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Entrepreneur Leila Janah explains why she calls her startups Samasource and LXMI “social” enterprises, a business model she credits to Nobel Peace Prize winner Muhammad Yunus, inventor of the micro-finance movement aimed at social impact. “What I wanted to build was a company that would measure itself based on how many people we moved out of poverty each year,” Janah says.



Transcript

- Social business, which is the term that I use to define Samasource and my other business, LXMI, was really pioneered as a concept by a guy named Mohammed Yunus.. How many of you have heard of Mohammed Yunus? Okay, good number of hands.. He's the founder of Grameen Bank and the winner of the 2006 Nobel Peace Prize for his pioneering work in microfinance.. He, as an experiment in the late 70s, decided to make a small loan to a group of very poor women in Bangladesh.. He realized that lots of poor women had no access to capital.. If they walked into a bank, they couldn't get a loan.. And the reason is that the loan increments were in the thousands of dollars instead of in the tens of dollars.. So he said, "What if I try giving them a tiny loan? "Let's see what happens.. Will they actually pay it back?" And it turns out that the women paid it back and they had higher repayment rates than many traditional recipients of bank loans.. So he pioneered this concept of microfinance, which we've probably all heard of which has made a dramatic difference in the lives of hundreds of millions of people..

And alongside this model of microfinance, Yunus developed a concept which I think is even more world-changing and powerful, which is the idea of a company that has a social mission first and foremost.. So it's basically a company that operates as a non-loss and also non-dividend enterprise.. Here in the US, we don't really have a category for such a company, you can operate a nonprofit that way, but the idea is that you make a profit, you put all the profit back into the business, and you have a social or environmental objective.. So, that's generally the idea of social enterprise.. There's different flavors of it.. You can make modest amounts of profit.. You can make lots more profit.. Personally, I define social enterprise as an enterprise in which people and planet are put at least alongside profit, and probably above it.. And in the case of Samasource, what I wanted to build, was a company that would measure itself based on how many people we moved out of poverty each year, and at what cost to donors.. I actually started Samasource as a nonprofit because back in 2008 when I launched, I launched the way in September of 2008, which is the worst month probably in the last hundred years to start as a nonprofit, and I started it as a nonprofit because I asked tons of VCs along Sand Hill Road..

I pitched everyone I can find about this idea, and they all thought it was ridiculous, beyond belief, like they're pretty risk tolerant, but at that time, the idea of building an internet-based business in, I had selected Kenya as the first place I wanted to work, in a place, in a country, where there was no fiber-optic access, where the only internet was satellite-based, and where most people made less than two dollars a day seemed kind of crazy.. So I was turned down by all of the for-profit funders I could find and I decided to launch it as a nonprofit because the only people who would give me money were people who wanted to make donations, and wanted to see those donations used for a sustainable business model..