

INSIDE THIS WEEK: A 14-PAGE SPECIAL REPORT ON ENTREPRENEURSHIP

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The jobs crisis

And what to do about it



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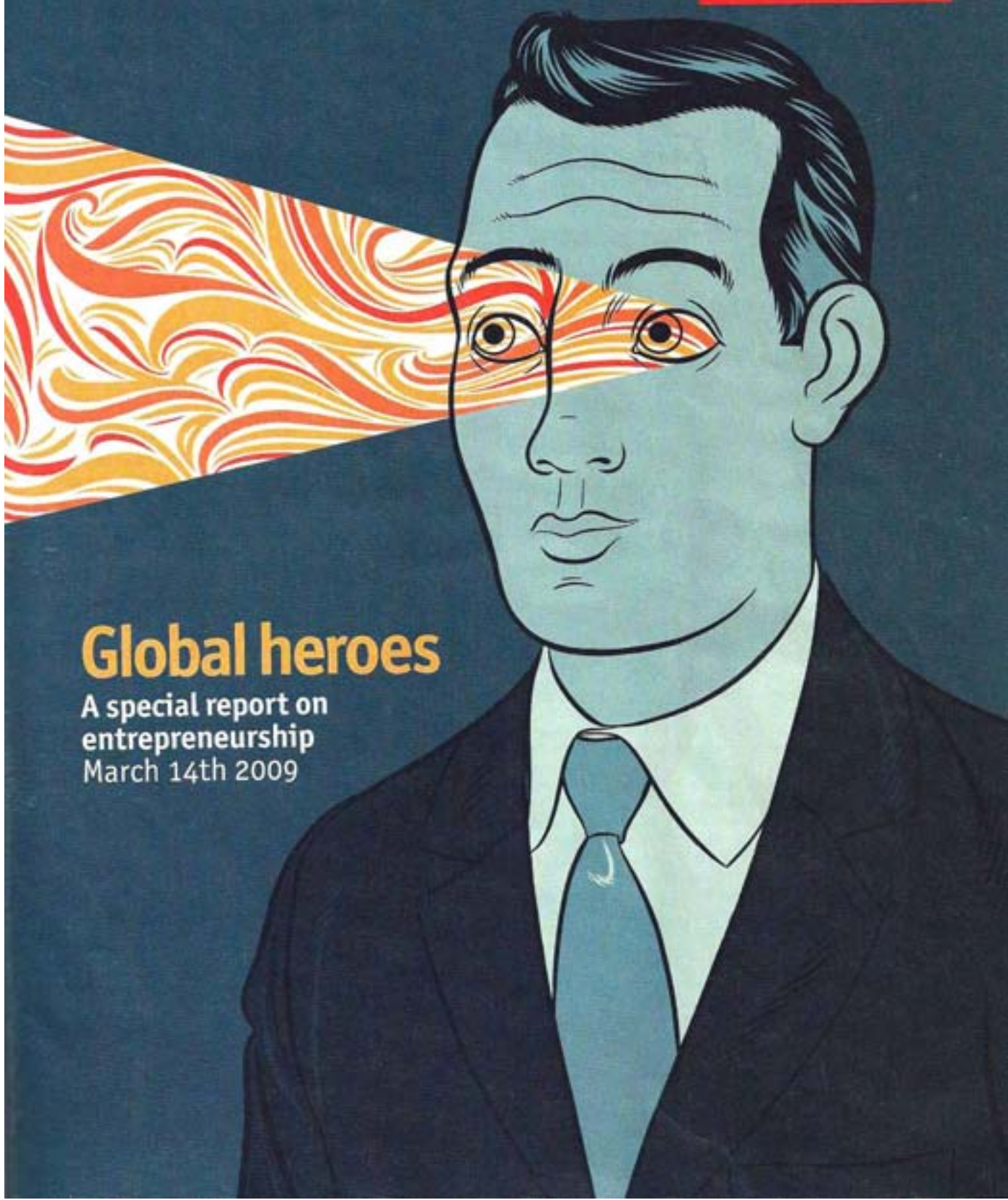
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A special report on
entrepreneurship
March 14th 2009

Global heroes

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Despite the downturn, entrepreneurs are enjoying a renaissance the world over, says Adrian Wooldridge

IN DECEMBER last year, three weeks after the terrorist attacks in Mumbai and in the midst of the worst global recession since the 1930s, 1,700 bright-eyed Indians gathered in a hotel in Bangalore for a conference on entrepreneurship. They mobbed business heroes such as Azim Premji, who transformed Wipro from a vegetable-oil company into a software giant, and Nandan Nilekani, one of the founders of Infosys, another software giant. They also engaged in a frenzy of networking. The conference was so popular that the organisers had to erect a huge tent to take the overflow. The aspiring entrepreneurs did not just want to strike it rich; they wanted to play their part in forging a new India. Speaker after speaker praised entrepreneurship as a powerful force for doing good as well as doing well.

Back in 1942 Joseph Schumpeter gave warning that the bureaucratisation of capitalism was killing the spirit of entrepreneurship. Instead of risking the turmoil of "creative destruction", Keynesian economists, working hand in glove with big business and big government, claimed to be able to provide orderly prosperity. But perspectives have changed in the intervening decades, and Schumpeter's entrepreneurs are once again roaming the globe.

Since the Reagan-Thatcher revolution of the 1980s, governments of almost every ideological stripe have embraced entrepreneurship. The European Union, the United

Nations and the World Bank have also become evangelists. Indeed, the trend is now so well established that it has become the object of satire. Listen to me, says the leading character in one of the best novels of 2008, Aravind Adiga's "The White Tiger", and "you will know everything there is to know about how entrepreneurship is born, nurtured, and developed in this, the glorious 21st century of man."

This special report will argue that the entrepreneurial idea has gone mainstream, supported by political leaders on the left as well as on the right, championed by powerful pressure groups, reinforced by a growing infrastructure of universities and venture capitalists and embodied by wildly popular business heroes such as Oprah Winfrey, Richard Branson and India's software kings. The report will also contend that entrepreneurialism needs to be rethought: in almost all instances it involves not creative destruction but creative creation.

The world's greatest producer of entrepreneurs continues to be America. The lights may have gone out on Wall Street, but Silicon Valley continues to burn bright. High-flyers from around the world still flock to America's universities and clamour to work for Google and Microsoft. And many of them then return home and spread the gospel.

The company that arranged the over-subscribed conference in Bangalore. The

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A list of sources is at

Economist.com/specialreports

An audio interview with the author is at

Economist.com/audiovideo



Saving the world

Entrepreneurs are trying to do good as well as make money

THE Iscon Sri Radha Krishna-Chandra Temple feels like a bit of ancient India preserved in the heart of modern Bangalore. The faithful wait in long lines, their faces daubed with paint. The air is filled with chants of "Hare Krishna" and "Hare Rama". Monks in orange robes offer flowers and food to the gods and produce haunting sounds on conch shells.

In fact, India's entrepreneurial revolution is as visible here as anywhere. The temple has a conference room equipped with state-of-the-art audio-visual aids. Its board of directors includes several leading software billionaires and their wives, providing it with money as well as connections. The monks are entrepreneurs as well as holy men, one moment talking about reincarnation and the next about sustainable delivery models.

The temple provides 200,000 local schoolchildren with free meals every day. It achieves this miracle of abundance by a combination of mechanisation and careful management. The temple's 250 employees use giant machines to clean rice and prepare chapattis. They then pack the food into steel containers and load it into a fleet of custom-made vans which keep the food warm as they crawl through Bangalore's traffic-clogged streets.

Entrepreneurship is reshaping the voluntary sector as much as the private one. Rich people have often turned their hand to philanthropy in their later years, but this old story has acquired some new twists. Today's entrepreneurs routinely apply business techniques to philanthropy. Some of them are even using a venture-capital model, investing in a range of promising start-ups and making longer-term funding conditional on performance.

Riders for Health was created when a couple of motorbike enthusiasts discovered that the vehicles being used by health-care providers in Africa were not

being maintained. The organisation now helps to provide 11m people with health care in inaccessible parts of Africa, often using motorbikes. Teach for America started when a Princeton student, Wendy Kopp, conceived the idea of persuading Ivy League graduates to teach in state schools for a while. The trick was to ask them to compete for the honour of doing something that, a few years earlier, none of them would have been remotely interested in. The programme has now been copied around the world.

Social entrepreneurs often blur the distinction between making money and offering charity. Some use the profits from their main business to cross-subsidise their charitable work. India's Aravind Hospitals, which perform 250,000 eye operations a year, do 60% of their work for nothing. Other social entrepreneurs establish for-profit social enterprises, also known as "forprofits", that try to make money as well as doing good.

Vinod Kapur, for example, has built a successful company with the purpose of feeding India's rural poor. He invested \$2m—and many years of his life—in breeding a superchicken. The result was the Kuroiler: multicoloured, resistant to disease, capable of surviving on farmyard scraps, strong and wily enough to fight off predators, and producing twice as much meat and five times as many eggs as ordinary chickens. Mr Kapur has built an entire supply chain around the Kuroiler, including specialist farms that breed them and vendors who sell them across rural India.

Shane Immelman has built a successful company by trying to bring the benefits of education to poor schoolchildren in South Africa. Appalled that 4m children did not even have desks, let alone schoolrooms, he invented a "lapdesk" that sits on the child's lap and provides a stable surface. The desks are covered in advertisements, so Mr

Immelman is able to hand them out free, but they have proved so popular that better-off people have started to buy them, and some of them are now being exported to other developing countries.

Take care of the pennies

In the long run, however, the best thing that entrepreneurs can do for the poor may be simply to see them as workers and customers. A rising number of Western companies are pursuing what C.K. Prahalad, a management professor at the Ross School of Business at the University of Michigan, calls "the fortune at the bottom of the pyramid". Businesspeople have realised that billions of pennies can add up to a lot of money. Cemex, an innovative Mexican cement firm, employs thousands of poor Mexicans. Casas Bahia, a Brazilian retailer, specialises in serving poor customers. India's ICICI Bank uses technology and customer service to reach poor rural Indians.

Allowing people to experience the benefits of the market sometimes means helping them to join the market economy. Hernando de Soto, a Peruvian economist who helped to inspire the World Bank's *Doing Business*, has long argued that creating property rights in the developing world is a precondition for encouraging entrepreneurialism there. Regional development banks such as the African Development Bank and the European Bank for Reconstruction and Development claim they are trying to build local environments in which entrepreneurs can flourish.

This seems to hold out the prospect of a continuous cascade of prosperity as successful entrepreneurs discover new markets and then use the fruits of their efforts as social entrepreneurs to generate yet more successful enterprises. But the world is never as simple as that: entrepreneurship creates uncertainty and competition as well as innovation and prosperity. ■