

**Title:** Social Enterprises & Community Organizations Participations to Move Economy and Society - Lessons from Peter Drucker

I can still vividly remember this specific day which happened in January 2012. I was sitting in the middle of a small house listening to a lady telling a story. It was around afternoon and the rain was pouring really hard. It was a rainy season here in Lombok, Indonesia. Our team consists of four people, sitting on random places around the small house. There are four to six interviewees, so the house was quite crowded. Before we started the interview, the host served local coffee to us which is grown, brewed and processed here in Lombok. It has very delicious smell and tastes extremely sweet, as it is normally served with a lot of sugar. Even though my friends told the host that they want the coffee to be served without any sugar, the host still insisted to pour a full spoon of sugar. It seemed like it was a courtesy here to serve the coffee sweet and it actually signified our presence was very welcome here in her house to conduct this interview sessions.

As I sipped my coffee, I was putting all my attention to every words the lady said to me. She talked very slowly with her unique Lombok accent. In her words, I could sense the cautiousness as she tried to answer the questions that I asked in Indonesian language which she rarely used in her day-to-day conversation. At some point her story gave me a weird sense, which is a mixed feeling of shock, sadness, angry, and upset. It was the point when the lady talked about her day-to-day story, especially about her effort to acquire fire woods for her family.

Saying that it was a daily-adventure-story is an understatement. Her adventure of gathering fire woods starts after she finishes preparing breakfast for her kids and husbands and sees them off to school and work respectively. At nine in the morning, she starts to walk and gather some fire woods until afternoon. In a good day, those hours are all that this lady need to get enough amount of woods, but sometimes it can take another one to two hours. After that, the lady needs to go back to the rice field, where she is employed by the landlord, to cut weeds or plow the land until evening. At night, she still needs to take care of her children and husband and take a rest before another new adventure starts tomorrow.

The story may seem like a normal condition for the poor in a developing country, but it is a huge revelation for me. A wake-up call which not only came to me from the story alone, but also from how she told the story. It was very sincere, without any complaints whatsoever about her living condition. As I looked at my coffee cup, I could relate to how much effort she needed to put just to serve this coffee. How long she had to walk to gather the firewood just to boil the water, I quietly asked myself. Before, I had this despicable thinking that the poor had a poor living condition because they were not putting their best effort in life or because they were lazy. It was a horrendous perspective for me and I was so ashamed of myself. At the end of the interview, I just could not contain myself. My eyes became teary and without realizing it, I was already crying.

It might be a normal conversation for her, but I know that day has changed my life. At that point I finally knew more about myself. Peter Drucker mentioned that one needs to know one's values in order to excel in their life<sup>1</sup>. I believe that the interview session was the day when I learned about my values and what was essential for me in life, especially on what kind of career and life that I wanted to pursue. I decided that I wanted to work where I can take part, where I was able to contribute more to the society. It does not mean that I hate my previous working place, but I just feel that the values of the work are not compatible with my own. I feel that I am not able to contribute enough to the cause that the company does, no matter how hard I try. I believe that the feelings are similar with the one that

Drucker felt while he was working in investment banking.<sup>1</sup> It just did not work.

It is still amusing to me that I needed to find such feeling and understanding from a stranger who lived in a remote area of Lombok. It was the first weeks of the impact measurement study conducted by the organization focusing on disseminating life-changing technology, such as water purifier and solar lantern, to the unfortunate people who live below the poverty line. The organization works by cooperating with local organizations such as non-governmental organizations (NGO) which exist in many parts of the world. In Lombok, they work together with local women's organizations by using their network of people who is called "agents". The agents help sell the technologies and products to their community in consignment model. The lady is one of the agents who were selling an efficient biomass cook stove to their neighbors. With the stove, the lady can reduce the number of woods to cook everyday to have more time with her families at home. I later moved to another company that served similar purpose, only this time we used mobile application technology as a tool to provide access for the middle lower income to sell household products in Indonesia.

Our agents are people who live in the communities for years. They are local leaders who know their region inside-out and are willing to help the company to introduce, promote and sell the much needed products and services to the lower-middle income people in their surroundings. In order to serve the needs, a collaboration is required from both the social enterprise and the local agents, both are entrepreneurs who need to complete each others albeit their differences and knowledge.

### **Social Enterprises & Community Organization Participation**

Back in the 80s, there was a believe that the problem emerging in the social sectors should be the responsibilities of the government. In the past, community participation was only possible via involvement of non-profit organization. Drucker correctly pointed out that it requires a third sector apart from the 'private sector of business and the 'public sector' of government to open the possibility for people to be actively involved in social sectors, which he called an autonomous community organization.<sup>2</sup> People in this sector can autonomously work in sectors which are interesting for them and thus, many people have created enormous results in sectors such as health and education. The trend is still true until this day. The main advantage of these community organizations lies in the power of the people. As Drucker mentioned, people who work in these communities start from the foundation of a desire to make a difference.<sup>2</sup> This is where people start their day-to-day work based on the need of additional sphere of social life, of personal relationships, and of contribution outside and beyond the job, outside and beyond their own specialized knowledge. They enjoy their jobs. However, they feel the need to do something where "we can make a difference". This is the crux and I believe where the strength lies in the community organizations.

The challenge for the community organizations is the knowledge or means to kickstart their entrepreneurial spirits, especially in structuring and reaching their objective. This is where public and private sectors have their expertise. Thus, I believe it lies in the hand of two other sectors to help promote and support these community organizations. In two of companies where I am and was working, I could see that they succeed in tapping both the advantages of enterprise and community organizations. As I have mentioned previously, agents from community organizations use their grass root networks to help social enterprises. The agents do not help the enterprise solely by expecting monetary incentives, but they also believe in the mission and the effect the company can bring to their local society.

They are confident that they can contribute to better their society by giving much needed products such as biomass cookstove and water purifier that can give better health. They also believe that the local society needs household products

with better quality. For these reasons, the people in the community are willing to help the company.

In short, the social enterprises are clearly not just aiming to increase their profit but rather they have created the sole and main objective that every company needs to have in the world. As Drucker mentioned, the objective for a company is not to make profit but rather to create value to customer.<sup>2</sup> This is where social enterprise can move the economy and society to prosper. The challenge for them is how to be sustainable in providing their customers who are poor and deemed as having no-buying power to purchase goods. In a more straightforward question, how they can keep making profit for this target customer? It is a relentless process in striving to balance both the bottom-line targets: to make profit which is important to keep the business running, and also to create value for their customers who live in different societies with different needs and natures.

Drucker highlights that there was a trend where in the knowledge society people will no longer be rooted in their neighborhood<sup>2</sup>. This is a condition where people feel that they can be successful no matter what society they come from. In this condition, people will no longer have the sense of citizenship as knowledge confers to each individual. Drucker argue that this is where 'traditional communities' will no longer exists as people do not have any more similarities with one another.<sup>2</sup> However, in the context of social development, traditional community still exists. It is the backbone of interactions among the poor where in the rural areas community, sense of togetherness is very important and is still flourishing. The poor have very traditional values in which people relations, communality and altruism are the themes of their day-to-day interaction. Here in Indonesia, we even have a specific term for this *communality spirit* called 'Gotong Royong'. Such value has been eroded with the way technology evolves these days, which causes less daily personal interaction. The government and the private enterprises who come from a 'modern world' should not shun these traditional interactions, but rather to embrace, promote and nourish to help enterprise acquire its objective to create value to customers.

For social enterprises, their customers are the poor: people who will be very conscious in their spending, who also do not have a knowledge in choosing which product is the best for them. Thus, social enterprise's responsibility is not only to sell the product to customers, but also to actually create value, to educate them, to gather insights, to talk and listen to them. Once during my visit to Lombok, I talked with several women who told us that they found a problem with their biomass cook stoves that we sold to them. At first, we thought that the problem only happened to one or two customers. After talking with many of our customers, we found out that the problem was actually widespread. The customers did not complain unless we asked them directly as they did not understand the concept of after-sales-service. They believed that it was their responsibility that the cook stove broke without even raising their concerns as soon as possible to us. After doing on-the-ground research, we then decided to take the products from the customers and to replace their stoves with the better ones. I believe this kind of decision is aligned with what <sup>2</sup> mentioned about creating value to customers. Only by doing such decision continuously, company can be sustainable in the long-run.

Another value that social enterprises need to create for their customer is to entail the entrepreneurship spirits in the local communities. According to Peter Drucker: *entrepreneurship is not 'natural'; it is not 'creative'. It is work..*<sup>3</sup> This statement is very true especially for the local agents. Many entities that work with the poor believe that by solely giving the access of capital to the middle lower income, people can automatically turn-on their entrepreneurial spirit and help themselves out of poverty. Such belief is a mistake and can create a damaged social ecosystem. Social enterprise owners require to help the poor, to be involved, to

make the agents 'work' by helping them creating a structure such as giving compensation, incentives and rewards. This is where the good social entrepreneurs stand-out, to take that extra mile, to put more effort to educate the agents of lower middle income in the communities.

The first step that the social entrepreneurs can do is to understand their need, to actually knows their behavior and to roll out the right execution strategy. The best way to do this first step is by connecting with local organizations who are based and conduct their activities in the area and thus, have a local knowledge. Such activities have been implemented successfully by many social enterprises all over the world<sup>4</sup>, where social enterprises help create many new entrepreneurs all over the world.

### **Knowledge Worker in Community**

Drucker suggested, "the most valuable asset of a 21st-century institution, whether business or non-business, will be its knowledge workers and their productivity."<sup>2</sup> In the specific case of social economic development I would argue that knowledge worker is the person who understand the knowledge of the local community. The definition of knowledge worker was restricted to the intellectual people with technical skills such as software developer or accountant, but on the other hand I believe the definition can be expanded. Knowledge does not specifically have to be technical skills but rather can be applied where the knowledge is tacit that is hold, for example, by community leaders in the society. Such local knowledge is important because there are idiosyncrasies among communities. The habits that may suitable for one community, may be totally forbidden in other communities. Such differences require a local knowledge from a knowledge worker who should be owned by the local people in the area. This may come from the local community leaders, such as the head of district, the tribe chief, or religious leaders who understand the culture of their people. Enterprises need to work with this knowledge worker to tap the knowledge of that local community to achieve the objective in form of bringing value to the customers. As Drucker mentioned, knowledge workers do not produce "thing." They produce ideas, information, and concepts.<sup>2</sup> Local people understand the habits and the best approach to engage with the locals. For example, the people have the liberty to execute their entrepreneurial initiatives by selling the products during their routine informal meetings, during the religious events, etc. The community leaders know the best approach that is important for the success of social enterprises, especially the business that works. Previous research has shown (Source) that working with local organizations or entities is the most important factor that can affect one social enterprise's success.

While knowledge workers exist in the community organizations, they also exist in the social enterprise itself. From my experience, people who work in the company share similar feeling with the community leaders. There is a sense and feeling of wanting to contribute to the society. I believe this is what makes social enterprise work. Drucker specifically points out that social enterprise is usually founded by people who already work 40 years in the job.<sup>5</sup> Social enterprise was deemed as the alternative works because people already have too much experience in their 'first career' and thus need to work on much lesser intense work, while can still use his or her experience in managing business. I would argue that the trend is shifting right now in how people see social enterprises. I am seeing that social enterprise have been one of the most sought career option for many younger people who are craving to create impact from the get-go. Working for bigger companies is no longer seen as the most preferred first career path. On the other hand, I can also see the pattern in choosing social enterprise as the 'second career' although in slightly different context. Many of my colleagues and friends, who are still in their late 20s or early 30s, previously worked in big companies and then decided to

move to social enterprises. They choose to start their second career, again with similar spirit due to the need to contribute to society and take a risk to work for a startup or a small social enterprise.

### **Closure Thought**

Drucker people management encompasses every stage from everyone's life. In short, there are 3 phases: First, people need to understand their values first so that they can strive to excel in their life. Next, people can contribute to their company so they can create a value for their customers. Lastly, people shall contribute to the society by participating in community organizations to create social impacts which can trigger an explosion of entrepreneurship. The silver-lining is that whether you are as an individual, company, or community, people need to be able to contribute to their inner circle, customer or surroundings. The process is outward looking; start from oneself, then a company, and the community. I believe this is embedded strongly in every Drucker's view on people management and how entrepreneurs can move economy and society.

### **References**

- <sup>1</sup>P. F. Drucker, *Managing Oneself* (Boston: Harvard Business Review, 1999)
- <sup>2</sup>P. F. Drucker, *The Essential Drucker* (HarperCollins Publishers, 2001)
- <sup>3</sup>P. F. Drucker, *Innovation and Entrepreneurship* (HarperCollins kindle edition)
- <sup>4</sup>L.M Kamp, J.R Orrt, B. Harahap, *Barriers and Strategies for Innovations Entering BOP Markets* (Cape Town, Proceedings of the 24th International Conference of the International Association for Management of Technology - IAMOT 2015)
- <sup>5</sup>P. F. Drucker, *Managing The Non-Profit Organization* (New York: Routledge, 1990)