring others as entrepreneurial businesses scale, which:
- generates new income and business taxes - increasing Gov revenue

- privatises individuals' super which reduces the burden on the public pension regime
- stimulates household income which increases likelihood that kids get educated + contribute to community
- means that by increasing taxes and decreasing reliance on a public pension scheme we are better able to fund an ageing population
- realises the entrepreneurial and creative spirit of a disenfranchised - yet talented - population which increases personal and collective fulfilment which decreases the burden on the healthcare system
- strategically empowers entrepreneurial mothers, and unlocks participation in an under-utilised population which realises new GDP + has positive family outcomes
- optimises for an economically and socially inclusive system in which all Australians lead dignified, meaningful lives where everyone gets to contribute to society

Who WOULDN'T want that vision to apply to Australia?

Not only does that appeal to the political anthem of "Jobs and Growth" it does so for a reason – the unlocking of human potential, which is *very distinct* from reducing people to jobs.

Professor Yunus often says that the problem of unemployment arises from the fiction of employment. One of the messages I absorbed growing up was that I had to get a job.

Our schools and universities boast about making us "job-ready". If you are in a job you are asked, "How's the job going"? If you're out of a job, you get asked "how's the job-hunt going?".

We spend so much of our precious lives working, and talking about work, is it any wonder we are experiencing ever-increasing levels of anxiety fuelled by a fear of technological unemployment?

Human beings are more than just their jobs. They are more than square pegs to be slotted into square holes, to perform square tasks, so that they can afford 3 square meals a day.

Human beings are creative, expansive and full of potential. And yet they can only realise that potential if their environment permits them to do that.

Professor Yunus believes that all humans are born entrepreneurs. Instead of teaching us to be "job-ready" our institutions should encourage us to be "life-ready" and offer tools and avenues for us to explore our creative potential. No matter our station of birth. That's where tools like microfinance and social business come in. To

offer an alternative way to make a living, when jobs are scarce, safety nets non-existent, and yet the human desire to self-actualise, indomitable.

My 2nd example of a Social Business model is one that employs its beneficiaries and creates a market for them. It is set in one of Grameen Australia's Asian projects in Siem Reap, Cambodia.

Speaking of indomitable: This is Sal. She is a Khmer woman from Siem Reap Province in Cambodia. She lost her eye when she was 8 years old. Her father was disabled in a landmine, parachuting her family into extreme poverty. The stigma of being disabled drove him to drink and he became violent. One day he hit Sal with a bamboo stick and damaged her eye so badly that she had to have it removed. (Slide) Because her family was so poor, Sal had to work as a scavenger on the local garbage dump from the age of 10. She would pick out plastics and rice from the dump in order to make money. She was working 10-12 hours daily for a US\$1.50 a day for her and her family. It was filthy, demeaning and dangerous work. Her health suffered and when we asked her, she said her life was "hopeless".

This is Sal now. She is 23 years old. In 2013 she joined Grameen Australia's Chicken Training Centre in Cambodia. She was young and determined to escape the pain and poverty of her home life. Sal's a senior graduate managing our chick pen and a small team of trainee farmers. Last year she was promoted to Co-Assistant Farm Manager reporting to the Deputy Farm Manager and she is now earning \$200 a month.

What was the Problem? It is extreme poverty, malnutrition, food security

What was the Solution? With the support of key local families, we designed a chicken rearing training centre.

Protein-rich chickens are reared humanely and to the standard of international best practice and then sold for eating. This supplies a secure source of nutrient-packed food to the community.

Most importantly, we recruit, train and employ local dumpsite scavengers, increasing their income up to 4x, taking them off the dumpsite forever and addressing the issue of extreme poverty.

In this case, the creation of these jobs *harnessed* our farmer's aptitude.

Nak was a scavenger and had to leave school when he was 10 years old to work on the dump so he could feed his family. Now, his passion for chicken rearing has led to him becoming our Deputy Farm Manager. He is making enough income to educate himself – when I asked him what he was studying, he said, Agriculture.

What is the revenue stream? By selling chickens into the booming Cambodian tourism market, the farm has since broken even and is ready to scale.

Which leads to the second, and indeed more innovative model, a Social Business that creates a customer for their entrepreneurial beneficiaries.

What was the Problem? Local villagers rear chickens already, but the customary practice often sees chickens dying before they reach selling size so they miss the opportunity to make an income.

What was the Solution? A village-grower program. We are in the process of buying a plot of land to build a second farm, which is a chicken egg laying farm. We aim to sell the newly hatched chicks to the local villagers, who farmers like Sal will train in our livestock rearing practice and to whom they will offer ongoing mentoring. When the chickens are ready for selling, the farm will distribute the chickens to the market, on the grower's behalf. By already having a relationship with the market, the chicken farm created a customer for the chicken growers, while capacity building and scaling its own operations at the same time. The aim is to double the grower families' incomes by the first year.

What is the revenue stream? Again, chicken sales.

To recap, the model of the Grameen Australia Chicken Farm has two elements:

- to employ disadvantaged people in its business; and
- create a customer for local entrepreneurs

and it makes its revenue by operating a best practice commercial poultry rearing business selling chickens into the booming Cambodian tourism market.

My 3rd example of social business model is one that creates a product with two pricing tiers, where one subsidises the other.

The year was 2005. Professor Muhammad Yunus was in France to speak at a conference. During the event he was unexpectedly asked to meet with a man called Franck Riboud...the Chairman of Group Danone, the 45 billion-dollar French food company.

What was the Problem? Professor Yunus identified as the problem he most wanted to solve malnutrition and stunted growth among children in the developing world. Franck said Danone made food. The problem was malnutrition. Could they perhaps create a new high-nutrition food company together?

The Solution was exactly that.

They created a yoghurt that would pack in the daily nutritional needs for children in only 2 serves.

The model had two pricing tiers.

- One premium price product for the urban clients who had greater wealth and resources.
- One lower priced product, which had the same nutrition, for villagers who were unable to pay the same amount.

The sales from the premium tier subsidised the cost of the lower priced product.

In addition, Danone enlisted the help of the mothers in the village to advocate the product to local children and families, saving on marketing and distribution.

Danone agreed that the JV would be a social business. None of their shareholders could get a return, and had to agree to reinvest the profits into the business.

In order to do this, they needed to pass a resolution of shareholders because remember the best interest of shareholders is defined as profit maximization only. No-one thought it would work. But when they held the meeting 98% of shareholders voted in favour of the proposal and they raised \$35 million.

This led to the unintended consequence of employee outrage. The employees wanted to know why they were not asked to invest in the social business as well? So another special resolution had to be passed, and this time they raised an additional \$30 million.

This joint venture was called Grameen Danone Foods Limited. The social business reached operational sustainability in 2015, with 2019 being targeted for overall break-even.

What is the revenue stream? Profits comes from selling the yoghurt – with the urban-priced product subsidising the cost of the village-priced product.

In this case, the problem was childhood malnutrition in a developing country, and it was solved by designing a nutrient packed yogurt distributed into 2 markets with 2 different price sensitivities. The higher-priced product could subsidise the cost of the lower-priced product

My 4th and final example is a Social Business that disrupts the incumbents – and then BEATS them on price, product *and* social return.

Humanitix co-founders Adam McCurdie & Josh Ross had been best friends since high school. Life-changing experiences in Kashmir led them to dedicate their lives to humanity. Being young professionals, they wanted to imagine a better use of their commercial skills. Adam was a management consultant with an engineering and maths background and Josh was made partner at a hedge fund manager by the time he was 26. They wanted to use their commercial acumen for good.

Their first idea was to create a social network where they could donate all advertising profits to charity. When they realised it would be a mammoth task to compete against the likes of Facebook, they pivoted quickly, and agreed instead to build a ticketing platform.

And that's how Humanitix was born - the world's first not-for-profit ticketing platform.

In 2016, Adam quit his job to build Humanitix and they shared Josh's salary for almost a year.

In 2017, Josh quit his job to work on Humanitix full time.

In their first year they took \$2m sales through the platform and donated \$80,000 to charity and in their second year they are on track to hit \$11m of revenue donating \$200,000 to charity.

The Problem was that the ticketing industry is mature and event organisers and buyers alike resented booking fees. Events also don't typically their guests connect to social causes, which is a missed marketing opportunity.

The Solution was to build a ticketing platform that offers the same service as the incumbents or better, and then beats them by offering a mandatory social return to its clients, at no extra cost.

The revenue is earned on booking fees. Of these 100% of the profits is given to the charity of the event organiser's choice.

We have now explored 4 examples of social business models:

- A Business that itself solves a social problem
- A Business that employs beneficiaries and creates a market for them
- A Subsidisation Model
- A Business that disrupts an incumbent – and then BEATS them on social return

In each of these examples we see that there are financial returns, as there are in-built revenue streams that can sustain the business and eventually fund its expansion. This removes the need to rely exclusively on grant funding once viability is reached.

- As an aside, in Bangladesh, because of the mandatory savings model, Grameen Bank has now accumulated more deposits than it lends.
- This means that the low-income mothers who were originally Grameen *borrowers*, and who the traditional banks once wouldn't touch, have now become Grameen *lenders*.

In each of these examples, we have seen that the business creates social returns – for poverty, financial exclusion, malnutrition, food insecurity or by creating a new funding distribution stream for the whole charity ecosystem.

And finally, in each of these examples, we have seen how a Social Business isn't optimised for shareholder profit maximisation, but for solving human problems.

This *shatters* the idea that a business can't be deployed as a social solution and it *shatters* the myth that capital will never flow to an operation born out of generosity, compassion and love.

Where does Grameen Australia fit into all of this? We are a wholly owned Australian social business that has been active in our current form for the last 4 years. We have ties with the Yunus Centre in Bangladesh, however we are independent of them.

Our vision is to create a financially and socially inclusive world in which all humans lead dignified, meaningful lives. And in doing so, contribute to a world of three zeros.

Our projects are microfinance in The Philippines, which is due to breakeven next year, and the chicken farm in Cambodia which is scaling as you heard, and we are exploring the viability of a Grameen model in Australia.

By the year 2020, through developing and growing social businesses, we aim to have:

- Created 50K jobs (40K of which through self-employment)
- Lifted the household income of 40K families
- Transformed the lives of 200K people
- Brought in new GDP to 50 communities

We are doing this by pairing business approaches to purposeful goals.

Many of you will have the Grameen postcard and I invite all of you to join the movement. Fill them out and leave them on your chair.

The first order of business could very well be to create two financial systems.

One for the capital rich, and one for the capital poor.

Currently we have one financial system that caters for the needs of the capital-rich. In this system, in order to get the loan you basically have to prove you don't need it. To qualify for a loan, you need to prove that you either have asset collateral, strong networks and relationships who will guarantee a default, or a track record of recurring earnings that signal the strength of your financial position.

If you cannot prove to the banks that you have these safeguards in place, if you are in fact someone who genuinely needs a loan, then you are prohibited from getting a loan and scorned for needing it in the first place, by being branded with the dehumanizing classification – not “creditworthy”.

Can you imagine what will happen to all of the people who are on the fringes of being financially excluded when the aftermath of the Banking Commission comes to pass, in this perverse paradigm? A paradigm in which capital-rich people can lend money to each other, exclude capital-poor people from their system except for when they occasionally exploit them to charge them fees for services they never receive, then externalise the consequences of *their* system failure to the people they wouldn't let in their system in the first place?

We currently use a capital-rich framework to assess the creditworthiness of the capital-poor.

But they are already at the floor. There is no point protecting against their credit risk. There can be no credit risk if they can't access credit. So instead of protecting against their alleged credit risk, this system should be designed to unlock their untapped "credit potential".

Assessing capital-poor people by the credit-standards of the capital rich is like enlisting a fish in a running race and concluding any complications signals the fish's own ineptitude. Different conditions require different conditions.

Two financial systems – one for the capital-rich, one for the capital-poor.

This ensures that our capital-poor mothers are protected from the credit-risk of the capital-rich.

Professor Yunus dedicates his book to the Young Generation who will build a new civilization – when I read this I don't see it as a narrow reference to youth, but a reference to fresh thinking on the part of every one of us, regardless of age.

As public servants at the helm of the Good Ship Australia, you can captain its destiny to the shores of good fortune, welcoming its people to A World of 3 Zeroes: Zero Poverty. Zero Unemployment. Zero Emissions.

And on that shore, may you build a very tall, very bright, beacon of hope for the generations that follow.

And.... to go one step further...what the purveyors of dominant wisdom *don't* tell you..... is that you always could.

Because fellow citizens it's not enough to build the new system – you need to believe in what you're building.

**As Einstein said, whether you think you can or you think you can't you're right.**

Silicon Valley tech unicorns are always talking about scaling technology and user base, but in the business you're in – nation building - there's only one thing you need to worry about scaling – and that is your character and spirit.

Because you're not designing a website, you're designing a civilization.

Our current civilization is built on a model of capitalism that, at its core, believes people are selfish and helpless and designs around that belief. Well, I believe humans have unlimited potential given the right environment, and I urge all of us to design a system around THAT belief.

I would like to close by proposing an amendment to my mother's original question to the child I once was. Instead of asking: "What do you want to be when you grow up?" we should instead be asking our children: "How do you want to be when you grow up?" ...as in ... show us your character. Because it's important. Indeed you only ever experience the world through the lens of your *own character*. So turn the brightness of your lens up full vol.

If there is one thing you take away from today let it be this – the only thing that prevents us from creating the world of our dreams .... is our imagination.

So imagine big, imagine bold, imagine A World of – Zero Poverty. Zero Unemployment and Zero Net Carbon Emissions.

And imagine that we ... can bring such world about.... together.