

Achieving profits while helping society

Unbridled corporate greed is a staple of popular fiction. The people behind it, the systems that continue to fuel it, and the destruction that it leaves in its aftermath are firmly established in the popular imagination. This is, admittedly, one extreme of everyday business, driven by a deep hunger for profit. But it should not and need not be the status quo.

Entrepreneurs can have a positive impact on their communities and the environment while earning a living and making a profit. This is something that social enterprises and entrepreneurs strive to pursue. They tackle societal and environmental issues while being profitable. Essentially, they embody the best of both worlds.

For instance, there is TOMS shoes, a for-profit company from Arlington, Texas. They first made a name for themselves by implementing the buy-and-give model. When a customer buys a pair of their shoes, they donate a pair to a child in need. Hospitals Beyond Boundaries (HBB) is a Malaysian social health enterprise that uses the cross-subsidization model to provide healthcare to patients who need it but are unable to afford it. The profits HBB receives from three fully paid childbirth deliveries in their Phnom Penh clinic is used to subsidize one childbirth delivery for a desperate mother elsewhere.

Last year, the Malaysian Global Innovation and Creativity Centre (MaGIC) started an initiative called the Impact Driven Enterprise Accreditation (IDEA). Through this, they validate the positive efforts of such impact-driven enterprises (IDEs) from both the private and public sector. The intention is to further bolster an impact-driven economy. Enterprises (for-profit or otherwise) have to meet the following criteria in order to qualify for the accreditation, and to reap the benefits that come with it.

A clear-cut social or environmental mission: Enterprises need to have a clear, well structured, impact-first mission statement that's defined on all of their public documents, marketing collaterals, policy documents and registration documents like the memorandum and articles of association, for example. It would be best if this mission specifies a positive social or environmental impact.

Documented efforts of pursuing the mission: The mission statement has to be ingrained within the team's DNA, and the enterprise has to continue working towards it. As such, MaGIC requires that they implement one of the three models. First, they could either have a stated policy or a verifiable track record of allocating at least 51% of the annual profits directly towards their mission. Second, enterprises could integrate the mission into their daily operations. Third, they could also empower disenfranchised or marginalized communities by training them, and by equipping them with skill sets that will eventually get them hired.

Clearly defined path to sustainability: MaGIC requires enterprises to earn more than half of their annual revenue through sales rather than donations or grants. For new enterprises, they could present a clearly defined path to reach sustainability.

Enterprises that meet these requirements can immediately start the process of getting verified by going through a number of predefined steps that include an annual fee, submitting documents for auditing purposes and being reviewed by an executive selection committee.

This accreditation makes it easier for IDEs to access funding provided by MaGIC and their partners. It also boosts their profile when they're competing in public procurement competitions for relevant contracts. And they become part of an elite group of organizations that are all focused on building an inclusive economy. Under this initiative they get to participate in events where they get

to learn, network and collaborate with one another. Furthermore, accredited enterprises are listed on an online portal that companies could use to procure goods and services from. These companies can thus add more value to their processes while also supporting the existing positive efforts of impact-driven enterprises.

MaGIC showcases the impact data of each organization on their directory based on indicators that are related to the local ecosystem. This includes everything from the number of people from disadvantaged and marginalized communities that the enterprise employs to the number of subsidized goods or services that the IDE offered to individuals from underprivileged communities. At present, there are more than 50 verified IDEs in Malaysia, and they have also helped facilitate transactions worth over RM1 million between corporations and IDEs.

Besides the obvious benefits to the accredited companies, this structure is useful for corporate partners as well. It isn't just about supporting the IDEs. By folding the IDEs into their value chain, they can build better and more positive sentiments towards their brands. Social consciousness can also make for good business sense.

It's a new initiative at the moment, but it has interesting implications. It could potentially be an important step towards building a more inclusive economy. Companies and NGOs—not just within Malaysia but across the world—could stand to learn important lessons from its impact and the ripple effects it has.

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This is part of the Young Asian Writers series, a Mint initiative to bring young voices from different Asian countries to the fore.

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