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It’s Civil Society, Stupid! A Review of *Small Change: Why Business Won’t Save the World* by Michael Edwards

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Abstract

With *Small Change: Why Business Won’t Save the World*, Michael Edwards delivers a powerful critique of the movement he calls philanthrocapitalism. This review tracks his main arguments and summarizes the book's content. Despite a few weaknesses in sourcing its arguments, the book is strongly recommended both to academics and to practitioners, especially to the prophets and disciples of the venture philanthropy and social business.

KEYWORDS: venture philanthropy, philanthrocapitalism, social entrepreneurship

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Civil Society is changing, both in terms of its internal structure and as regards the way its organizations are structured and governed. During the last decades, Civil Society Organizations (CSOs) have increasingly implemented business-like practices and discourses, in part to legitimize their presence in a market-like environment, in part due to external pressures. This trend of marketization and becoming-business like has been described at various times in academic research (see, for example, Dart, 2004; Hammack & Young, 1993; Parker, 2002), though there is still little empirical evidence on the dissemination and consequences of business ideology in Civil Society. Recently, venture philanthropy and social entrepreneurship have emerged as the most prominent manifestations of Civil Society becoming business-like.

Michael Edwards’ “Small Change” provides us with an intriguing and powerful argumentation against the surge of pro-business thinking in Civil Society, especially against philanthrocapitalism and social entrepreneurship. Edwards’ core criticism is that business-like logic cannot fight the root causes of social problems but only the symptoms. Thus philanthrocapitalism only brings “small change” into this world, but not a significant relief from the most urgent social problems. His broad experience in Civil Society all over the world, e.g. as an adviser on Civil Society for the World Bank and a director of the Ford Foundation’s Governance and Civil Society Program , have made Michael Edwards a credible witness and fierce critic of the new movement. He unfolds his arguments in five chapters.

First, he describes the rise of philanthrocapitalism as an irrational exuberance. With reference to the most prominent and powerful representatives of the new movement, e.g. Bill Gates, Warren Buffet and Larry Ellison, he summarizes the basic message: Traditional ways of solving social problems do not work, so business thinking and market forces should be added to the mix. Those enormous and admirable projects, however, concentrate mainly on bringing socially and environmentally useful goods and services to more poor people. They neither invest in long-term institution building nor intend to transform society. On the contrary, some of these ambitious initiatives rather harm the efforts of developing countries to establish sustainable systems, e.g. in health care.

In the second chapter, Edwards dismantles some of the most sparkling concepts of the new movement. In accordance with a number of other prominent critics he argues that social entrepreneurship is “as open to interpretation as a Rorschach blot” (Jeff Trexler), that venture philanthropy is only new in its sizzle, not in its content (Peter Frumkin), and that corporate social responsibility in its most radical version, i.e. actually assessing how a company affects the society through all of its activities, is practiced by almost no one (Edwards, 2008: 17ff.).

Edwards also provides some useful definitions. According to him, the four major characteristics of venture philanthropy are: (1) Direct intervention in, and a high measure of control over the activities of the organization that a foundations supports. (2) Effectiveness is measured using business metrics to monitor performance. (3) Strategy is dominated by aggressive revenue-generation efforts to promote financial sustainability and rapid "scaling up". (4) The "leverage" comes from pulling in resources from government and others and investing in a wider range of vehicles to achieve social goals. This is what I have also experienced. Some Ashoka-scholars suffer from these urgencies, and very often venture philanthropists take the role of the taskmaster who teaches CSOs how to run their businesses (Edwards, 2008: 20)

In chapter three Michael Edwards brings up the painful fact that hitherto there is no evidence for the positive impact of philanthrocapitalism. By and large, "the literature is anecdotal or written by evangelists more interested in publicity than rigor." (Edwards, 2008: 35) Moreover, there is even some evidence for collateral damages caused by the ambitious initiatives of philanthrocapitalists: Although their large scale investments in attacking TB, malaria, and AIDS were successful in setting up supply chains and getting medicines to those who needed them, these investments weakened the national health systems that countries need to fight diseases sustainably (Edwards, 2008: 38). Another example is microfinance. Only recently, Indian microfinance initiatives have earned severe criticism for the high rates they charge from their clients: Micro lenders borrow money at 13% from banks and lend it at 26% – causing additional dependencies, misery and a wave of suicide amongst their debtors. Even in Bangladesh, where microfinance is different from India and has become a success story thanks to Nobel laureate Mohammed Yunus, there is a positive impact only on some factors which might lead to social transformation, e.g. women's empowerment, but still no transformations of the unfair political and social structure (Edwards, 2008: 40). Even if 49 to 60 percent of Ashoka Fellows are assumed to have changed national policies within five years of start-up (according to Ashoka's founder Bill Drayton, 2008: 84), this is not better than other Civil Society activists who don't call themselves social entrepreneurs, claims Edwards (2008: 47).

Edwards also keeps a critical eye on the role of consultancy firms and argues fiercely against McKinsey and Company: Consultants obviously act in an arrogant and ignorant way, have no experience in social change work and thus hurt the mission and deplete the engagement and commitment of activists by overemphasizing efficiency. "The idea that investments in social action should be cost-effective is too often conflated with a particular (market) definition of efficiency, partly because groups like McKinsey and Company have so little direct and textured experience in the deeper dimensions of citizens' action." (Edwards, 2008: 58) Stressing efficiency and market share may endanger the most basic values of Civil Society and the availability of organizational slack and free space for people to invent solutions for social problems.

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In chapter four, Edwards discusses the mission drift of CSOs and links to well-established concepts from the academic literature: Commercialization (Tuckman, 1998; Weisbrod, 1998), mission drift (cf. Jones, 2007), and conversion of the mission (cf. Goddeeris & Weisbrod, 1998). Edwards’ core argument refers to the antagonism between human values and market values, between individualism and solidarity. Social transformation does not require the Schumpeterian entrepreneur as the major mover of growth and change, but broad-based participation and democratic accountability. “Wherever systemic change has already been achieved, … it came about through the work of movements rather than heroic individuals, even though leadership was obviously important. For every successful leader there are hundreds of unsung heroes and heroines who stand behind success.” (Edwards, 2008: 71) Consequently the author emphasizes the distinction between the political system and the market by providing his readers with a couple of striking examples. For instance, current trends in web-based fundraising might reduce the transaction costs of donating but fail to engage givers and receivers in any authentic collaboration beyond clicking a mouse on a website. Furthermore, most venture philanthropists support technical solutions and rapid scaling up to much slower movement building. Also, philanthrocapitalism is structurally blind towards social injustice, as philanthrocapitalists cannot be expected to fund their own loss of power or support overthrowing a system that has made them wealthy.

Most typically, philanthrocapitalism sees the world as a giant machine and social problems as a spanner in its works. This is why they are fascinated by predetermined logics and objectives, by calculating social return on investments (SROI), and by slogans like “push the button, change the world” (www.socialimpactaward.at). The concept of “social impact” has become hugely popular because it supports the illusion of control that is essential in business logics (Makridakis, Hogarth, & Gaba, 2009). Because privatizing the solving of social problems shifts decision-making out of the public domain, there is also a severe conflict between business metrics and democratic accountability. Thus philanthropy becomes less transparent and there is less opportunity for client feedback. Business-like solutions often lack transparency and accountability, whereas many traditional CSOs have members, elections and are in constant touch with their clients. A social entrepreneur is only accountable to his or her investors, whereas a CSO is also accountable to its members, clients, and often to a broader public (Maier & Meyer, 2011).

Another basic distinction between the logics of business and Civil Society is the interplay between competition and cooperation: Competition leads to an optimal allocation of private goods and services in markets, but meeting grounds and cooperation are essential for the provision of public goods, commons and even for securing positive externalities of private goods. The solution of social problems quite often requires public and common goods (see e.g. Nobel prize laureate Elinor Ostrom, 1991). Therefore collaboration among various organizations is more helpful than competition or the blending of values. The logic of social entrepreneurship and venture philanthropy, however, overemphasizes competition: The project with the highest SROI is funded, and the most innovative social entrepreneur receives the award. Though there are more and more hybrids, Edwards argues that it is better to keep the worlds of business and Civil society separated (Edwards, 2008: 85).

In the final chapter, Michael Edwards develops his vision of citizen philanthropy. Traditionally, societies have used taxation, redistribution, and government regulation to improve social conditions and foster social justice. Civil Society has ideally contributed by leveraging social movements and mobilizing the electorate to support specific issues. As opposed to this, proponents of philanthrocapitalism want Civil Society to become more like business: They pledge for a "seamless weaving of competition and cooperation, doing good and doing well, sacrifice and self-interested behavior." (Edwards, 2008: 87). In the real world, however, this blend does not exist.

Without taking the edge off his criticism, Edwards gets more positive at the end of his book. Though it is only a small change that philanthrocapitalism brings to the world, it is appreciated. But Edwards pleas in a passionate way for stronger participation of venture philanthropists in Civil Society, for a deeper transformation of systems and structures, for increased learning from Civil Society instead of only teaching it the business virtues. Edwards advocates citizen philanthropy. In accordance with the National Committee for Responsive Philanthropy (NCRP), he recommends that foundations should contribute more resources to strong and participatory democracy, and that they must strengthen transparency and accountability by establishing new forms of governance. Only eleven percent of the money that Americans give to charity addresses social injustice (Edwards, 2008: 95). A meager eight percent of philanthropic resources in the US is currently spent on programs for "public and societal benefit – as opposed to religion, opera and the like" (Edwards, 2008; 99). This is far too little compared with the substantial tax breaks for foundations that result in a public income-loss to the tune of $40 billion.

Michael Edwards' book is a fierce and powerful counterattack against the invasion of business logics into Civil Society. His arguments are widely supported by facts and figures and convincing, though not all of the sources meet academic standards. This is fine as the book is not meant to be academic. In at least three cases, however, Edwards crosses the line between sound arguments and mere polemics. Firstly, his attack against "bad" CSR (Edwards, 2008: 31) is not grounded in sound research. Coca-Cola, for example, has never contaminated Indian water supplies. NGOs like Greenpeace would never cooperate with this

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company if there was only a ray of truth in this rumor. Hereby Edwards rather lines up with uncritical and sheepish company bashers. Secondly, Edwards sometimes overstates his case: Urging private foundations to report on the results of their work to Congress or Parliaments every five years (Edwards, 2008: 96) sounds a bit exaggerated even to a statist European like me. And thirdly, sometimes the quality of his data sources is questionable. For instance, the impressive numbers on foundations’ spending on social purposes and the loss of tax income is only witnessed by a New York Times article (Edwards, 2008: 95).

These weaknesses, nonetheless, do not diminish the indisputable strengths of “Small Change”. Edwards is one of very few voices who points to the limits and blind spots of venture-philanthropy and social entrepreneurship. This movement is inspired by business rationales, and therefore it is limited to only one function of Civil Society, i.e. service provision. It is blind to advocacy and community building, though vivid Civil Society must not only provide goods and services, but also has to participate in political decision making and build social capital (see for the roles and functions of CSOs e.g. Neumayr, Meyer, Pospíšil, Schneider, & Malý, 2009). Michael Edwards thus delivers a powerful critique of a seemingly positive trend that maybe causes collateral damage as it undermines efforts to transform society, both in the North and in the South. It is a concise pamphlet that in any case must be read and considered by the prophets and disciples of the new movement.

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