

# A Model Citizen With a Business Model to End Poverty

by Kevin Riel

“Our work has been greatly influenced by Peter Drucker’s insights about the importance of people in a knowledge society. His insights have helped us transform the lives of young people who were previously relegated to living the life of scavengers into knowledge workers who can shape and control their own future by learning and collaborating with others through information and communications technology.” — Father Ben



Peter Drucker once said: "Management is doing things right; leadership is doing the right things." Last fall, the Drucker School and its Institute for Advanced Studies in Leadership invited Father Benigno Beltran (or Father Ben), a Catholic priest from the Philippines, for a four-month stay to act as Leader-in-Residence. He came to Claremont to study the tenets of Drucker's teachings on management and, with the help of Drucker students and faculty, learn how to implement them into Veritas e-Trading Network, a company he founded and heads that is doing the right things in a part of the world that desperately needs them done right.



"The war on poverty will not be won unless the poor participate in the economic activity that will provide them with greater income." — Father Ben

Tondo, a northwest district of Manila – the capital of the Philippines – is one of the most densely populated areas in the world, as well as one of the poorest and most underdeveloped. Until recently, Tondo was the location of a massive dumpsite and heavily-populated slum called "Smokey Mountain," so named for the plumes of noxious smoke rising from mounds of compacted garbage during the hot Filipino dry season. Thousands of locals subsisted from, and lived alongside, the swollen and dangerous landfill. Scavenging for plastic bottles, metal scrap, or paper for recycling could sometimes yield enough money for a full stomach, sometimes not.

Father Ben is today working with 16 parishes in Tondo. Due to rallies and demonstrations led by the basic ecclesial communities, the government was convinced to transfer the trash heap and erect low-cost housing in its place. However, no matter how "low-cost" the housing, with prices of basic commodities on the rise and without an alternative way to make a living, these newly sheltered people may be forced to settle back into slums elsewhere.

According to Father Ben: "Depending on who is counting, 30, 40, maybe 60 percent of the Manilan population earn up to a dollar a day – and this during a period of financial growth in the country."

This is not just a problem facing the Philippines. Large migrations of rural poor moving to urban centers and a widening disparity between rich and poor have, in various parts of the world, expanded slum growth. The United Nations estimates as many as a billion people (roughly a sixth of the world's population) live in these makeshift communities – and the number is growing. Countless aid agencies have spent large sums of money to combat this trend, often with frustrating results.

"The IMF and the World Bank have contributed lots of money to developing countries to help, but it doesn't do anything because government officials are too often corrupt or incompetent," said Father Ben.

Even before Smokey Mountain had closed, Father Ben was determined to find a creative solution to the poverty crisis in his country. He wanted to empower the poor as a potential workforce and consumer base using the infrastructure of the Roman Catholic Church. Inspired by the success of Bangladeshi companies like Grameenphone and Grameen Bank – those that have found innovative ways to provide the poor with services that spur grassroots entrepreneurship and employability – and his reading of many of Peter Drucker's works, such as *The Ecological Vision*, Father Ben is adopting their ideas for a Filipino context.

The response really was overwhelming. We decided we had to come up with a plan that, like Veritas, didn't just end with his visit, but was sustainable and action-oriented.

"The principle of Veritas is that the war on poverty will not be won unless the poor participate in the economic activity that will provide them with greater income," he said. "Imagine Hamlet not participating in his play. That's what is so often happening today. We are fighting poverty without engaging the principle actors. If you just give away stuff to the people, it will prolong their dependency on aid."

The objective of Veritas is to provide inexpensive, basic commodities and high-quality goods to Manila's poor, all the while providing work for many of them. It does this by connecting poor communities with local food producers. Together, they build a cooperative network in which consumer goods are bought in bulk, stored in large warehouses, and sold to local families at a marked discount by what are called order taker and delivery officers (OTDOs). These OTDOs are themselves residents of the community in which they work (and 98 percent female). Each OTDO takes orders from 50 to 100 families who are their neighbors, thus people they know and trust and who, likewise, trust them. To become an OTDO is an honor, as they are selected by members of the community they serve.

Presently, Veritas is working with some 20,000 families in Tondo, providing them with low-cost staples like rice and chicken. In the next five years, Father Ben expects that number to grow to upwards of 500,000 families, with about 5,000 OTDOs earning \$400 to \$500 a month.

"What they might have made in the slums in a day couldn't buy a Starbucks coffee," said Father Ben. "Imagine having to work three days straight to buy one Starbucks coffee. Now they are doing a little better, with better prospects."

This holds true not just for fighting poverty, but the ecological crisis in the Philippines as well. Environmental sustainability is one of Veritas's fundamental commitments. "We believe it's possible to create wealth without destroying the Earth," said Father Ben. By dealing mainly with local producers (poor rural farmers), shipping costs and the burning of fossil fuels are concurrently reduced. Projects like the construction of a bioreactor that turns food waste into fertilizer to sell back to farmers further contributes to this effort, saving the consumer even more money and the region undue environmental burden.

In coming years, there are plans to implement new technologies that will make Veritas more green and efficient, not to mention providing serviceable skills to people with little or no education. In much the same way,

Order taker and delivery officers in action.



it is hoped that the principles of Peter Drucker will make lasting contributions toward Veritas's future success.

Initially, Father Ben wanted to come to the Drucker School to study the work of Drucker the man: "I thought I would just be sitting in class, learning and listening; then Dean Ira Jackson, [Professor] Joe Maciariello, [Associate Professor] Jay Prag, and Christina Wassenaar [director of the academic programs at Drucker] came in."

When faculty and administrators at the Drucker School heard Father Ben's story and learned about his company, they realized the unique opportunity his presence afforded students. Through Drucker Professor Jean Lipman-Blumen's Institute for Advanced Studies in Leadership – an organization which uses research, programs, and teaching to promote a more comprehensive understanding of leadership – Father Ben was named the Drucker School's Leader-in-Residence.

Said Maciariello: "Father Ben initially came to study the work of Drucker while he was on sabbatical. And it was amazing to me how quickly he absorbed Drucker's teachings. He is a Catholic priest on a mission to better the lives of people who live in an incredibly challenging part of the world, and desperately need it."

"Our faculty were inspired to lend their skills in real ways and every time we spoke to a student they said 'What can I do to help?'" said Wassenaar. "The response really was overwhelming. We decided we had to come up with a plan that, like Veritas, didn't just end with his visit, but was sustainable and action-oriented."

Before the start of the 2008 fall semester, students and alumni were invited to help make Veritas – an already

functioning business – more functional. Special research teams were conceived, each to be mentored by a faculty member alongside Father Ben, and each to tackle a different problem or aspect of Veritas’s operations. The three major questions the project posed were: “Do we have it right?”; “Can the Veritas strategy be sustained?”; and “Could Veritas be replicated?” From September to December 2008, the research teams found many ways to answer these questions by helping create a more sustainable business plan, implement more efficient procedures, and inject Drucker’s management teachings right into the bloodstream of a living company.

Serena Zelezny, a Drucker student in her final year, was intrigued by this opportunity. She said: “This was a chance to take all these Drucker-inspired theories I’ve been learning, and put them into practice.”

So she joined Maciariello’s team of four students. According to Zelezny, they were asked to help out in three different ways: “We were first asked to assess the strengths and weaknesses of Veritas, then identify their visions and objectives and find creative ways to realize them; and finally to find ways to weave Drucker’s management theories into Veritas’s business model.”

Along with her team, Zelezny was able to work with Father Ben to create scorecards and templates to help OTDOs chart their success, operationalize Drucker principles into their day-to-day work, and to imbue entry-level employees with a sense of ownership in the success of Veritas. “We also came up with strategies for linking suppliers, staff members, and people on the ground with the Internet and cell phones,” added Zelezny. This effort culminated in a presentation in December in which the research teams’ results were shared with an invited audience and the local NGO community.

“It was great,” said Father Ben. “The students helped to improve the process flow, they translated our information manual into English, they created a social networking interface through Karma 411 (a social collaboration tool for nonprofits), they worked on the purchasing and accounting manual, helped with risk management solutions, and created scorecards to help OTDOs realize their potential while using Drucker-inspired management techniques. So, a lot of stuff. It was really amazing.”

Even today, students continue to work with Veritas. MBA student Matt Shin is working with Maciariello to develop the Drucker Management System. “This is a management framework that a start-up business can follow when it’s transforming into an enterprise. Veritas is a good platform to test the validity and determine the limits of the system’s generalizability, access its value as an assessment tool, and identify modifications,” said Shin.

Veritas wasn’t the only institution to benefit from the program; the Drucker students who participated got just as much from the experience. Said Zelezny: “By the end of it, the most valuable thing for the students and I wasn’t just learning how all this Drucker theory is put into practice, but getting to see the value of this work, and how it helps people who need help. I think it was really gratifying for everyone involved.”

In the future, there is potential that Veritas could be replicated in other impoverished regions in the Global South. For now, though, Father Ben is focused on helping as many people as possible in the Philippines.

While Veritas’s outlook seems bright, in today’s economic climate the prospects of any business venture are uncertain. As Peter Drucker once said: “The only thing we know about the future is that it will be different.”

Little did Drucker know how his influence would help usher in a different future for so many people, living so many miles from Claremont. Veritas is a different kind of company, and by partnering with a different kind of business school, what looked to be a bleak future for millions may turn out to be, well, different.

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