

A hand holding a yellow coin over a globe. The background is a vibrant orange-red color. A hand is shown in profile, holding a bright yellow coin. Below the hand is a circular globe with a blue and green textured surface. The text 'WHEN DOING GOOD IS BAD' is overlaid on the globe.

# WHEN DOING GOOD IS BAD

MICHAEL EDWARDS WANTS BUSINESS TO GET OUT OF THE AID BUSINESS—AT LEAST AS IT EXISTS NOW.

**ENDING POVERTY, FIGHTING THE SPREAD OF DISEASE, REDUCING STARVATION.** These should not be mere line items on your company's 2010 objectives. Yet too often, says Michael Edwards, corporations trick themselves into thinking they can solve the world's ills—and that they're best suited to do so. Worse still, they're fooling everyone else, including those they're allegedly helping. Philanthrocapitalism—when businesses act to solve social problems—doesn't work, at least not by itself, argues Edwards, who claims that philanthrocapitalists "have become so caught up in the buzz surrounding their ideas that they are ignoring the costs of what they are recommending."

Edwards is former director of the Ford Foundation's Governance and Civil Society Program



and current distinguished senior fellow at the think tank Demos. In *Small Change: Why Business Won't Save the World* (Berrett-Koehler), he writes, "At a time when business cannot even fix itself, one wonders why anyone should believe that it can fix the rest of society and its institutions." Edwards, 52, spoke from his home in Swan Lake, N.Y. —VADIM LIBERMAN

**THERE ARE TWO WAYS TO INTERPRET YOUR BOOK'S SUBTITLE—EITHER THAT BUSINESS DOESN'T WANT TO OR THAT IT CAN'T SAVE THE WORLD.**

It can't. I'm not saying that business has no role in social change or solving problems. Philanthrocapitalism can get much-needed drugs, microcredit loans, solar-rechargeable light bulbs, and the like to people who really need these things, but it doesn't change the social and political dynamics that deny most of the world's population the hope of a decent life. Philanthrocapitalism does not effectively address tasks like rebuilding the cohesion of communities, strengthening the ways in which people care for each other, and pushing for changes in the economic system itself.

Instead, donors become fixated on speed, scale, and numbers as indicators of success—just like in a business—making it easy to ignore the fact that new medicines are powerless when TB and malaria develop more resistance, or that providing Africans with genetically modified seeds also increases inequality and workloads among farmers and their families, or that schools with rising enrollments lack teachers, desks, and textbooks. What we need is a sense of perspective, where there's less hype and more humility about what business can do.

## BY FORCING NON-PROFITS TO COMPETE FOR SCARCE RESOURCES, DONORS ARE DOING MORE HARM THAN GOOD.

**YOU ALSO ARGUE THAT IT'S A MISTAKE TO USE THE MARKET TO SOLVE SOCIAL PROBLEMS.**

Yes. For example, philanthrocapitalism seeks to apply competition in the social sector. But by forcing nonprofits to compete for scarce resources, donors are doing more harm than good. A survival-of-the-fittest approach ensures that only the big nonprofits survive, while smaller grassroots organizations are pushed out. That's a problem because the smaller groups tackle issues that the big groups don't. For instance, diarrhea, pneumonia, and intestinal parasites sicken and kill far more people than the so-called big three of TB, malaria, and AIDS, yet these problems receive far less investment. They have less powerful constituencies arguing for them because they aren't sexy causes. But the

world of social change is not particularly sexy, and it won't give you immediate gratification, so it's not coincidental that everyone is interested in the same small span of issues, while the rest of the world's problems get ignored.

**SO WHAT CAN BUSINESS DO TO HELP SOLVE WORLD PROBLEMS?**

Business can be a prime player where you need the power of the market to efficiently distribute socially and environmentally useful goods and services on a large scale to lower-income groups. In fact, companies already do that.

**WHY, THEN, DO YOU CRITICIZE C.K. PRAHALAD'S BOTTOM-OF-THE-PYRAMID THEORY?**

There's nothing wrong with selling to people at a price point they can afford. What's wrong are the bottom-of-the-pyramid claims that there's some form of social and political empowerment going on, that we're solving the deeper problems that poor people face in their lives. I'm not criticizing efforts to bring poor people into the market, but I am criticizing claims that take attention away from the need for government to redistribute assets and resources and generate social security. These claims take away from the role of civil society and civil organizations in tackling issues that business will never be able to tackle well.

**"RATHER THAN FOCUSING ON THE POOR ONLY AS CONSUMERS," YOU ASK IN YOUR BOOK, "WHY NOT SEE AND WORK WITH THEM AS PRODUCERS, ACTIVISTS, AND PARTICIPANTS IN SHAPING THE CONDITIONS UNDER WHICH THEY ARE OFFERED MARKET OPPORTUNITIES?"**

I'm interested in things that don't just treat the poor as consumers but that bring larger questions to the table about how to better produce and distribute benefits and how we can revolutionize the economic model in a much more substantive and radical way. By exaggerating the benefits of applying business thinking to social sectors, we deflect attention away from the changes that are necessary in core business practices *and* dilute the transformative potential of civil society and government.

If you're looking for the best bang for the buck in the long term, changing the way the economic system operates so it has more benefits and fewer costs is going to be more cost-effective than taking a small amount of money from an inefficient system and giving it back to causes that may or may not be socially effective. So rather than spending so much time trying to fix other institutions all over the world, why doesn't business try to fix itself?

**HOW?**

To start with, how about paying taxes, obeying regulations, ending monopolies, and removing lobbying from politics?

### **THAT SEEMS TO BE ASKING COMPANIES TO WORK AGAINST THEIR OWN INTERESTS.**

Right: It's not in their self-interest to transform a system in which they're the prime beneficiaries. That would be crazy! It's also why we can't rely on business to solve our social problems. There's a fundamental logic at work here that has been quite successful in producing wealth, but you can't transfer that logic into the social realm and expect the same results. That's why I want to protect a strong and independent civil society and government—to do things which businesses are unlikely to do ever, however much we tinker with the model. Let's put the brakes on philanthrocapitalism for a while so that we have the time and space to consider its real impact more rigorously and honestly.

### **YOU WRITE THAT BUSINESS SHOULD TACKLE SYMPTOMS RATHER THAN CAUSES OF PROBLEMS. BUT ADDRESSING CAUSES IS A LONG-TERM PROCESS WITHOUT GUARANTEED SUCCESS, SO BY LOOKING FAR AHEAD, DOES BUSINESS RISK ALLOWING GREATER SUFFERING AMONG PEOPLE WHO WOULD OTHERWISE BENEFIT FROM IMMEDIATE, MORE TANGIBLE AID?**

It's obviously very attractive to stay in the short term, because you can get benefits to people right away. The key is to get more long-term consideration in the system, to try to find ways of satisfying people's immediate needs and, at the same time, to build local health or food systems to manage needs effectively into the future. It's not a zero-sum game, where you have to sacrifice one for the other. In fact, philanthrocapitalism investments in the health field are actually *damaging* to the future of the health systems in certain countries because there's so much focus on short-term delivery of drugs. Why don't we think as much about strengthening those health systems? It's too easy to go with the flow and say, "This is all we can do, so let's do it."

### **IS IT REALLY SO WRONG FOR COMPANIES TO FOCUS ON TASKS THEY ALREADY KNOW HOW TO DO WELL?**

There is something wrong with pretending that that will save the world. We need to accept that business has *a* role in the picture but not *the* role. Philanthrocapitalism may well produce a vaccine against malaria, but there's no vaccine against greed, fear, poverty, inequality, corruption, lousy government, personal alienation, and all the other things that plague us.

It's difficult for business to confront these issues because if you've been extremely successful in business, then it's quite natural to apply the same principles to solving social problems. So I don't blame philanthrocapitalists and businesses for using their techniques and metrics in the social world, but it's important to recognize the limitations and costs of what they are doing. Different worlds require different approaches. You wouldn't use a typewriter to plow a field or a tractor to write a book, so don't simply assume that the same techniques will bring the same dividends in the much more messy and complicated processes of social and political change.

### **IN PARTICULAR, COMPETITION AND ROI ARE ASPECTS OF THE BUSINESS WORLD THAT DISCOMFIT YOU WHEN APPLIED IN THE SOCIAL SPHERE.**

If your role as a company is to find goods and services that have more social impact, the metrics are fairly simple. If I'm producing solar-powered refrigerators to keep vaccines fresh in Africa, it will be easy to measure the social impact. What's much more difficult is measuring the social impact of deeper systems changes, which are the most fruitful approaches for the future.

So it's important to keep some sense of broad metrics in your head, but you shouldn't worry so much about demonstrating a short-term return, because that will drive you into areas that are either artificial or not very meaningful.

Having worked in the social sector my whole life, I'm confident that if I'm working with people in an authentic way to improve their capacities and opportunities, then interesting things will happen over time. I'm not concerned with measuring them today or tomorrow—but businesses *are* concerned with this. And they have to be or they'd go out of business quickly. So again, that's why we can't rely on them to save the world. It's dangerous! If we allow business to take over the way we solve social problems, then at some point, we will find we don't have a civil society. That will be disastrous.

### **NOT EVERYONE AGREES WITH YOU. IN *SMALL CHANGE*, YOU QUOTE BERKSHIRE HATHAWAY VICE CHAIRMAN CHARLES MUNGER: "IF YOU PUT A GUN TO MY HEAD AND ASKED WHICH ONE HAS DONE MORE GOOD FOR THE WORLD, THE FORD FOUNDATION OR EXXON, I'D HAVE NO HESITATION IN SAYING EXXON."**

That's exactly the kind of hubris that gets in the way of having a conversation where people are not boasting. Let's recognize what each group brings to the table. For instance, it's great that businesses can offer research and subsidies on improved and genetically modified seeds and fertilizer, but you have to also consider the broader context in which those things are being used. By themselves, they won't solve the problems of liberal food systems in Africa. Fostering a better and more sustainable system which is more adapted to the local context, which doesn't have bad implications for female labor in Africa, which doesn't erode the fertility of the soil, which doesn't expose people to risks of being dependent on one seed or provider is a much more robust, long-term solution.

### **WHAT CAN PEOPLE DO IN THEIR PRIVATE LIVES?**

I want people to go beyond giving or even giving more effectively. We can all surf a website and click a mouse to make a donation, and that's not a bad thing, but if you're saying that will save the world, again, that's a dangerous case of hubris. Be active in your own community, because that's where you can be most effective. Join civil-society groups; vote; hold businesses accountable for delivering on promises they make; use your purchasing power. Social and political action is what changes the world at the end of the day. That's what I want people to remember. ■