

The value of social enterprise

Many businesses claim to be helping to solve social problems. But Tony Tow's social enterprise is genuinely walking the talk.

BY CLAIRE SCOBIE

AS GENERAL MANAGER

of 40K Globe, an Australian organisation striving to train thousands of young Australians in social entrepreneurship, Tony Tow CA knows that what makes the difference is his staff.

“They have an unbelievable commitment and a real perseverance because they care.”

For Tow, leadership boils down to getting the right people in the door and then letting them do the job.

“At Deloitte one manager said, ‘you throw talent off a cliff and they will learn to swim’. I’m a big believer in autonomy,” he says.

This neat analogy mirrors Tow's own journey, from a young CA who took two months unpaid leave from Deloitte to help build 40K Globe, a new “shared value” enterprise, and who, 18 months later, was hired as its first GM.

From early in his career, Tow, 27, knew he wasn't going to put in endless hours for an “uninspiring” job. Like so many of his generation, he wanted his work to have meaning.

Founder of 40K, Clary Castrission OAM, shares a similar motivation. Back in 2005, Castrission naively believed that it would only cost

A\$40,000 to build a school for a community of impoverished quarry workers outside Bangalore (Bengaluru) in southern India.

In 2010, two days after the philanthropically-funded Banyan school opened its doors, Tow arrived on a seven-month volunteering stint. Despite the satisfaction of seeing 250 children walk through the school gates, Tow says: “We realised very quickly we'd built an unscalable solution. So after the high came the realisation that we needed to change our model.”

At that time 40K was still a charity relying on donations. Now it operates as a collective with 40K Globe running as a for-profit business offering a one-month internship to Australian tertiary students, providing them with an immersive village-based experience in India while teaching them social business skills.

40K Globe serves to subsidise the overhead costs of the 40K Foundation, the operational arm, which works on delivering education programmes through PLUS pods. These after school learning centres, or pods, use electronic tablets and encourage peer learning among

students through smart technology.

In India, a mind-boggling 61 million children under 12 are not enrolled in school and 287 million adults are illiterate. Trying to attract highly-qualified teachers to rural or slum areas is difficult.

“We realised we were solving the wrong problem. The problem was not access to bricks and mortar. The issue was how do you deliver a good education, not withstanding all the restrictions in an Indian village, and do it at a price point that kids can afford.

“We didn't understand our customers or what was needed. What they wanted was numeracy and literacy. Our challenge was how can we do that for A\$4 a month?”

The value of social enterprise

As part of the trend away from corporate social responsibility, companies are recognising that employee engagement needs to be integrated into the core business rather than as a feel-good add-on.

Nobel peace laureate Muhammad Yunus advocates the social business model; in a 2011 *Harvard Business Review* article Professor Michael E Porter and Mark R Kramer defined





Globers assisting Rani with plaster and granite dust as she goes through the process of making Roka.

an alternative framework of “shared value”, where companies create strategies to advance social progress.

As early as 2004 employers recognised that Gen Y (ages 18-34) wanted their work to align with their values. Optimistic, digitally savvy and comfortable on social media, Gen Y are “tribal” according to Australian social scientist, Hugh Mackay, in his recent book, *The Art of Belonging*. It’s not about who leads the pack, it’s about how the team looks out for one another.

“My generation is more sceptical of big business,” says Tow.

“The primary value proposition for the students who undertake 40K Globe is that they want to make a difference and do it sustainably. Our youth are not only becoming more caring but also more sophisticated in the way they give.”

This motivation, combined with the right business skills, has the potential to affect change. Tow is a

staunch believer in the efficacy of the CA training program in terms of developing financial literacy.

“It’s clever because it combines practical experience with the theory... You also develop discipline and critical thinking on a more granular level.”

But why social enterprise as the long-term model?

“It just makes sense, doesn’t it?” he continues.

“You’ve got NGOs and not-for-profits who are committed to social change but often don’t have funding models that are robust and sustainable. You have commercial businesses that for the most part don’t have social motives but have excellent models that can be scaled... I think using sound business principles to solve social problems is an idea that just has to work. To me it’s as simple as that.”

Simple in theory often doesn’t translate so easily in the field. One of their biggest challenges is “the speed of progress with regard to impact. We are trying to solve some of the most complicated problems in the world and so much can go wrong along the way. Things often take a lot longer to happen than we expect.”

This is particularly evident with 40K’s digital education program – through their learning pods – that has been in development for a number of years. It took trial and error to create the right platform and right learning content within a scalable financial model.

“The team is motivated by seeing the social impact scale – that’s what everybody in social business is chasing. It’s very close now, but we’ve felt like that for at least 12 months.”

In developing their program, 40K took a lesson from Tata, India’s largest vehicle manufacturer. In 2009 the company developed the Tata Nano, a small cheap car aimed at the middle classes who couldn’t afford any other vehicle on the market. “This was a neat solution. We looked at how we could innovate to produce a model in the social space.”

Through an iterative process, they worked out that if each pod had 35 students paying A\$4 per person, all of the operational costs would be covered.

“A social business doesn’t need to be hugely profitable but it needs to break even and be profitable enough that it can re-invest in itself and engage professional people to do the work,” says Tow.



WATCH A BONUS VIDEO INTERVIEW WITH TONY TOW IN AUGUST’S ACUITY IPAD APP.

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40K Globe

When Tony Tow arrived in Anagalapura, a primitive village just outside of Bengaluru in 2010, he quickly fell in love with the place and the culture. Within a few weeks, the family opposite invited him in for dinner.

"They had nothing. The husband was an alcoholic and the wife didn't have a job."

Yet each time he went over, they would "set me up on the couch, just a simple platform, while they sat on the floor.

"I really learned what generosity was," Tow says.

The richness of this type of cultural exchange lies at the heart of 40K Globe, which has exploded in popularity since it started. This year 450 students are heading to India to become "globers". While the one-month programmes are today much more structured than when Tow was there, he insists this is not voluntourism. Before leaving, students are given some basic training in social business skills and then "have a chance to give it a crack on the other side of the world".

And their biggest take-away? "A sense of legacy. We've developed all

the projects to be long term, so they can be rolled out several times and to other villages. A lot of students come away with the feeling that they've really achieved something. Then there's the element of learning how to build business skills in a foreign environment."

40K Globe calls these "impact projects" and the aim is that they will develop into social businesses and, over time, sustainably address social problems. With a full-time Indian team which continues working on the programmes for the other eight months of the year after the students return home, a sense of continuity is maintained.

This reduces the foreign aid trap or in 40K's terminology, "white man's problem", where foreigners are viewed as fly-in-fly-out fixers.

"The most important step to avoid this is needs analysis."

This 360-degree process investigates the perceived, and actual needs of the villagers. An unforeseen spin-off of 40K Globe is the legion of young ambassadors who continue to do informal work for 40K on their return – and then knock on the door asking for jobs.

All of 40K Globe's Sydney-based staff are alumni of the programme. The only challenge: "We have a very young team," he chuckles. "I soon realised a one-size-fits-all approach doesn't work. It's a one-size-fits-one model."

And in true Gen Y style, Tow works hard at keeping his tribe together. He knows that to succeed they need to work as a collective, not as individuals. ●

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TONY TOW'S TOP TIPS FOR BUILDING A SOCIAL ENTERPRISE FROM THE GROUND UP

- Understand what problem you are trying to solve
- Consult with your customer to ensure you know what's needed
- Trial and test your financial modelling
- Develop a motivated workforce aligned with the actual purpose of the organisation.