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# Social Entrepreneurship and vulnerable social groups

Edited by: Nikolay A. Dentchev, Jason Roncancio Marin,  
Claudia Alba, Georgios Outsios

Coordinated by: Nikolay A. Dentchev



National and Kapodistrian  
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press

# SOCIAL ENTREPRENEURSHIP AND VULNERABLE SOCIAL GROUPS

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# Social Entrepreneurship and Vulnerable Groups

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# Acronyms

APICCO: Artistic Partnership in Community's Creative Opening

BM: Business Models

BMD: Business Model Development

BMI: Business Model Innovation

BoP: Base of the Pyramid

BVA: Blended value accounting

CBA: Cost-benefit analysis

CEO: Chief Executive Officer

CEA: Cost-effectiveness analysis

CSR: Corporate Social Responsibility

DNA: Deoxyribonucleic acid

EU: European Union

GECES: European Commission Expert Group on Social Entrepreneurship

IBM: Inclusive Business Models

NGOs: non-governmental organization

NWICO: New World Information and Communication Order

SAA: Social accounting and auditing

SBM: Sustainable Business Models

SDGs: Sustainable Development Goals

SE: Social Entrepreneurship

SEs: Social Entrepreneurs

SI: Social Innovation

SMEs: small and medium enterprises

SROI: Social Return on Investment

SOFFA: Social Fashion Factory

SSE : Social Solidarity Economy

SENTIM: Social Entrepreneurship for Immigrants

ToC: Theory of Change

UN: United Nations

WISE: Work Integration Social Enterprise



# Introduction

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## Introduction

Social Entrepreneurship constitutes a crucial driver of social innovation (Hall, Matos, Sheehan, & Silvestre, 2012). Social entrepreneurs use creative business models to resolve social and environmental challenges (Evans et al., 2017). By doing so, they develop much-needed innovations for contemporary societies, positively impacting vulnerable social groups. The term vulnerable social groups refers to divergent groups of people who remain at risk of poverty or social exclusion due to different factors (e.g., physical disabilities) and backgrounds (e.g., substance abuse, past criminal convictions). In this context, entrepreneurial solutions to vulnerable groups generate valuable social impact, and therefore this book embraces both topics of social entrepreneurship and vulnerable social groups.

Social entrepreneurship has drawn the attention of practitioners and research during the last decades (Gupta, Chauhan, Paul, & Jaiswal, 2020), while more universities have started integrating the topic into their curricula. With this trend in mind, the consortium of Erasmus+ project ERMIScom asset out as one of its intellectual outputs the development of an undergraduate course on social entrepreneurship. Under the leadership of the VUB Chair of Social Entrepreneurship, the ERMIScom consortium presents this book with course material for the undergraduate and postgraduate teaching levels. The overall learning outcome for students in this course is to develop three key competencies:

- ▶ Creative problem-solving of complex social issues.
- ▶ Development and implementation of strategies that increase the social impact of social entrepreneurs.
- ▶ Critical analysis of the challenges that vulnerable social groups are facing.

To develop these competencies, we will focus on three learning objectives for the students: knowledge, skills, and attitudes.

- ▶ To develop a comprehensive knowledge of social entrepreneurship.
- ▶ To acquire a thorough understanding of the challenges faced by social enterprises.
- ▶ To acquire knowledge of how social enterprises can provide solutions to vulnerable social

Our learning objectives in skills development are:

- ▶ To develop the capacity to develop a business plan of a social enterprise.

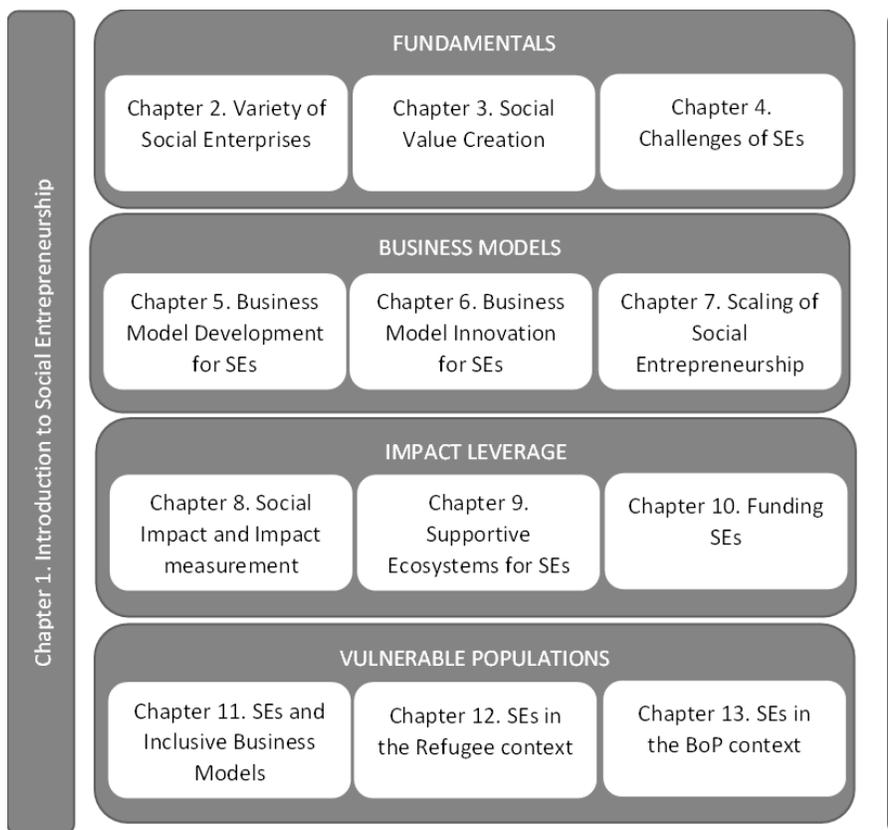
*Social  
Entrepreneurship  
constitutes a  
crucial driver of  
social innovation*

- ▶ To develop the capacity to implement a business plan of social enterprise.
- ▶ To develop the capacity to evaluate the social impact of social enterprises.

Our learning objectives in attitudes development are:

- ▶ To develop an attitude of critical thinking.
- ▶ To develop an attitude of open-mindedness.
- ▶ To develop an attitude of creative thinking.

The above-mentioned learning objectives are integrated in the material presented in the fourteen chapters of this book. Each chapter includes preparatory reading and is linked to the cases presented in the last chapter. Below, a summary of all chapters is provided.



**Figure 1.** Chapters distribution

In chapter one, Introduction to Social Entrepreneurship, we address the main concepts related to social entrepreneurship and how these vary depending on the level of analysis (Saebi, Foss, & Linder, 2019). Also, the main implications and typologies of social entrepreneurship are outlined

(Zahra, Gedajlovic, Neubaum, & Shulman, 2009). We then address the creation process of social enterprises from inspiration and ideation until the implementation stage. We finalize this chapter by showing the relevance of social entrepreneurship to the context of vulnerable social groups and the link to Sustainable Development Goals (SDGs). We use exemplary cases to help the reader connect the theory with real-life cases.

In chapter two, *Variety of Social Enterprises*, we review the spectrum of social enterprises and various relevant business models (Alter, 2007). We also review the different legal structures they can adopt to partner with their communities. In chapter three, *Social Value Creation*, we address how to be successful when combining social value creation with business opportunities. We also analyze how social value can be created through market success and by addressing environmental and social goals (Sinkovics, Sinkovics, & Yamin, 2014).

In chapter four, *Challenges of Social Enterprises*, we analyze and compare challenges experienced by conventional entrepreneurs to those experienced by social entrepreneurs (Goyal, Sergi, & Jaiswal, 2016), as well as the strategies (and their implications) that social entrepreneurs use to overcome them. Chapter five is dedicated to *Business Model Development for Social Enterprises*. We present the critical elements of business models in social enterprises (Joyce & Paquin, 2016) and how they change according to their context. We also explain in-depth the designing and implementation of a social business model, especially in the opportunity identification stage.

In chapter six, *Business Model Innovation for Social Enterprises*, we start with an introduction to business model innovation (Evans et al., 2017) and how to proceed with their development and testing. Before discussing Social Innovation, we discuss some tools that can be used for this, such as the Lean Start-up Methodology (Reis, 2011) and Design Thinking. Chapter seven, *Scaling of Social Entrepreneurship*, includes the theory of scale and several strategies social entrepreneurs can use to scale their social impact (Busch & Barkema, 2020). We also provide information about developing the social venture strategy plan, aligning mission and strategy in a social enterprise, and how to position the firm for social and strategic advantage.

In chapter eight, *Social Impact and Impact Measurement*, we address the importance of impact measuring for social enterprises (Dees, J. G., Emerson, J., & Economy, 2004), and the design and implementation of the impact measurement strategy for social enterprises. The above is complemented by the theory of change and the typical challenges social enterprises face regarding impact measurement, how they transform ideas into opportunities and impact, and how this is communicated. In chapter nine, *Supportive Ecosystems for Social Enterprises*, we address the main support mechanisms of ecosystems for social enterprises and the variety of

stakeholders in the ecosystem that impact their business models (Adner, 2017). We highlight the more prominent organizations in ecosystems in support of social enterprises.

In chapter ten, *Funding Social Enterprises*, we discuss the principles that should be followed when choosing the social enterprise's funding strategy (Dentchev et al., 2020). We also present arguments regarding funding as an issue and why so many social enterprises have financial difficulties. Lastly, we analyze the funding characteristic in each social enterprise life cycle phase.

In chapter eleven, *Social Entrepreneurship, and Inclusive Business Models*, we make the connections between social entrepreneurship, minorities, and smallholders. We also discuss the integration of disadvantaged groups in the business models and the concept of circular economy, which has been gaining relevance in recent years. Chapter twelve, *Social Entrepreneurship in the Refugee Context*, investigates how social enterprises contribute to social inclusion and problem-solving. We also discuss the barriers that refugee social entrepreneurs face. In chapter thirteen, *Social Entrepreneurship in the Bottom of the Pyramid Context*, we address the BoP concept's evolution, the BoP entrepreneurs' challenges and opportunities, and the link between the opportunities with frugal innovation. Lastly, chapter fourteen presents several social entrepreneurial and social innovation Media Cases from Bulgaria, Portugal, Turkey, and generally the European Union (EU) that allow the reader to understand the different concepts discussed throughout the book.

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# Chapter 1

# Introduction to

# Social Entrepreneurship

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# Chapter 1: Introduction to Social Entrepreneurship

## Aim

The present chapter aims to provide a brief and concise introduction to the concept and nature of social entrepreneurship (SE). By the end of this chapter, the reader should be able to identify how social enterprises work, and what their distinct characteristics and main challenges are.

## Expected Learning Outcomes

- ▶ To gain an understanding of the main concepts related to social entrepreneurship
- ▶ To identify the main characteristics and challenges of social enterprises.
- ▶ To evaluate the relevance of social enterprises in different contexts.

**Keywords:** Social Entrepreneurship, corporate social responsibility, sustainability

## 1.1. Definition of Social Entrepreneurship

The importance of SE has been growing in the last decades (Dacin, Dacin, & Tracey, 2011). SE differentiates itself from other forms of entrepreneurship as it prioritizes the achievement of social goals (Mair & Marti, 2006). An early definition of SE was developed by Boschee and McClurn (2003), who described it as non-for-profit initiatives currently looking for funding strategies. Others define SE as a commercial business with a socially responsible practice. Yunus (2007) explained SE as a tool to solve social problems (Yunus, 2007). Mair and Marti (2006) incorporated the creation of social value in the venture's primary aim to define social enterprises. The idea of "more than for profit" was also suggested as an improved way to view social

***“SEs need the support of society to be sustainable”***

enterprises compared to the for and non-for-profit debate ( Austin et al., 2006; Ridley-Duff, 2008).

Most authors agree that social entrepreneurs develop solutions for social or environmental challenges where other stakeholders, such as governments or business organizations, fail. SEs do this by creating value and using resources in an innovative way (Mair & Marti, 2006). In this sense, social entrepreneurship has a bottom-up approach in which the social entrepreneur starts solving problems locally before expanding (Letaifa, 2016). The case of the Grameen Bank, founded by Professor Yunus in 1976 -to provide microcredits- is seen as a pioneering example of a profitable business that solves the challenging social problem of access to funding for vulnerable populations (Yunus, 2007).

The structuration theory (Giddens, 1984) states that SE is highly connected with the social problem the parties involved are trying to solve and, therefore, is also related to the context in which social issues occur. Thus, in social entrepreneurship, context is a crucial dimension of analysis (Letaifa, 2016; Mair & Marti, 2006). From the institutional theory viewpoint, social entrepreneurship can change norms and deliver a higher social value, creating conflicts between social enterprises and their context (Mair & Marti, 2006).

A widely used definition was developed by Zahra (2009, p.9), who states: *“[S]ocial entrepreneurship encompasses the activities and processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner”*

The non-profit sector is primarily relying on subsidies and philanthropy. Social enterprises often work similarly, but this is not central as they avoid a dependency in their operations from government funding or donations (Boschee & McClurg, 2003). Social enterprises aim thus to become self-sufficient to avoid the risk of being dependent on others.

## **1.2 The Social Entrepreneurs**

The backgrounds of SEs are also different compared to traditional entrepreneurs (Mair & Marti, 2006). They have special leadership skills, a passion for realizing their vision, and strong ethical values (Mair & Marti, 2006). SEs are mostly seen as heroic. However, the focus on individual success limits their ability to learn from their failures (Dacin et al., 2011).

SEs need the support of society to be sustainable. Therefore, engaging society with SEs goal and providing shared social value might lead to success (Letaifa, 2016). Social entrepreneurs have their social mission as a core element. Either they employ or support people from vulnerable groups as the disabled or poor, or they sell mission-driven products that impact a specific social problem (Boschee & McClurg, 2003). In their case, as they have an economic and social goal, their success is measured mostly in their impact and social value, as any profit is reinvested to keep increasing their social value (Boschee & McClurg, 2003). SE identify social opportunities following five criteria (Zahra, Rawhouser, Bhawe, Nubaum, & Hayton, 2008):

- ▶ **Prevalence:** SE mostly focuses on sectors with a higher frequency of social problems. Also, it relates to physical distance. Social entrepreneurs tackle issues in their communities, especially at the beginning.
- ▶ **Relevance:** A connection between the opportunity and the entrepreneur's background that includes their personal experiences, values, goals, and identity.
- ▶ **Urgency:** Urgent social problems such as natural disasters push entrepreneurs to engage in the search for solutions.
- ▶ **Accessibility:** Refers to the perceived difficulty in which traditional mechanisms can solve a social problem. Usually, governments and charities will try to solve more accessible social challenges, leaving unserved opportunities that require a more significant investment.
- ▶ **Radicalness:** Sometimes, solving a social opportunity requires novel solutions that existing organizations cannot perform due to their organizational structures.

## 1.3 Social Entrepreneurs' Backgrounds

In society, there are different movements of Social Entrepreneurs (Dentchev et al., 2020). We can divide the movements into five categories:

- ▶ **Philanthropists, Church, and State:** Develop non-profit activities to cope with social issues such as poverty and education. They usually work with donations, and if these donations stop or reduce, they cease their activities.
- ▶ **Civil Society Initiatives and NGOs:** These initiatives typically focus on a specific human or environmental right. It also includes groups that develop cultural activities or sportive

activities. They usually finance their activities or work with subsidies and donations (Alter, 2007).

- ▶ **Social Economy Movement:** This movement combines social activities with economic goals. They have commercial activities and use the profits to achieve social goals.
- ▶ **The base of the pyramid (BoP) Movement:** This group refers to around 40% of the planet's population that lives in extreme poverty. This movement, according to Prahalad and Hart (2002), started in the late 90ies. BoP populations were seen as a potential market for multinational companies. In addition, London and Hart (2011) indicated that these people were also entrepreneurs because that's their way to survive, by creating their own sources of income.
- ▶ **Social Innovation Movement:** In this movement, social enterprises develop a complete business model to achieve social goals systematically. They usually have some subsidies and donations to start, but their goal is also to be financially independent and sustainable.

Each of these movements has an ecosystem and works in different networks. However, when the connection between the various movements happens, overlaps are reduced and could lead to better support of social enterprises (Dentchev et al., 2020).

## **1.4 Social Entrepreneur's Critical Success Factors**

Wronka (2013) reviewed existing knowledge in SE and identified eight factors that research recognizes as critical for the success of social enterprises. The review focused primarily on Western Europe and the United States. The factors included (i) Leadership, (ii) Partnership, (iii) Triple bottom line planning, (iv) attractiveness and clarity of innovative concept, (v) business planning and marketing, (vi) short and long-term benefits management, (vii) local community engagement and- (viii) risk management. Social enterprises need strong leaders to negotiate while maintaining the social values at the enterprise's core. The entrepreneur must be qualified to understand the decision-making process's economic, financial, and social implications. Social enterprises must develop strong partnerships to create a more significant impact. The partnerships are with local public sector institutions.

An essential element for the success of social enterprises is a clear plan for measuring their economic, social and environmental impact. The attractiveness and clarity of innovative concepts are critical for any

enterprise. A significant challenge for social enterprises is to create market potential and generate income to maintain the venture's viability. Business planning and marketing are also important. A successful social enterprise requires (a) a short as well as a long-term business plan, (b) strategies to engage local communities and stakeholders, and (c) a risk management strategy incorporating social and environmental risks to economic risk.

## 1.5 Networks and Social Entrepreneurship

Social entrepreneurship opportunities emerge from individuals, for-profit and not-for-profit organizations (Letaifa, 2016). It is their interactions that create networks for social transformation. The activities of social entrepreneurs are driven by a social mindset, which leads them to share their knowledge, identify support, and communicate their work (Dacin et al., 2011). For instance, organizations like Ashoka and Sistema B aim to connect social enterprises worldwide. Their goal is to create a network of social entrepreneurs and promote a culture of “change makers” (Dacin et al., 2011). The relevance of international networks for social entrepreneurs is that most social enterprises are locally embedded; therefore, such global networks allow rapid diffusion and opportunities to replicate SEs solutions (Dacin et al., 2011).

The above also highlights the “dark side” of social entrepreneurship. When social enterprises internationalize, benefits and rewards tend to increase. Yet, internationalization leads social entrepreneurs to enter a competitive race for resources and exploit their position with the risk of neglecting their social mission and shifting focus to profits (Dacin et al., 2011). This is also known as mission drift. Networks also help to create markets adequate for social entrepreneurs. Traditional markets do not value social improvements or social values. Therefore, it is challenging to identify when a social entrepreneur is creating sufficient value, as market acceptance cannot be used as a parameter (Dees, 1998).

The process of different actors combining to apply business principles to solve social problems is called collective social entrepreneurship (Montgomery, Dacin, & Dacin, 2012). Collaboration happens in need of specific resources. There are several manners in which this happens:

- ▶ Same sector pooling of resources: When several actors of the same sector share resources and knowledge. This helps them reduce costs and become more efficient. Several actors' work in exposing the social problem supports its relevance.

- ▶ Cross-sector pooling of resources: Less common than same-sector pooling but has the unique advantage of bringing together different sectors to tackle a social problem. It brings similar advantages to same-sector pooling in addition to the benefit of multiple perspectives.
- ▶ Same sector trading of resources: Exchange of complementary resources in the same sector. It allows for combining strengths and expertise. It also works with the unique resources of each partner as the reaching to specific stakeholders.
- ▶ Cross-sector trading of resources: Actors of different sectors combine to solve pressing social issues. Similarly, to the pooling of resources, they can reach a broader number of stakeholders through different lenses.
- ▶ To effectively manage the collaboration between actors, three strategies can be used (Montgomery et al., 2012):
- ▶ Framing: The support for a social enterprise should come from ideas constructed collectively, and all collaborators should be part of this process with commitment.
- ▶ Convening: Includes three phases. In the first one, core issues, goals and communications are established. The second phase is collective learning, and the third phase includes the co-creation process.
- ▶ Multivocality: Social enterprises need to have different voices or narratives to speak to the different audiences that they have.

## 1.6 Social Entrepreneurship as emancipation tool

Emancipation is the process of setting a person or a community free to pursue their goals (Chandra, 2017). Engaging in SE helps emancipate people from vulnerable social groups towards social reintegration. The emancipation related to social enterprises can be market-based or relations-based (Chandra, 2017).

### • Market-based emancipation

- ▶ Enterprise building: Including people from vulnerable social groups in SE indirectly encourages new perspectives, new ways of thinking, and positive attitudes.

### • Relations-based emancipation

- ▶ Broadening of social networks: Connecting people from vulnerable social groups with other groups and incentives fostering social interaction and mobility.

- ▶ Performing humbling work: Serving others helps develop a sense of equality and mutual respect.
- ▶ Working harmoniously: Building harmonious relations with customers, suppliers, state agencies, police, media, etc. With social enterprises, people find common ground, and later other related topics can emerge.
- ▶ Role modeling: Members of vulnerable groups and groups at risk of social exclusion who succeed become role models for others.

## 1.7 Conclusions

This chapter presents the definition of social entrepreneurship, the types of backgrounds that social entrepreneurs have, the criteria for success and how social enterprises can use their networks as a tool for poverty eradication. As a result, the concepts, and elements necessary for the reader to understand the subsequent chapters are provided, as well as the key elements that could serve to alleviate the conditions of vulnerable groups can be put into practice.

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# Chapter 2

## Variety of Social Enterprises

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**“The global financial crisis led to higher unemployment and social exclusion rates”**

## Chapter 2: Variety of Social Enterprises

### Aim

This present chapter enables the readers to familiarize themselves with the main concepts associated with social economy and social enterprises. The definition of social enterprises is examined, in addition to their role in the social economy, through the creation of partnerships, solidarity organizations, and other associations. Moreover, reference is made to the collaboration between social entrepreneurs and vulnerable social groups, including socially excluded populations. Some business models are presented to understand social enterprises holistically, and their legal structures are analyzed. Thus, the chapter presents the theory of social enterprises and their impact on the social economy.

### Expected Learning Outcomes

- ▶ To define the main concepts related to social economy and social enterprises
- ▶ To understand the variety of business models and legal structures available
- ▶ To learn about the theory of social enterprises and their impact

**Keywords:** Social entrepreneurship, social enterprises, social economy, vulnerable social groups

### 2.1. Introduction

The rapid changes in economic systems during recent years resulted in the need for new economic models, further to the traditional distinction between the public and the private sector. More specifically, the global financial crisis led to higher unemployment and social exclusion rates.

These are among the fundamental factors which gave birth to the concept of social economy (also referred to as the “third” sector). Additional push factors towards creating this sector were the chronic economic deficiencies in both the public and the private sectors (Agafonow, 2014).

According to Maslow’s theory, people’s actions throughout their life are oriented towards satisfying as many needs as possible in the most efficient and profitable manner (Papanis et al., 2005). Building on this theory, social economy focuses on the promotion of the general interest and the expansion of social production in multiple sectors, such as health, education, culture, and environmental awareness (Tsombanoglou, 2008). Consequently, the third sector addresses social needs, such as poverty alleviation, equal access to the labor market and social inclusion that are often overlooked by the private section which is oriented solely towards profit maximization.

### *The social economy’s contribution to the fight against social inequalities is crucial since it adopts the fundamental principles of social solidarity*

Over the last decades, the third sector has developed at a steady pace, both internationally and nationally. The social economy’s most significant achievements are social enterprises and the involvement of vulnerable communities in the supply and production chain (Dey & Steyaert, 2016). In general, social enterprises aim to provide goods and services to the market at a low-cost while at the same time undertaking a social mission (Hota, 2021).

Therefore, the social economy’s contribution to the fight against social inequalities is crucial since it adopts the fundamental principles of social solidarity and cooperation by involving vulnerable social groups in the economy and by offering them equal opportunities to access social services. In line with the above, the chapter examines the concepts of social economy and social enterprises in detail by presenting key definitions, their role, their legal structure, and their intended social impact.

## **2.2 Defining social economy**

The social economy lies between the private and the public sector. It is steadily gaining momentum since various associations and social enterprises have emerged to cover existing welfare gaps not addressed by the private and the public sector (Montgomery et al., 2012; Santos, 2012). Interestingly, while the social economy appeared in practice during the 21st century, its history dates to ancient times. Given that there is no universal definition, it is essential to present it as described in the relevant literature.

The social economy can be defined as a distinct economic system aiming at social cohesion, economic development, and environmental protection, by promoting solidarity (Defourny, 2001; Santos, 2012). The European Commission (2016) defines a social economy as a well-organized form of economy which strives not only to make a profit for investors but also to promote democracy, equality, and solidarity. Thus, the primary purpose of social economy is delivering services or goods through cooperative, non-profit, and voluntary organizations, both on an international and national level.

Another term used in recent literature is “Social Solidarity Economy” (SSE). According to SSE, ordinary people have an active role in shaping all dimensions of human life, including economic, social, cultural, political, and environmental aspects. SSE is relevant in all economic sectors, i.e., during production, finance, distribution, exchange, consumption, and governance (Ripess, 2015). To achieve socio-economic transformation, SSE does not address a specific group of people to exclude discrimination. Emphasis is placed on the establishment of associations and cooperatives (Pless, 2012; Ranville & Barros, 2021).

Based on the above, the third sector aims to fulfill social needs, including access to shelter, psychosocial services, and vocational training (to develop practical and occupational skills), which are not typically covered by the private and public sectors. Considering that specific social groups (e.g., young workers, migrants, and persons with disabilities) face discrimination when accessing the labor market. SEs working with these social groups help them integrate into society, and it has become evident that a welfare system based on minimum benefits is insufficient for their wellbeing.



*An integral part of the social economy are social enterprises (SEs)*

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## **2.3 The spectrum of social enterprises**

An integral part of the social economy are social enterprises (SEs) since their role in social economy is key regarding the promotion of social and environmental goals through the production of goods and/or services (Agafonow, 2014; Huybrechts & Nicholls, 2012).

SEs can have different legal entities. They could be cooperative organizations, solidarity companies, associations, and start-ups. SEs' main goal is to meet needs that are not covered by public authorities, in addition to providing vulnerable social groups with equal opportunities. Social innovations are considered necessary to stimulate social action and combat exclusion (Tsombanoglou, 2008). As a result, both society and entrepreneurs benefit from SEs since the latter tackle social issues by either focusing on producing a specific product/service or serving the needs of a specific group of citizens.

It is worth noting that there are two categories of social enterprises (European Commission, 2015). The first type of SEs offers social services or goods to vulnerable groups, ensuring their access to accommodation, health care, training programs, etc. The second category promotes a social

aim, such as the social inclusion of vulnerable groups through producing goods and/or services. When SEs produce goods or services, their goals are twofold. On the one hand, they serve a predetermined social mission. On the other hand, they adopt administrative practices and legal regimes of private companies to gain financial profit and enhance market competitiveness (Mitzinneck & Besharov, 2019; Waddock & Steckler, 2016)

It is worth noting that a democratic mindset characterizes both SEs and social cooperatives; their economic activities are at the heart of multiple pioneering initiatives of the 19th and 20th century, across Europe (Nyssens & Defourny, 2013). However, social enterprises differ from other forms of the third sector, due to their competitive nature, their autonomy from public authorities and the sale of innovative services and/or products (Smith & Kistruck, 2016; Vansandt & Baugous, 2009).

Lastly, SEs share a wide range of standard characteristics which lead to long-term benefits for their consumers and employees. According to Defourny and Nyssens (2013), three criteria reflect the economic dimension of social enterprises: 1) the production of goods and/or selling services, 2) the economic risk, and 3) the low-paid work. Other factors which play a vital role in defining social economy are benefiting the community by integrating vulnerable social groups in the labor market, adopting a democratic mindset and the feeling of collectivity, creating an ethical workplace climate, and promoting autonomy. Based on a comparative synthesis report on SEs in Europe (European Commission, 2020), most SEs were small enterprises, while the most significant SEs were in Italy (102.461), France (approx. 96.600), United Kingdom (30.753) and Poland (29.535). The smallest number of SEs reported were in Malta (31-62), Estonia (121), Montenegro (150), and Cyprus (190) as can be seen in Table 1.1. as follows:

**Table 2.1** Estimated number and degree of acceptance of social enterprises

Country	Year	Estimated number of SEs	Number of SEs per million inhabitants	Estimated number of employees	Degree of data reliability	SE concept use & Acceptance
<b>Albania</b>	2018	379	132	2.000-2.500	Low	Low
<b>Austria</b>	2015	Approx. 1.535	Approx. 174	N.A.	Low	Low
<b>Belgium</b>	2017	18.004	1.530	572.914	Average	Average-High
<b>Bulgaria</b>	2015-2017	Approx. 3.700	Approx. 525	26.000	Average	Average
<b>Croatia</b>	2018	526	128	N.A.	Average	Average
<b>Cyprus</b>	2017	190	22	N.A.	Very low	Low
<b>Czech Republic</b>	2018	3.773	356	N.A.	Average	Average
<b>Denmark</b>	2018	411	71	N.A.	Low	Average
<b>Estonia</b>	2016	121	92	1.603	Average	Low
<b>Finland</b>	2018	1.181	214	Approx. 52.500	High	Average
<b>France</b>	2015-2017	Approx. 96.603	1.414	>1.187.249	Average	Average
<b>Germany</b>	2017	77.459	936	N.A.	Average	Low
<b>Greece</b>	2019	1.148	107	N.A.	High	Average
<b>Hungary</b>	2016	15.855	1.621	72.642	Average	Average
<b>Iceland</b>	2017	258	740	1.488	Low	Low
<b>Ireland</b>	2009	3.376	699	>25.000	Low	High
<b>Italy</b>	2017	102.461	1.694	894.800	Very high	Very high
<b>Latvia</b>	2018	Approx. 200	Approx. 103	N.A.	Average	Average
<b>Lithuania</b>	2016	3.476	1.237	N.A.	Average	Average

Source: <http://ec.europa.eu/social/easi>

Finally, the Work Integration Social Enterprise (WISE) has a fundamental role in fighting against social exclusion in Europe. Its entrepreneurial activities include social services, childcare services, educational and training programs for employment, cultural activities (e.g., music), housing organizations, health care services, and environmental organizations (Pizarro & Miranda, 2022). Another important European project is SENTIM (Social ENTrepreneurship for IMMigrants), established in 2005, which facilitates entrepreneurship by informing and training migrants to be integrated into the labor market as active social entrepreneurs (Bachousi, 2018).

## **2.4 Social entrepreneurs co-creating with the community**

Other theories regarding social entrepreneurs either describe them as people with leadership skills and specific characteristics or focus on their actions as part of a group or a network that collectively aims to resolve a social issue (Harima & Freudenberg, 2019). This way, social entrepreneurship is understood as a business model that implements innovative ideas by entering a new market or creating a new product or forms of industrial organizations. Moreover, it can adopt new technological solutions and production methods or acquire new sources of finance, raw materials, and procurement products (Walczak-Duraj, 2010). Based on Defourny and Nyssens (2013), there are two schools of thought for resolving social problems. The first school focusses on earned income, and it describes a non-profit approach that emphasizes the organization's social mission. The second school focusses on social innovation, and it is primarily concerned with social entrepreneurs' ambition to combat social exclusion through social innovations.

The co-creation of value with the committee is based on two distinct concepts. On the one hand, Vargo and Lusch's theory (2004) is based on the macro perspective of economic development and evolution models. On the other hand, Prahalad and Ramaswamy (2004) approach social value from a strategic management and market competition perspective, claiming that it serves as a guide for enterprises to adjust their business strategy and operation (Jianxin, Hongjia & Massimiliano, 2019). The common point of both theories is that value co-creation may not be achieved if consumers are not involved. This concept corresponds to an "offer and demand" marketing process. Specifically, social value co-creation addresses community needs via establishing partnerships (Tsombanoglou, 2008). These collaborations have the will and the power to support the integration of vulnerable social groups, e.g., women, young people, persons with disabilities, migrants, and refugees.

## **2.5 Variety of SE business models**

SEs operate similarly to traditional businesses. However, their ultimate goal is to achieve financial sustainability by financially supporting themselves instead of solely relying on grants and donations. To examine the main social enterprises business models, it is necessary to understand the base-of-the-pyramid (BoP) approach. In

economics, the poorest socio-economic groups are at the bottom of the economic pyramid, which proves the unequal distribution of wealth among the levels of social stratification (Antonelli & Scellato, 2019). However, Hart (2002) strongly supports that this fact does not exclude them from participating in the global market.

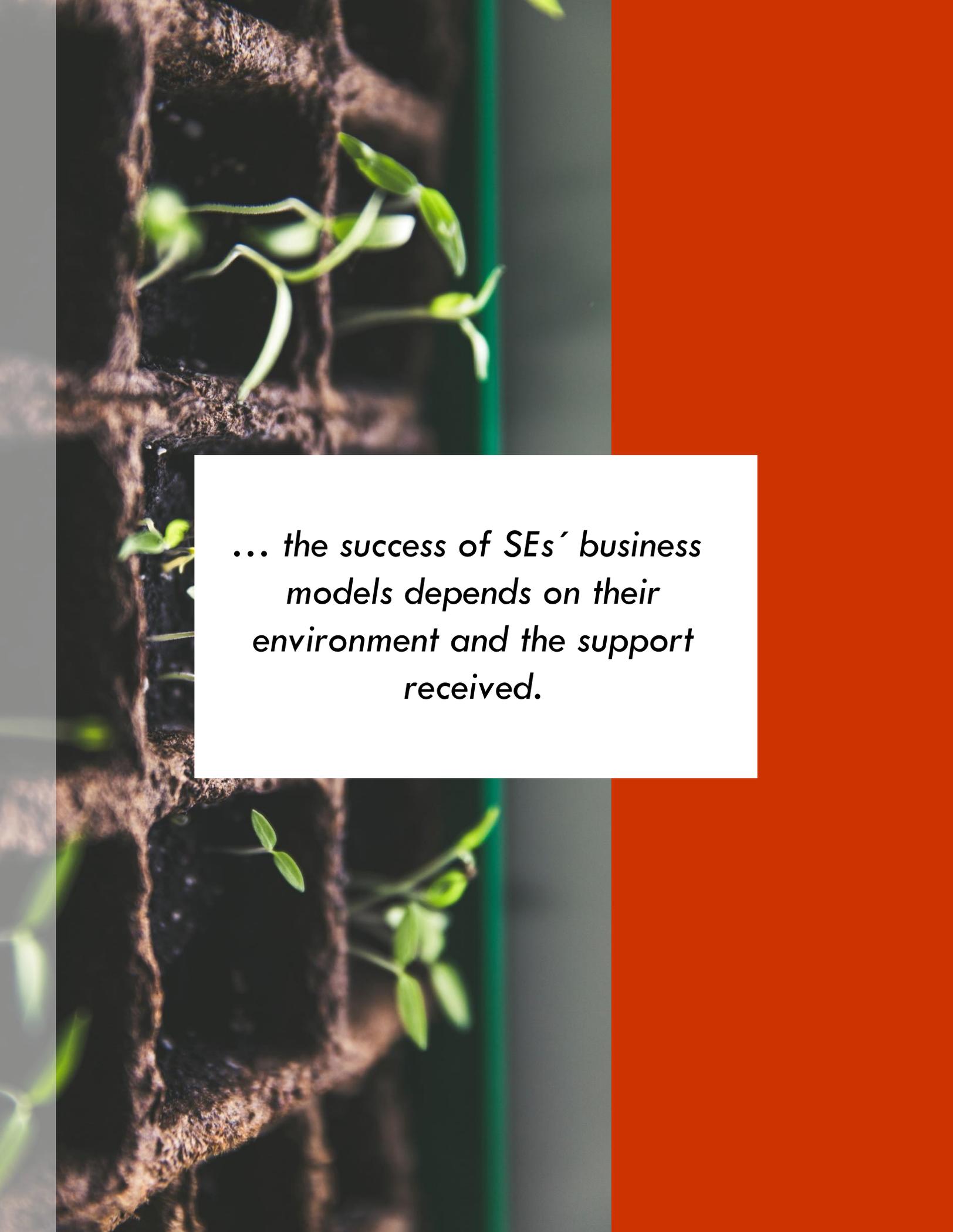
While these groups lack access to recourses and education opportunities, activities like sales and production can be considered as poverty alleviation tools that might provide BoP communities with some income (Dentchev, 2020). Therefore, counting with a proper business model, might contribute to BoP sustainability (Goyal et al., 2016), that consequently may lead to economic impact (Dentchev, 2020). However, it is also possible to contribute to a social impact from within a business model by means of a social business model (Schaltegger et al., 2016; Dentchev, 2020).

A social business model can be considered as the set of steps a social enterprise follows in order to achieve not only economic profit but also the creation of social impact (Hall et al., 2012; Hamby et al., 2017). According to this definition, there are nine fundamental social enterprise business models whose role is crucial in defining social economy through trading activities and the social impact produced (see table 2.2).

**Table 2.2** Business models of SEs

<b>Business model</b>	<b>How it works</b>	<b>Examples</b>	<b>Key success factors</b>
<i>Entrepreneur support</i>	Sells business support to its target population	Microfinance organizations, consulting, or tech support	Appropriate training for the entrepreneur
<i>Market intermediary</i>	Provide services to clients to help them access markets	Supply cooperatives like fair trade, agriculture, and handicraft organizations	Low start-up costs allows clients to stay and work in their community
<i>Employment</i>	Provide employment opportunity and job training to clients and then sells its products or services on the open market	Disabilities or youth organizations providing work opportunities in landscape, cafes, printing, or other business	Job training appropriateness and commercial viability
<i>Free-for-service</i>	Selling social services directly to clients or a third-party payer	Membership organizations, museums, and clinics	Establishing the appropriate fee structure vis a vis the benefits
<i>Low-income client</i>	Similar to fee-for-service in terms of offering services to clients but focuses on providing access to those who couldn't otherwise afford it	Healthcare (prescriptions, eyeglasses), utility programs	Creative distribution systems, lower production and marketing costs, high operating efficiencies
<i>Cooperative</i>	Provides members with benefits through collective services	Bulk purchasing, collective bargaining (union), agricultural coops, credit unions	Members have common interests/needs, are key stakeholders, and investors
<i>Market linkage</i>	Facilitates trade relationships between clients and the external market	Import-export, market research, and broker services	Does not sell clients' products but connects clients to markets
<i>Service subsidization</i>	Sells products or services to an external market to help fund other social programs. This model is integrated with the non-profit organization; the business activities and social programs overlap	Consulting, counseling, employment training, leasing, printing services, and so forth	Can leverage tangible assets (buildings, land, employees) or intangible (expertise, methodologies, or relationships)
<i>Organizational support</i>	Similar to service subsidization, but applying the external model; business activities are separate from social programs	Similar to service subsidization– implement any type of business that leverages its assets	Similar to service subsidization

Taken from: Learn.MaRS Startup Toolkit (2020)

A photograph of several small green seedlings with two leaves each, growing in a dark brown, textured substrate. The seedlings are arranged in a row, and the background is a solid orange color. A white rectangular box is overlaid on the image, containing text.

*... the success of SEs' business models depends on their environment and the support received.*

Also known as profit-with-purpose businesses, they are vital entrepreneurial activities to achieve social goals.

## 2.6 Legal structures for SEs

An essential dimension of SEs is their legal framework. Indeed, existing legal structures for for-profit and non-profit organizations are not always appropriate for SEs. Thus, some countries introduced legal forms that vary depending on the enterprise's mission.

Based on the Guide to Legal Forms for Social Enterprise (BIS) 2011 SEs' legal form plays a vital role in defining three crucial aspects, i.e., their social purpose, the targeted community or group of people, and their stakeholders (BIS, 2011).

In this context, the four common legal forms of SEs are (European Commission, 2020):

- **Non-profits:** This form includes associations, foundations, and institutions which are applied in most European countries. They are independent organizations, which profit mainly from funds and grants, due to their charitable missions, whose fundamental principles are democracy and equality between members.
- **Cooperatives:** This legal form promotes democracy among members while focusing on meeting social needs without gaining profit. Specifically, the profit from trading activities is distributed equally between its members or re-invested in the enterprise.
- **Social mission:** In the different legal forms that various countries have, the social mission can be stipulated in the acts of incorporation. Due to the different legal frameworks between states, it is therefore challenging to identify common characteristics of legal entities with a social mission.
- **Limited liability companies:** SEs can be incorporated as limited liability companies, also known as for-profit enterprises, where the owners of the enterprise have shares. The shareholders of a SE can thus invest and trade shares to gain profit in the name of social missions.

As mentioned, SEs' legal form varies considerably based on national laws and regulations. Countries such as Belgium, Denmark, Italy, and Finland have established a special legal status for social enterprises, while in Lithuania and Slovakia, this legal status is only obtained by organizations that promote the employment of people with disabilities (European Commission, 2020). Overall, there is a wide variety of legal forms of SEs that produce social impact.

**SEs' legal form  
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## 2.7 Conclusions

Shortcomings of the public and the private sector led to the creation of a third sector, which aims at meeting the needs of social groups at risk of exclusion and living on the margins due to social stratification inequalities. As mentioned, social economy focuses on the collective action of delivering goods and/or services to vulnerable social groups by fighting against social inequalities. The main fundamental principles of the third sector are equality of opportunities, solidarity networks, collective action, and social cohesion.

Moreover, social enterprises play a crucial role in the social economy because they provide groups at risk of social exclusion with opportunities for collective benefit. SEs differ significantly in each EU member state due to the different national laws and regulations. Although there are various legal structures and models for SEs, social entrepreneurship can provide people, especially vulnerable social groups, with the opportunity to co-create with or become social entrepreneurs. The success of a social enterprise depends on both its effectiveness and people's active participation.

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# Chapter 3

## Social Value Creation

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# Chapter 3: Social Value Creation

## Aim

The present chapter aims to familiarize readers with social value and social value creation concepts. The reader will gain an understanding of the relationship between economic value creation and social value creation. Social value is a complex concept. It should be approached from a holistic perspective that includes elements of social motives and mission, generating impact on individuals and communities, and measurable goods such as jobs and enhanced economics that benefit shareholders of social enterprises.

## Expected Learning Outcomes

- ▶ To gain an understanding of the central concept related to social value
- ▶ To gain knowledge of premises for social value creation
- ▶ To understand the different aspects of social value creation
- ▶ To understand the relationship between economic value, business model, and social value

**Keywords:** Social Entrepreneurship, corporate social responsibility, sustainability

## 3.1. Introduction

This chapter presents the concept of social value creation in the framework of social entrepreneurship. Social entrepreneurship is centered around the idea of social value creation (Singh, 2016). Social value creation is defined differently in different contexts, and this chapter will present the most relevant definitions. Value generation is at the very heart of any enterprise, large or small, regardless of the business sector or industry (Beugré, 2016; Singh, 2016). Economic value creation is widely researched and covered and is fundamental for any business operational model (J. J. Roncancio et al., 2021; Schmiereknecht, 2020). Social entrepreneurship is a relatively narrow field of research, but as a phenomenon, research and practice is trending and growing (de Silva et al., 2021). Definitions of value creation come in many forms; there are numerous other values than economic ones involved, and multiple stakeholders benefit from other than economic value creation (Doherty et al., 2014; Guerrero & Urbano, 2017).

***“SE prioritizes the achievement of social goals”***

## 3.2 Social Value Creation

Social value creation is central in the definition of SE. In this sense, Certo and Miller (2008, p. 267) argue that “Social entrepreneurship involves the recognition, evaluation, and exploitation of opportunities that result in social value — the basic and long-standing needs of society”. On the other hand, traditional business is based on profit and value creation in economic terms. Social challenges are historically directed towards the public sector, typically in the welfare states, third sector (e.g., Charities, NGOs), or communities that have solved these challenges themselves. Regardless, funding of social activities has been dependent on society's goodwill or philanthropy at some level.

The driving force behind social enterprises is the urge to generate a change of social, cultural, or natural value. This urge stems from people. There are and always will be people with ideas for making the world a better place, creating change, and trying to put these ideas into action. This process could already be perceived as value creation. From the urge to the generation of change, there is still a journey to create value. Quite often, the perceived value is seen as a realized impact (Ormisto et al., 2011). SE aims to combine a profit-based business model and solve social challenges. What is social value, then? When discussing social value here - we talk about social as a whole - societal structure.

Social value creation can be viewed from several perspectives. It may include 1) social, 2) natural, 3) cultural, or 4) creative value. It may serve the purpose of 1) enhancing social cohesion and 2) creating solutions that improve social or environmental development (Ormiston, Seymour, 2011). Social value creation is widely understood as a benefit measured beyond economic value. It can be a form of social capital, e.g., networks gained competence or enhanced community cohesion (Di-Domenico et al., 2010, 682). Certo & Miller (2008) define social value in this context as “...little to do with profits but instead involves the fulfillment of basic and long-standing needs such as providing food, water, shelter, education, and medical services to those members of society who are in need.” (2008, p.267) and it can also refer to enhanced economic circumstances, employment, and working conditions (Beugré, 2016). In social ventures that operate in challenging operational environments, successful companies can creatively combine resources that are not otherwise available to address a social problem (Mair & Marti, 2006, p.38). Value creation can also be perceived from different standpoints and serves various purposes for other stakeholders. Therefore, a social value can be understood also as a holistic mechanism, as the total impact of all the stakeholders of an organization.

### 3.3 Premises and mechanisms of social value creation

Social value is not explicitly a product of social enterprises since it may also be included in the processes. For example, when an enterprise employs an otherwise hardly employable workforce. As Ormiston and Seymour underline, “the value creation can simultaneously refer to content and process” (Ormiston & Seymour, 2011, p. 126)

Social value emerges from identifying social challenges and innovating solutions. It may come from people that are strongly driven by a social mission. It may also emerge from the community. To create social value and combine it with commercial value creation, according to Beugre (2017), social opportunities are needed as a basis for maximum social utility and have five features as can be seen in Figure 3.1. as follows:

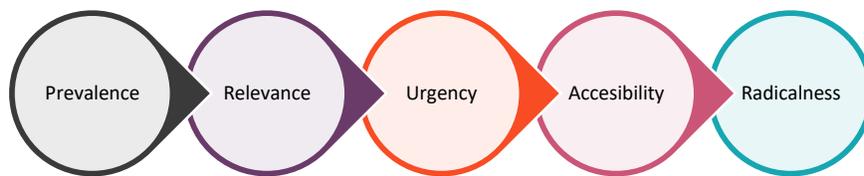


Figure 3.1. Social Opportunities features according to Beugre, 2017.

Researchers such as Beugre (2017) agree that social value creation and social entrepreneurship emerge from social problems. These identified problems may form a social opportunity. The opportunities may raise propositions and initiatives for different solutions to a problem or enhance circumstances around an issue. Some of these initiatives can be implemented philanthropically, such as raising money or inviting people for community work (Lumpkin et al., 2018; J. Roncancio et al., 2022). These activities create social value and add value to divergent stakeholders. But suppose the implementation involves a solution that relates to a direct business opportunity, business model, or opportunity to run a business. In that case, we are at the core of social entrepreneurship.

## 3.4 Multiple value creation

Value creation can happen in various ways. Research by Dembek, York, and Singh (2018) found a three-activity value creation model composed by (a) delivering models which provide access to products and services to BoP (Base of Pyramid) communities and (b) sourcing models which aim to source materials, products, and services in communities and distribute them locally or internationally. The third category includes (c) reorganizing models, which aim to recreate or modify existing systems to benefit communities (Dembek et al., 2018). Business model innovations are discussed in more detail in section 3.6. At this point, it is important to conceptualize the different approaches to social value creation and the multiple stakeholders of the process.

## 3.5 Shared value and shareholders

There has been criticism towards the current capitalist approach of value creation that emphasizes the short-term financial win at the expense of the community (Porter et al., 2011). This progress has been confirmed to be non-sustainable to any other than economic stakeholders. One solution that might reconnect corporations and businesses with communities is the idea of shared value, where economic and social/cultural value is connected. From a corporation's view, this doesn't automatically mean that they would build their business model on social value creation models but rather include social value creation into their processes.

One way to look at value creation is from the stakeholder perspective following Freudenreich et al. (2020) that presents a five-sector stakeholder value framework: financial stakeholders, customers, business partners, employees, and societal stakeholders. This model could be seen as different from customer value proposition-centered models. Additionally, it highlights the mutual character of relationships between stakeholders, where each stakeholder is both a recipient and co-creator of value with a joint common purpose (Freudenreich et al., 2020)

In this framework, the societal stakeholders are seen as significant contributors to businesses, and businesses contribute back to societal stakeholders. One way to interpret this relationship is to imagine what would happen (and has happened) if the societal stakeholders were cut out as contributors and value creators. Probably the corporation would neglect the needs of society and communities and end up ignoring this sector of stakeholders. Consequently, societal stakeholders would react and stop contributing to the corporation by boycotting their products or demanding stronger commitment toward their legal responsibilities.

Stakeholder group highlights the mutual character of relationships in which stakeholders are both recipients and co-creators of value (Schaltegger and

Figge, 2000, cited in Freudenreuch et al. 2020). As a result, each dimension of the framework relates to one stakeholder group.

### **3.6 Significance of networks**

As said before, value creation is often considered a mutual benefit process between stakeholders. In social entrepreneurship, the significance of multiple stakeholders is more important than in traditional business. Networks are also a valuable and measurable asset for any entrepreneurship, both in economic and social sense. Networks are significant resources for any value creation and social entrepreneurs can mobilize networks effectively (Ormiston, Seymour, 2011).

### **3.7 Combining social value with business opportunity**

Domenico et al. (2010) that social enterprises emerge from limited access to resources and as a response to these limitations (2010, p. 683). They also suggest a theory of social bricolage, which includes entrepreneurship with limited resources, refusal to enact limitations, and improvisation. In this theory, a suitable business model is an answer to limitations.

### **3.8 Social value concept in Finland**

Historically, Finland, and likewise other Sweden and Denmark, had a prominent welfare state. Most social needs have been covered by services organized by the state or municipality according to law and statutes. This model was developed during the 20th century. This model has fewer “blind spots” for social needs and thus less demand for social enterprises. In the last 3-4 decades, there has been a lot of structural change, due to age dependency, high costs of welfare state bureaucracy, and employment challenges. For these reasons, the social enterprise sector is growing, and its role was acknowledged in recent government programs.

However, the Finnish social enterprise focuses mainly on employment, significantly enhancing it amongst long-term unemployed or those otherwise in difficult labor market positions. Other social aspects are recognized, but resources focus on employment. The Association of Finnish Work grants the Social Enterprise Mark to Finnish enterprises based on particular terms and rules. In addition to general rules and conditions to achieve this mark, several criteria are under the eligibility section. The first and foremost criterion states that “The primary purpose and objective of the social enterprise is to

contribute to social good. The social enterprise is engaged in responsible business activities.” (www.suomalainentyo.fi) Although the term “social good” can be understood very broadly, it is clear that “contributing to social good” suggests social value creation. Among the secondary criteria, the association asks candidates to “measuring of social effectiveness and the generated social impact.”

One example of combining the welfare state and social enterprise is the Finnish gaming company Veikkaus. It is a 100% state-owned company that organizes gaming and gambling in Finland. It holds the exclusive right to operate all gambling in Finland, which means a solid national monopoly. Its profits are steered to various fields of society, eg. culture, sports, science, and social welfare. The support from Veikkaus’ funding is the base for numerous social projects and NGOs that work closely with government and municipalities. The revenue of Veikkaus is thirteen billion euros with a profit of three billion. In recent years there has been some vocal criticism towards Veikkaus. It has been shown that it gathers its revenue by exploiting people's addiction to gambling, and only 5% of all gamblers are responsible for 50% of the revenue. Other examples are trust-funded amusement park Linnanmäki, which guides its profit for the benefit of children. The Deaconess Foundation is also trust-based, and it operates in several fields of the welfare sector and owns two educational institutes.

## 3.9 Activity 1

Choose a community familiar to you (e.g., your region, town, neighborhood, student community, etc.), and think about any potential social challenges they face. What improvements could be made, and how could a social impact be created? What would be the desired impact(s)? List these things (2-4). Subsequently, draw a mind-map around each desired impact and identify and visualize all potential shareholders benefitting from these social developments.

## 3.10 Conclusions

Overall, social value is a primarily studied but still undefined concept. It can be described beyond economic value, although an economic enhancement in impoverished environments also improves the social milieu. Social value creation is embedded in the core mission of social enterprises. The motives and incentives for social change can be traced back to the social entrepreneurs who aim for change in their local community and society. Networks are one form of social value. Social enterprises are typically more

effective than their commercial counterparts in mobilizing networks and finding their potential and resources (Ousios and Kittler, 2018).

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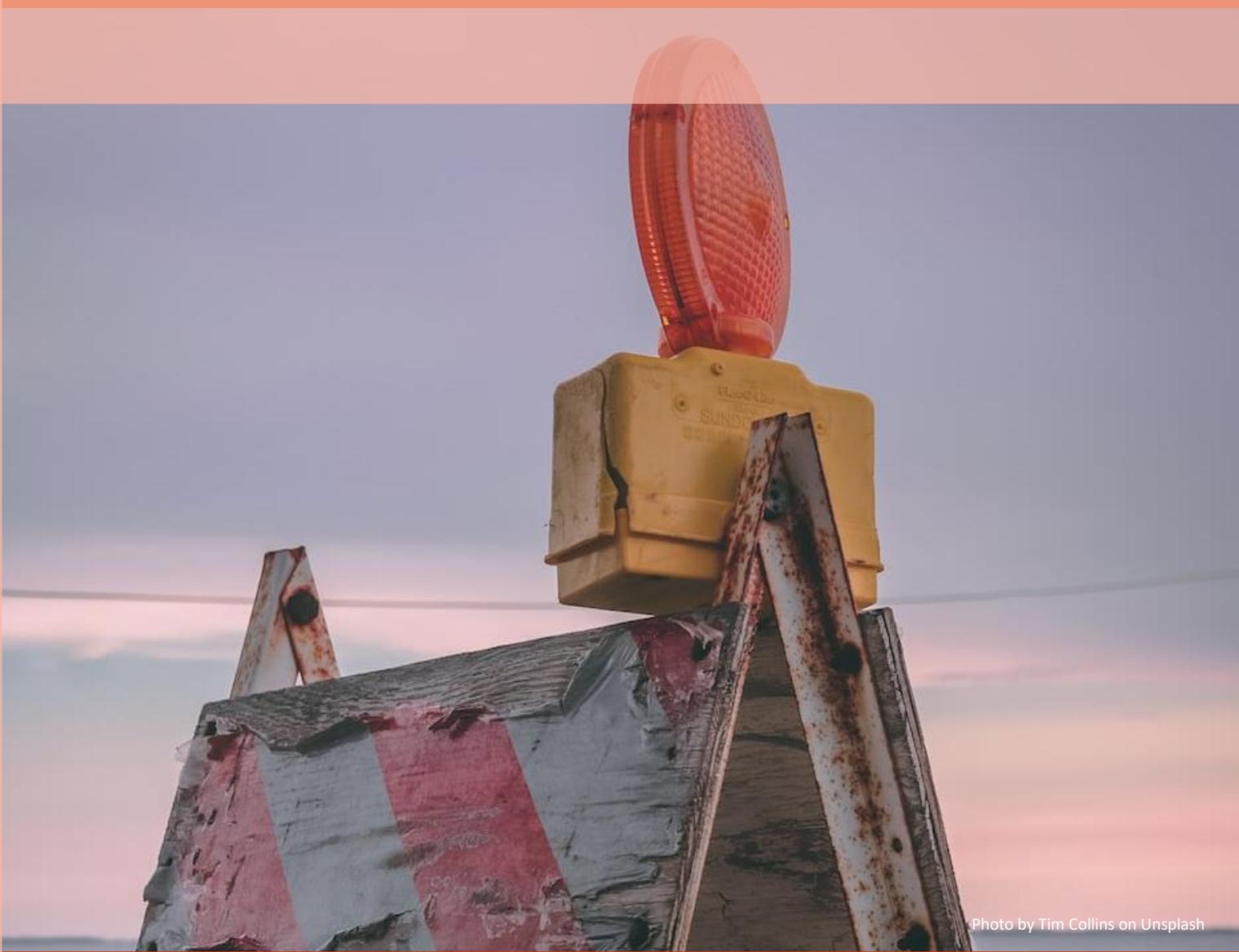


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# Chapter 4

## Challenges in Social Entrepreneurship

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# Chapter 4: Challenges in Social Entrepreneurship

## Aim

This chapter aims to present the challenges faced by traditional entrepreneurs, particularly social entrepreneurs. These obstacles to entrepreneurship are compared between traditional and social entrepreneurs. The chapter presents strategies that social entrepreneurs use to overcome challenges and explains how to implement them.

## Expected Learning Outcomes

- ▶ Understand the challenges confronting entrepreneurs.
- ▶ Understand the specific challenges faced by social entrepreneurs.
- ▶ Insights into strategies most used by social entrepreneurs to overcome their challenges.
- ▶ Develop insights into the significant implications of the strategies used to overcome the challenges of social entrepreneurs.

**“The number of social entrepreneurs has grown significantly in recent decades worldwide”**

**Keywords:** Challenges Faced by Entrepreneurs, Specific Challenges of Social Entrepreneurs, Strategies for Overcoming Challenges of Social Entrepreneurs.

## 4.1. Introduction

The number of social entrepreneurs has grown significantly in recent decades worldwide (Ebrahim et al., 2014). They have attracted public interest with their ability to successfully address social problems and provide innovative approaches to social issues. However, it became clear that social entrepreneurs face challenges that impede the scalability of their social ventures. And this hinders their ability to deliver social value. Generally, social entrepreneurs face similar challenges as traditional entrepreneurs, and on top of those, they have specific challenges faced by social SMEs. In addition to the economic aspects, social entrepreneurship aims to solve social problems or establish social change. The goal of social entrepreneurship is not only to maximize profits but to solve social problems. This adds a new goal and poses new challenges for social entrepreneurs.

## 4.2. Typical challenges of an entrepreneur

In the scientific literature, various researchers of the domain of entrepreneurship unite around the following typical challenges faced by entrepreneurs:

A) Access to venture capital and securing business financing – access to venture capital is limited. Many entrepreneurs cannot meet the requirements of credit institutions. They have no credit history and cannot provide the necessary evidence for their liability. Social entrepreneurs report limited access to sustainable financial resources despite existing programs and financial schemes. It is difficult to access finance because credit institutions still focus on viability and efficiency and underestimate the social aspect of business and its potential for social impact generation (Kittler et al., 2018).

*“Many entrepreneurs cannot meet the requirements of credit institutions. They have no credit history and cannot provide the necessary evidence for their liability”*

B) Marketing – establishing channels for the sale of products and overcoming the dominant positions of large businesses. The duality of nature (economic and social) makes competition difficult for social entrepreneurs. They must acquire and keep a marketing segment where they are competing with other players.

C) Overcoming dependence on a small number of customers – the duality of business objectives and having social goals shrink the number of customers. This leads to a different net cash flow compared to regular business. The income flow of social enterprises is oppressed due to the limited number of clients.

D) Building a working team – the representatives of an SME should be able to build a team of experts who can meet the venture's needs and contribute to creating conditions for sustainability and the competitiveness of the business.

E) Introduction of innovations –entrepreneurial ventures are primarily small, without formal business units to analyze the latest innovative solutions or research and development. They do not have the financial resources to lead innovation, which makes them less competitive.

F) Finding, retaining, and increasing the share of customers –start-ups have a limited number of customers. Therefore, it is necessary to apply different strategies to attract and retain customers. Unlike large companies, start-ups cannot spend much money on strategic actions like advertising or price differentiation strategies.

G) Business management, business planning, and financial management skills – most entrepreneurs do not have knowledge or experience in the field of business. Limited competencies are a prerequisite for shocks and instability in their business development. Therefore, entrepreneurs apply a trial-and-error approach to acquire these skills.

H) Overcoming social stereotypes related to age, gender, sector, location, etc. - entrepreneurs face several prejudices and stereotypes. Young entrepreneurs should break the established pattern that only after gaining life and professional experience can they successfully start a business. Women, LGBTQ+, and immigrant entrepreneurs face stereotypes while developing a successful business.

## **4.3 Challenges faced by social entrepreneurs**

Social entrepreneurs face multiple issues in creating social impact and delivering social value in addition to business value. The duality of their mission is a unique and overarching challenge. Pursuing two different goals may lead to mission drift. For example, on many occasions, social enterprises have been criticized for prioritizing financial gains at the expense of their social mission. Social enterprises usually have accountability to multiple principal stakeholders because of their social aspirations. Beyond addressing the needs of their customers, owners, investors, and local community, social enterprises must do the same for their beneficiaries, volunteers, donors, community partners, and other specific groups of stakeholders. According to Ebrahim et al. (2014), social enterprises must combine their conflicting social and financial goals and divergent stakeholder interests.

Financing is the most significant barrier to starting and growing a social enterprise (Kittler and Outsios, 2014). Especially in the case of early-stage social entrepreneurs and social ventures which are not financially self-sustainable, funding and investments continue to be one of the biggest challenges. Still, most social entrepreneurs are commonly financed by foundations, philanthropists, or public organizations whose typical support is modest in size and relatively short-term. Moreover, public funding is difficult with lengthy procedures and complicated bureaucracy (Abramson and Billings, 2019). On the other hand, convincing conventional investors to invest in social enterprises and not in other competing entrepreneurs is difficult. Traditional investors are skeptical of the return on the investment potential of social enterprises (Dees et al., 2008). Approaching investors may not be accessible if the organization is not likely to make a reasonable return for investors within a five to seven years period. And it does not help that social and financial markets in many countries

are fragmented, underdeveloped, and insignificant compared to mainstream capital markets (Dees et al., 2008).

Like their commercial counterparts, social entrepreneurs also face the challenges of managing human resources effectively. Nevertheless, for social enterprises, this is even more complex. Recruiting and retaining a good workforce is difficult because social entrepreneurs are rarely able to pay their employees a salary at market rates, especially for key employees. Elkington and Hartigan (2008) note that there is a significant salary gap between traditional and social enterprises, and this limits the capacity of social enterprises to expand their operations and achieve financial sustainability. Generally, young talented individuals prefer attractive pay packages and stable jobs from large enterprises, and very few are ready to join a social enterprise. Thus, social businesses struggle to maintain qualified and committed employees. On the other hand, relying on volunteers is a viable alternative, but this poses other disadvantages.

Another common challenge is dealing with public distrust of charity and social goals and investing in company profits to solve social problems. Social entrepreneurs are often questioned because their intentions are misunderstood and largely ignored by society, the business sector, and public institutions. Some must deal with various societal groups and activists who do not necessarily agree with their social mission. Furthermore, donors can distrust a social enterprise that focuses too much on wealth generation and too little on social value. Overcoming this mistrust will increase the number of customers and the generated profit, and finally, a faster and more effective solution to the social problem.

The obstacles mentioned above lead to other common problems faced by social entrepreneurs. This can be related to the capacity for growth and scalability of their operations. The scalability of social ventures has two interrelated aspects, one is regarding the scale of impact and the other is the organizational growth. One of the challenges for social entrepreneurs is that the demand for social products and services usually exceeds their initial capacity. The pressure for rapid growth and the increasing demand for the product and services may adversely impact the key underlying goal of creating a social impact. On the other hand, there are multiple constraints that limit the ability of a social enterprise to expand, like supply chain limitations, restraining government policies, or lack of partnerships. In addition, Dees et al. (2008) notes that social impact foundations are prone to funding new ventures but are less interested in helping them scale.

A unique challenge in the context of social entrepreneurship is the need for measuring social impact. Both private and public financing organizations have increasingly demanded that organizations measure their impact. However, many social benefits and improvements that social entrepreneurs provide are not tangible, quantifiable, or measurable (Zahra et al., 2009). Even when output

and impact can be measured, attributing them to a specific intervention or social enterprise is often difficult. Causality and comparability remain problematic in social impact assessment because outcomes and impacts frequently depend on factors beyond the control of social enterprise (Ebrahim, et al., 2014). Only limited organizations can afford complex measurement methodologies that prove the causal link between an intervention and its impact. The difficulties related to measuring social enterprise's impact further complicate their relationship with financiers. Impact investors seek evidence that their investment in the social entrepreneur will be effective in social change.

## **4.4 Strategies used by social entrepreneurs to overcome their challenges**

There is no universal solution to the challenges discussed above, but social entrepreneurs apply a range of strategies that can address specific problems. Social enterprises can diversify their income sources and build collaborations with complementary or supportive organizations. But then, these organizations become critical for the development and survival of the social enterprise. Collaborations and networking opportunities in different spheres of action get social entrepreneurs in touch with the latest information and access to new markets and clients. By recruiting relevant stakeholders' support, social entrepreneurs get access to new sources of financing and support (Hynes, 2009).

Social enterprises have coping mechanisms to accomplish both entrepreneurial and social objectives. These include the development of partnerships with complementary organizations, building an interdisciplinary professional staff, mobilizing resources, and generating income from diverse sources (Hynes, 2009). Another strategy is the integration of social and economic activities, so social entrepreneurs automatically focus on both. Social entrepreneurs can also manage these separately by compressing these functions and managing these goals separately (Battilana and Lee, 2014). Battilana et al. (2019) suggest that dual-minded leadership can make strategic decisions that embody social and economic goals. Through communication, training, promotion, incentive systems, and job shadowing, Employees are socialized to embrace social and economic perspectives.

Social enterprises face various obstacles in managing their venture, particularly resource acquisition, processes like mobilization of financial and human resources. In this respect, it is important for social enterprises to deploy resources from different and multiple sources. Social entrepreneurs have the option to use specific processes such as passion and commitment to the cause to leverage human and financial resources (Murphy and Coombes 2009). Social enterprises rely on volunteers who are willing to contribute to achieve the organization's social mission.

Social entrepreneurs should understand the motivations of their investors. For example, if social enterprises deal with conventional investors, it is essential to emphasize the profitability perspective of an intervention instead of focusing on its social impact. When engaging with impact investors, social enterprises should focus on social returns and the need for financial sustainability. Successful social entrepreneurs tend to specialize in engaging with funding sources primarily interested in creating social value. Social entrepreneurs utilize the duality of their organizational mission to gain legitimacy. Their double mission opens opportunities to mobilize resources from stakeholders with a social agenda and enables them to provide public services and get contracts with public donors and government institutions (Doherty et al., 2009; Bridgstock et al., 2010).

Social entrepreneurs can apply different strategies for growth and scaling their social impact. The Key is finding the appropriate organizational size and the right approach to expand rather than pursuing growth for the sake of growth. Social entrepreneurs often do not apply competitive procedures to manage their growth process but cooperative activities. Social entrepreneurs typically use one or more of the following growth strategies (Beugre, 2017):

- ▶ Capacity building through the development of internal capabilities and strengthening essential skills, for example, revising the organizational mission to acquire better equipment and more skillful employees.
- ▶ Dissemination of products or services. The dissemination growth strategy is like the diffusion of innovation. It entails actively providing information and technical assistance to others who wish to bring social innovation to their community.
- ▶ Branching and affiliation. Social entrepreneurs can scale their social ventures by using branching as a growth strategy. The branches have little autonomy since critical decisions are made at the headquarters. Affiliation is like branching as the social venture establishes units in other locations. As opposed to branches, affiliates have more autonomy, and they are embedded in the communities where they operate.
- ▶ Social franchising. Social franchising is a hybrid growth strategy combining branching and affiliation elements. It entails replication of the business model to other national or international regions.
- ▶ Strategic alliances. Some social enterprises use strategic alliances to scale their operations. Such partnerships can take various forms, such as collaboration with other social ventures and actors in the private, public, or civil sectors. These partnerships allow them to develop processes, products, and services, engage the entrepreneurial network, or gain access to knowledge, skills, infrastructure, and capital.
- ▶ To some extent, the above strategies are similar to those used by commercial ventures. In addition, other specific approaches used by social enterprises to scale their impact can be identified:

- ▶ Build a movement by spreading the core idea and principles. Get governments, mainstream businesses, local communities, or other entrepreneurs on board to work in support of the same purpose.
- ▶ Sell a part of or the entire social venture to a commercial business to increase the knowledge and impact of the concept and eventually make the social mission mainstream.

All discussed strategies and approaches can be found in Figure 4.1. and require developing a commercially viable product or service. Usually, customers will not buy products or services only to support a cause. The quality of the product or service is crucial to ensure sustainable growth of the social enterprise.

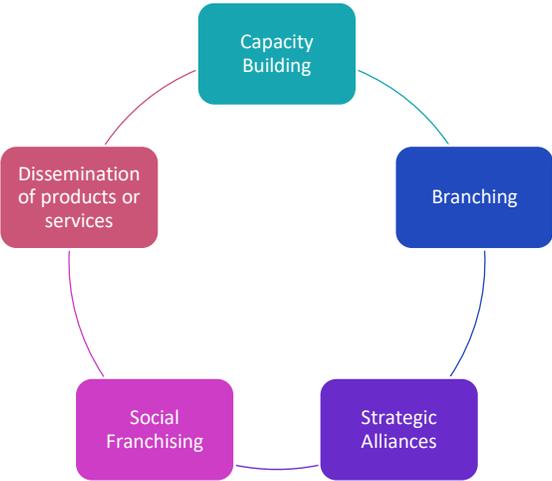


Figure 4.1. Growth strategies used by social entrepreneurs according to Beugre, 2017.



Photo by Kristopher Roller on Unsplash

One of the biggest challenges of social entrepreneurs is convincing stakeholders and local communities to trust them and support their cause. For that reason, social entrepreneurs need to communicate social problems and the solution. Social entrepreneurs can engage supporters easier when they can show how their social venture is part of a solution. It is essential to increase the social enterprise's visibility to the public and show its social impact.

Social enterprises have found ways to address the difficulties around measuring their social impact. Battilana et al. (2019) note that social ventures should develop a manageable number of trackable metrics during the goal-setting process. And revisit these metrics to assess their continuing relevance and adequacy. Social entrepreneurs face obstacles in choosing the best method that suits their organization, even though many methodologies and tools for measuring social impact exist. Most social enterprises lack knowledge, competencies, resources, and time for impact assessment. And as a result, many social enterprises are trying to design their assessment approaches in collaboration with their key stakeholders. These impact assessments follow their specific requirements and are usually based on the theory of change.

## **4.5 Conclusions**

Creating sustainable social enterprises requires both the creative combination and adaptation of social and commercial approaches. But also, the development of new conceptual frameworks and strategies tailored specifically to social entrepreneurship. Therefore, successful social entrepreneurship requires an in-depth understanding of the specific context in which it is located. Social entrepreneurs need support in overcoming obstacles to accelerate social value creation. The public policy and the broader supportive infrastructure being developed for social enterprises should be aimed at overcoming the challenges the field faces.

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# Chapter 5

## Business Model Development for Social Enterprises

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# Chapter 5: Business Model Development for Social Enterprises

## Aim

In this chapter, we enable readers to familiarize themselves with basic concepts related to a business model for a social enterprise. Upon reading this chapter, students will become acquainted with the basic principles of a business model for SEs, recognizing how discrete contexts may affect its planning, embracing the procedure of evolving it, and understanding the notion of the social project chance recognition.

The first section presents the vital components and the main format of a business plan. It also describes the various types of business models according to the multiple forms a social enterprise can take. The second section highlights how different socioeconomic contexts may affect the development of a SEs business model. The third section analyzes the basic framework of a SEs business model's development. The last section identifies the circumstances that play a central role in recognizing opportunities for a social venture.

## Expected Learning Outcomes

- ▶ Understand and master the basic concepts of a business model for Social Business.
- ▶ Get acquainted with the several types of SEs Business Models.
- ▶ Comprehend the ways a business model may be differentiated depending on the context.
- ▶ Elaborate on an SEs business plan.
- ▶ Clarify how a social entrepreneur may diagnose an opportunity to undertake a social venture.

**Keywords:** Business Model, Social Enterprise, Social Venture, Opportunity Identification.

## 5.1. Introduction

Many different sectors are paying growing attention to the field of social entrepreneurship, while it remains a promising market approach to various societal needs and challenges. Through social entrepreneurship, a range of

***“The elaboration of a functional and efficient business plan constitutes the biggest and most common challenge an entrepreneur faces nowadays”***

socially beneficial activities can be transformed into self-sustainable and viable initiatives.

Joseph Schumpeter's approach (1975) to entrepreneurship, linking it with the concept of value creation, is widely extended in social entrepreneurship; that is, to use value creation to achieve the parallel creation of social value, attributing to social change. This chapter focuses precisely on this process, namely the structural approach to value creation that would lead to social impact. The following analysis of business model development for Social Enterprises will allow students to recognize the core elements of a respective business model and to understand the different needs in different contexts. Also, it will enable them to acquire helpful knowledge for their future enterprises.

To achieve that, the following chapter first discusses the major elements of an SE, highlighting the framework that allows such an enterprise to produce social value while reassuring its financial viability. Then, it focuses on the different needs that an SE should address, according to the conjuncture, and it provides several guidelines and mentions various tools for its development. Lastly, it describes the different motives and circumstances for identifying an SE opportunity, also underlining the differences between a typical business opportunity and one in the field of social entrepreneurship.

## **5.2 Key elements of the social enterprise Business Models**

The elaboration of a functional and efficient business plan constitutes the biggest and most common challenge an entrepreneur faces nowadays. Before defining the key elements of the Social Enterprise (SE) Business Model, it is necessary to comprehensively analyze the differences between a typical business plan and a social enterprise plan.

According to Aziz Ullah's article, "Important elements of business model & plan for social enterprise and nonprofits", in Atlas Corps, "A Business Plan is a roadmap for achieving organizational growth", a business plan defines the key methods an enterprise should adopt to benefit its customers and clients. When it comes to a social enterprise, the social impact should be added to the plan as a necessary parameter of its roadmap (Sommerrock, 2010b, 2010a). A social enterprise model provides a framework that enables the social entrepreneur to achieve a financially viable development of his/her venture in addition to social value.

Business plans reflect on how a business should function (Magretta, 2014). A social enterprise needs to achieve both sustainability and social impact. While elaborating on its business plan, the following essential elements should be considered as shown in Figure 5.1:



**Figure 5.1.** Essential elements of a business plan for SEs. Source, the authors, following Magretta (2014) and Sommerrock (2010;2014).

Additionally, it is important to consider the following elements when writing a business plan for a SE:

***Executive Summary***

The Executive Summary includes the basic features of a plan which enables a reader to comprehend the endeavor and to support it without necessarily getting into the details of the concept. It is a chance to make the initial pitch for a social business concept (Germak, 2013). The Executive Summary is the last part to be developed, and its length does not usually exceed two pages.

***Business Description***

The Business Description describes the objectives of a social endeavor and presents its products /services as well as the added value a potential customer/beneficiary will gain from the social enterprise operation. The enterprise’s organization, its operational procedures, the “strategic relationships” and the enterprise’s legal structure are examined here.

***Mission Statement***

The Mission Statement refers to the social value the social entrepreneur intends to offer to society. Within the crucial elements of the mission statement are the accomplishment of both financial and social goals as well

as the combination of the business function with the social mission (Neumeyer & Santos, 2017; Sommerrock, 2010a).

### ***Board and Workforce***

This part clarifies how the business expertise of the enterprise's board and personnel will support the accomplishment of its goals.

### ***Market/Social Milieu Analysis and Identification***

This section analyzes the potential customers/beneficiaries/stakeholders, the types of products/services to deliver, the fees/ cost of the products/services for the beneficiaries. Consistent research is required to specify the targeted beneficiaries' needs, align the enterprise's goals with the needs of the specific social environment and overcome the competition. This analysis allows the plan of action, on the one hand, to address efficiently the target groups the enterprise wishes to be associated with; on the other, to align with the enterprise's whole strategy.

### ***Financial Planning***

The Financial Plan constitutes an essential part of the Business Plan since it offers the social entrepreneur the chance to pursue his goals resiliently and qualitatively. It analyses various elements such as start-up expenditures, expected revenues and profits, and financial records for at least three years. It assures investors that both the enterprise's economic and social objectives can be securely attained and that its financial development can be achieved through its funding (Neumeyer & Santos, 2017; Sommerrock, 2010a).

### ***Types of Social Business Models***

Several types of SEs Business Models are analyzed in literature based on how they work, their key success factors, sustainability, and social impact. One can find an interesting visualization of the leading business models presented in the literature in a table used by different scholars in the field, which allows the comparison of their similar and additional features as can be seen in Figure 5.2.

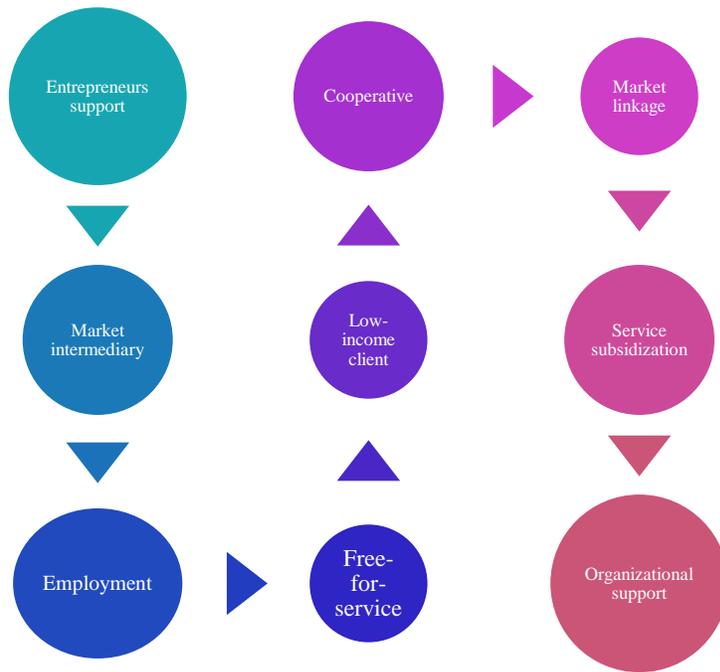


Figure 5.2. Types of Social Business Models

## 5.3 How does the Business Model of SEs Vary According to their Context?

Social enterprises engage in commercial activities to achieve social missions with the overall scope to generate social value and spread it (spillover effect). SEs use their profits to reinforce social benefits according to their company's strategy. Long-term they manage to produce social change, but they are also extremely fragile with financing and economics. SEs need different managerial strategies that can balance social value and commercial success. Social value can be succeeded through commercial value. Usually, these companies provide a product that is deeply needed. As customers consume it willingly, they see their lives changing and here is where social value is being created. SEs vary depending on the division between beneficiaries and customers:

### ***Market Hybrid SEs***

In this type of SEs beneficiaries are also customers who pay the product price. Social value spreads automatically. For instance, an organization in India makes menstrual products for women. In India only 10% of women can afford such products. This small entity makes cheap products and firstly sells them to women who take part in the production of the products. Low costs

create big social spillovers as an increasing number of women have access to such products and see their lives improve.

### ***Blending Hybrid SEs***

Beneficiaries are once again customers, but the activities of the company should be carefully designed to produce social results. For example, in developing countries, lending money is extremely difficult. A microfinance institution that lends money to young entrepreneurs could boost the economy and create a dynamic socio-economic context. Lending companies should be careful though as borrowed capital may end up in controversial markets (e.g., gambling) and compromise the initiative's social impact.

### ***Bridging Hybrid SEs***

Beneficiaries and customers are two distinct stakeholders; companies must bridge the distance between them. For instance, a coffee company (e.g., Brownies & Downies) in the Netherlands provides people with Down syndrome with job opportunities, letting them run and manage the coffee shops. In the meantime, the stores must service customers unaware of various backgrounds.

### ***Coupling Hybrid SEs***

In this model different beneficiaries and customers are difficult to combine. Such enterprises need specific actions to become socially and economically sustainable. They have to combine clearly social activities with commercial ones and for them it is usually a significant challenge to balance financially. Therefore, they may find sponsors from the third sector, the public or private organizations.

## **Common problems SEs face:**

### **► *Absence of buying potential from the targeted customers***

If customers cannot consume the product in the first place, it is impossible to create social value. In this case, companies should rebuild their value chain to respond to customers buying ability.

► *Inaccessible products*

Rural areas usually face challenges in gaining access to pioneering products. Companies should collaborate with local shops or other stakeholders to ensure that their product and service ranges are accessible.

► *Mismatch of price and product*

In some cases, customers do not recognize the value of a product compared to its relevant marketed price and remain unwilling to pay it. Marketing strategists can resolve such problems with targeted campaigns.

## **5.4 Main stages in the elaboration and implementation of a social business model**

At the first stage of planning, it is essential to emphasize the significance of elaborating a detailed business model which will assist the potential social entrepreneur in focusing on the specific business' crucial parameters and vital aims. While developing a social business model, they are expected to find a procedure to escalate the business plan to a fruitful entrepreneurial project successfully.

A social entrepreneur has to face his business growth as a dynamic process to respond to critical challenges of a social venture and clearly determine the social and financial objectives he/she has to achieve (ENP, 2010). Thus, the social entrepreneur must keep collecting, assessing, and re-evaluating the parameters, tools and methods of his business development and operation (Gundry et al., 2015; Williams & Nadin, 2012).

In this context, a social enterprise is differentiated from a traditional one by the need to identify its specific requirements, ensure its viability, and emphasize and reinforce its social impact. Thus, while developing a "Social Business Model Canvas", it is necessary to define and illustrate the enterprise's social objectives and accompany them with a precise sustainability plan.

The above requirement is fundamental to achieve, on the one hand, the establishment of an economically viable business model, on the other, a comprehensive social mission and carefully picture both parts: on the one hand, to ensure a sustainable business scheme, on the other to secure its social impact; their interaction constitutes the most vital factor of a business plan's functionality (Knode, 2016).

Dentchev (2020) argues that Inclusivity refers to poor people and all kinds of excluded individuals. Inclusive Business Models (IBM) and other alternative business models aim to cope with these issues and create inclusive and modern environments. IBMs include:

- ▶ Fair trade businesses: Companies that support fair prices for producers, especially in poorer areas, or collaboration with smaller stakeholders.
- ▶ Integration of disabled individuals: work integration of these individuals is an important step towards social inclusion. Companies should provide all facilities for disabled employees.
- ▶ Social entrepreneurship combines solid social practices within the company and business-oriented innovation. Such companies give importance to a viable working environment.
- ▶ IBMs + Ecosystems: For IBMs to be sustainable, they are part of a larger ecosystem with other businesses and stakeholders that share information and sources.

Except for IBMs, there are also Sustainable Businesses that focus on environmental practices and aim to function with environmentally friendly methods. Also, Base of Pyramid companies collaborate with other communities to create efficient products that respond precisely to customers' needs. Usually, these companies face difficulties as they do not know the market well and cannot merchandise their product quickly.

Co-creation is also an innovative and inclusive business structure where companies collaborate with local citizens to penetrate a new market. Such examples include big companies penetrating developing countries. These companies do not have

knowledge of the entering market; thus, they must collaborate with local stakeholders to produce efficient products and reduce risks and costs. Meanwhile, companies gain essential knowledge of the market that can be used in the future (Nahi, 2016).

A "Social Business Canvas" facilitates the design and development of a social enterprise framework and is based on various components interacting with each other.

The existing literature in the field illustrates many of these components which should be considered for a successful elaboration of a social business plan. Some basic ones are the following:

### ***Channels***

Channels illustrate the manner a company interacts with and approaches its clients, its beneficiaries, and the way it distributes value (Sparviero, 2019). It is important to concentrate on channels that are expected to create profit (Propel Nonprofits, 2022) considering that efficient channels will disseminate a business' value proposal promptly, effectively, and profitably (Osterwalder and Pigneur, 2010). Channels may be direct and indirect. With direct channels companies reach customers directly through web sales or own stores, whereas with indirect channels companies collaborate with third party companies (Osterwalder and Pigneur, 2010).

### ***Partners and Key Stakeholders***

They refer to key groups essential for the accomplishment of the venture's set goals. It is important to define, select and approach both its basic partners/stakeholders and its basic suppliers and determine which Key Resources each partner/ stakeholder could provide and which sort of Key Activities each one of them could execute. Companies hold partnerships with other stakeholders to reduce risk and competition while gaining resources and knowledge.

### ***Key Resources***

They include an analysis of the most crucial resources, mandatory to ensure the execution of a business model (Sparviero, 2019). They may refer to physical, human, financial, intellectual. and technological assets. The evaluation of which of these resources are already possessed and which need to be further developed and acquired is a fundamental element in the planning. Resources should allow companies to function avoiding scarcity.

### ***Key Activities***

They refer to the main tasks a social entrepreneur needs to design and develop in order to create a social venture. They enable and strengthen the company's mission and support the implementation of the business plan in terms of impact and budget. Activities can be divided into different categories such as production, problem-solving and platform/network.

### ***Cost Structure***

This part portrays the entire expenditures plan for the operation of the social enterprise (Sparviero, 2019) and constitutes a core issue for its planning and establishment. It comprises predetermined costs, such as payroll, leases, and

utilities, and potential varying expenditures in addition to interlaced points, such as the “economies of scale” and the “economies of scope”. Companies may focus on a cost-driven approach, trying to reduce costs to a minimum or on a value-driven approach where costs are not of primary importance to them.

### ***Revenue***

Financial stability based on assets constitutes a vital aspect of establishing and operating a social enterprise. Revenue refers to all types of economic capital provided to non-profit institutions, such as donations, fees, funds, state financing, investments and presents (Sparviero, 2019). Revenues can be fixed (a stable amount of financing) and dynamic (constant changes in cash flow).

### ***Value Proposition***

Value Proposition illustrates the set of products and services which create value for customers and beneficiaries. The SVP defines value by its social and multifaceted pattern of quality (Sparviero, 2019). Value proposition responds to the needs of customers and must be distinguishable from the values of competitors. Customers should have a specific reason to choose a social enterprise’s product instead of one of their competitors.

### ***Type of Intervention***

While designing a social venture, it is necessary to specify the structure of its production and service operations. Emphasis is given to the innovative procedures, schemes and services needed for implementing activities to respond to social challenges (Sparviero, 2019).

### ***Surplus***

A social enterprise needs to produce a surplus in order to ensure sustainability and accomplish its social aim. It is vital to decide and disseminate how the surplus is going to be reinvested.

### ***Segments***

Segments refers to the potential groups of individuals or associations that a social enterprise intends to approach and serve (Knode, 2016). Customer segmentation refers to targeting particular customer categories with distinctive characteristics. Companies should know the characteristics of customers they aim to meet. In this way they manage to target certain categories knowing they will consume the product and they avoid spending sources to persuade other audiences that would never select the product.

## 5.5 Social Venture Opportunity Identification

This section aims to shed light on the elements that enable a potential social entrepreneur to identify opportunities for creating a social venture. The analysis comprises of the following:

- ▶ The elements are usually identified by a person interested in undertaking a social project.
- ▶ The differences in the approach of an enterprise establishment between a social entrepreneur and a typical businessperson.
- ▶ The motives that guide a potential social entrepreneur to undertake a social venture.
- ▶ The means that enable a social entrepreneur to recognize an opportunity for a successful social project.
- ▶ The procedure could help a potential social entrepreneur create a social venture.
- ▶ The mindset needed to be adopted to develop and strengthen the social business mentality.

### *Elements*

Firstly, when referring to the elements identified by a person interested in undertaking a social project, there are four main characteristics that should be taken into consideration including, 1) the ethical fiber, 2) the potential social impact of the idea, 3) creativity and 4) entrepreneurial quality (Bornstein, 2007). By ethical fiber it means that the person who would undertake the project should be trustworthy. His/her aim is not to take credit on what has been done but to focus on managing the existing problems and emphasizing collaboration with his/her partners.

The social impact aims at the dynamics of the individual's ideas. The goal is to maintain the implementation of the ideas even if the person who proposed them is no longer involved. Regarding creativity, it must be pointed out that there are two main parts: goal-setting and problem-solving. Every social entrepreneur needs to be creative and visionary. Moreover, the entrepreneur must be able to set goals, know how to implement them, and always maintain a degree of realism.

### *Differences*

At this point, it is essential to clarify that although there is an overlap between social entrepreneurs and commercial entrepreneurs in their activity,

there are also differences. On the one hand, social entrepreneurs aim to promote social change; they are constantly dealing with social problems and creating plans on their visions to solve those problems. According to their finances, they are either self-sufficient (by setting-off activity amid their client group as part of their social mission) or remain dependent on external funding (Levie, 2010). On the other hand, commercial entrepreneurs aim primarily for profits and favor the implementation of ideas with more profitable potential, that can be either already existing or created. Before implementing an idea, the commercial entrepreneur assesses risks (whereas social entrepreneurs focus on the change they can make instead). Moreover, a commercial entrepreneur does not choose time-consuming tasks, while time for social entrepreneurs is not a problem. Commercial entrepreneurs have a fundamentally different time management approach compared to their social counterparts.

### ***Motives***

Social entrepreneurs are primarily motivated by non-economic motives. They are inspired by environmental and social issues that must be managed by people in need and helping the whole community (Gabarretet al., 2017).

### ***Means for opportunity recognition***

Literature in social entrepreneurship states that “Social entrepreneurs see opportunities where everybody else sees problems.” According to (Thompson, 2002) the procedure that might help a potential social entrepreneur identify a social venture consists of four main steps as follows:

- ▶ Envisioning: recognizing an opportunity
- ▶ Engaging: Implementing an idea
- ▶ Enabling: guarantee that something occurs by obtaining the essential resources
- ▶ Enacting: leading the project

### ***Mindset***

The mindset of the social entrepreneur consists of the following elements:

- ▶ Independency: Actions and innovative ideas that carve a new path.
- ▶ Responsibility: Failure is on the list of risks, but by taking responsibility, opportunities for improvement are being created.

- ▶ Goal orientation: In order for a project to be successful, its main goal and objectives should be clearly defined.
- ▶ Adaptability: The implementation of the project will lead to new developments and the entrepreneur should have the ability and attitude to adapt to them.
- ▶ Problem-solving: Entrepreneurs look for problems and solutions.

## 5.6 Conclusions

This chapter presents the basic concepts related to social enterprise business models. To that end, the main components of social enterprise business models and the different approaches a social enterprise can adopt were presented. With this chapter, it is expected that the reader will have gained knowledge on the different ways the business model can benefit a social enterprise not only by the nature of the context in which it is embedded but also by how they can elaborate their business models, and their business mindset that guarantees their success.

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# Chapter 6

## Business Model Innovation for Social Enterprises

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# Chapter 6: Business Model Innovation for Social Enterprises

## Aim

Since social enterprises seek success economically and socially, such companies need to be innovative in their business model. Therefore, this chapter introduces the basic concepts and relevance of business model innovation for Social Enterprises. To that end, this chapter shows different approaches to business models, and how they are designed, chosen, and changed by social entrepreneurs.

## Expected Learning Outcomes

- ▶ To understand the main concepts related to business models and social entrepreneurship
- ▶ To get familiar with the main concepts related to business model innovation
- ▶ To learn what social innovation is and why it is important
- ▶ To gain an understanding of the relevance of applying a business model innovation in a social enterprise operational environment

**Keywords:** Social Entrepreneurship, business model, sustainable business model, business model innovation.

## 6.1. What is a business model?

A business model is a scheme in which organizations create, deliver, and capture value. It is an organization's approach to value creation. In general, a business model is any organization's ability to change or adjust its value creation components and the way of functioning that might contribute to its business success. Business models are typically understood in three ways: 1) as component(s) of an actual business model, 2) as part of an already operating business model, or 3) as change models. (Linder et al., 2000).

**“A business model is a scheme in which organizations create, deliver, and capture value”**

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The core concept of a business model has various versions. According to Sommerrock (2010), studies suggest there are three dimensions to business models: 1) value creation and its architecture, 2) the value proposition, and 3) some model of income mechanism (2010, p. 137). Morris et al. (2005, p. 729-730) identified six critical components with several factors (see Figure 6.1.) in the form of questions that underlie a business model.

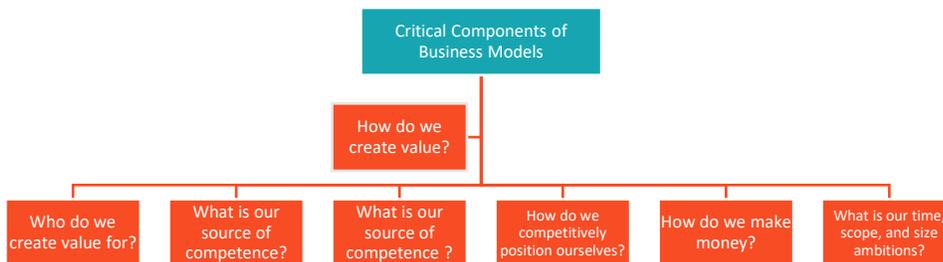


Figure 6.1. Critical components of business models according to Morris et al, 2005.

*“A business model is a scheme in which organizations create, deliver, and capture value”*

On the other hand, Linder and Cantrell (2000) divide an operating business model into the following subcategories: (i) Pricing model, (ii) Revenue model, (iii) Customer model (including channels and marketing), (iv) Commerce process model, (v) E-commerce, (vi) Organizational form, and (vii) Value proposition (Linder et al., 2000). One of the best-known contemporary business models is Osterwalder’s business model canvas, which presents nine categories: Key Partners, Key Activities, Key Resources, Value Propositions, Customer Relationships, Channels, Customer Segments, Cost Structure, and Revenue Streams (Ostewalder, 2010).

Business models can be divided into more components and categories and can be developed further. There is also a model for organizations that describes their ability to change the business model or its features - a change model. As businesses are under a rapidly evolving operating environment, they are under pressure to continuously change and improve their business models (Linder et al., 2000).

As a business model summarizes an enterprise's core functions and processes, it is usually a constant subject of change. Business models include a lot of variables, and operational environments can change rapidly. This means that it is virtually impossible for one static business model that would serve its purpose for an enterprise wholly or for a more extended period. Since there are no bulletproof models or concepts for every enterprise globally, the companies need to have the capacity to adjust - innovate - their business models themselves. Business model innovation has been briefly described and cited as “the ongoing management process of developing and introducing improvements and replacements” (Mitchell & Coles, 2004, p. 41)

Balan-Vnuk and Balan (2010) show how non-profit social enterprises innovate in their business models to ensure the enterprise's sustainability while generating surpluses to fund core services. In their study, they interviewed Australian social enterprise CEOs and found no expectations of governmental or philanthropic funding. Therefore, in order to ensure sustainability and funding, social enterprises need to adjust and innovate their business models.

## **6.2 Social Innovation**

According to Dees and Anderson, there are two schools or literature streams when it comes to social innovation, of which “one is concerned with the generation of earned income as a funding solution to a social mission (the social enterprise school); the other focuses on the actual approach to the best way to solve a social problem (the social innovation school)” (cited in Sommerrock K., 2010, p. 52).

Social innovation emphasizes the social outcome rather than economic profit in social entrepreneurship. Despite this division of the two schools in literature, they both share a common social mission – to address social problems and challenges. It is also clear that enterprises need innovations to simultaneously achieve their mission and be profitable.

## **6.3 Inclusive business model**

One key aspect of social entrepreneurship is the participation and benefit of people with limited access to resources, disabilities, and disadvantages. When discussing business model innovation, one key factor is the inclusiveness of disabled and disadvantaged people. Dentchev (2020) discusses Inclusive Business Models (IBM) in three dimensions; in the first dimension, a solid traditional business model leads to enhance social challenges. The second dimension emphasizes the social inclusiveness of various groups. The third dimension

combines both social and economic dimensions for disadvantaged groups (Dentchev et al., 2020).

## 6.4 Business Models at the Base of the Pyramid

The base of the Pyramid (BoP) refers to the people with the lowest income or, more generally, those dealing with poverty with a bottom-up approach (Dembek et al., 2019). Poverty is a very complex issue, and the solutions are not simple. When working with business models at the BoP, Dembek et al. (2019) discuss sustainability as a critical element when improving business models to improve social conditions.

Dembek et al. (2019) highlighted three categories of activities when it comes to value creation models: (a) Delivering models to provide access to products and services to BoP communities, (b) Sourcing models aim to source materials, products, and services in communities and distribute them locally or globally, and (c) Reorganizing models which aim to recreate or modify existing systems to benefit communities (Dembek et al.,2019).

These three activities were also divided into three categories: the Entity-Based model aims to provide a specific and small number of solutions for community needs, the Project-Based model seeks to provide one-off solutions, usually for developing structure, and Platform-Based models aim to offer many solutions for several communities but targeting solutions for the communities that need them the most. These three activities and three structural models together form nine elements, as seen in Table 6.1. below.

**Table 6.1** The nine elements of Business models at the BoP according to Dembek et al, 2019

Activity (ver)/ Structure (hor)	Entity	Project	Platform
<b>Delivering</b>	Entity-based delivery models [DE]	Project-based delivering models [DPr]	Platform-based delivering models [DPI]
<b>Sourcing</b>	Entity-based sourcing models [SE]	Project-based sourcing models [SPr]	Platform-based sourcing models [SPI]
<b>Reorganizing</b>	Entity-based reorganizing models [RE]	Project-based reorganizing models [RPr]	Platform-based reorganizing models [RPI]



## 6.5 What is business model innovation then?

Balan-Vnuk and Balan, 2015, point out that sticking to a static business model isn't enough for enterprises to survive through competition and the development of an operational environment. The products, services, and processes should evolve through innovations; the same applies to the business model (Balan-Vnuk et al., 2015). In other words, a business model innovation could be understood as an ongoing mindset and process where the enterprise constantly collects feedback, evaluates it, and adjusts its business model (or its components) responsively and agilely.

Business model innovation can be considered a key factor in social entrepreneurship and enterprises because the operational environment emphasizes social dimensions, which could be more unpredictable than in traditional business. In innovation theory, few types of innovations are applicable in the context of business model innovation in social entrepreneurship. In the Schumpeterian model, for instance, one can find processes, organizational, and market innovation elements that might serve the business model innovation purposes (Sengupta, 2014).

Processes, organization, and markets are all included in the core components of any business model. Of course, innovating in products and services and innovations around raw materials may benefit SE's profits and thus be relevant factors of business model innovation. Furthermore, it seems irrelevant to separate stand-alone innovations from the ongoing innovative mindset of an organization. Therefore, business model innovation can refer to a single new step or manner that contributes to making the business model more efficient.

## **6.6 Premises behind business model innovation**

To implement a business model innovation, an enterprise should understand the core premises that enable business model innovation. According to Balan-Vnuk and Balan there are six premises: 1) Clear understanding of the organization's social mission, 2) Access to specialized knowledge, 3) Access to external expertise, 4) Ability to respond to the needs of clients or beneficiaries, 5) Access to alliances or partnerships, and 6) Ability to experiment with pilot programs (Balan-Vnuk, Balan, 2015).

The first premise, understanding an organization's social mission, is essential for getting through a business model innovation in a social enterprise. Social mission is also a primary premise behind social enterprises' social value creation process. For instance, if an entrepreneur seeks to create social value of any type along with economic value through business model innovation, performing upon the statements of the social mission seems to be the way to go.

## **6.7 How to design, choose and change a business model**

How to choose or create a business model for a social enterprise? It remains a question that needs to be answered when starting a profitable social business. Studies give few suggestions about parts that have already been dealt with previously in this chapter. One approach is to adapt an existing business model suitable to the enterprise's social mission. The model should support all defined social dimensions depending on the social mission and/or concrete social problems. For example, to benefit all stakeholders equitably and/or sustainably. Several business models have been tested, proven, and successful.

## **6.8 How to plan/design a business model**

A standard tool for planning a business model, and frequently used as an operational business model, is the business model Canvas, available in the Osterwalder handbook (2010). The Business model canvas includes a business model's key components and helps visualize the whole concept. Osterwalder's model has most of the key features of business models discussed previously, namely 1) key partners, 2) key activities, 3) key resources, 4) value propositions, 5) customer relationships, 6) channels, 7) customer segments, 8) cost structure, and. 9) revenue streams.

A business model canvas is also applicable for social enterprise business model design. In the social enterprise context, Qashtarin (2015) states that the Canvas should add two more blocks: 1) Mission and 2) Impact and Measurements, which both should be considered from the social (enterprise) point of view. The Mission block is on the top of the canvas, and the Impact and Measurements are at the bottom (Qashtarin, 2015). This concept aligns well with the idea of Ormiston and Seymour (2011), as they focus on aligning mission, strategy, and environments measurement in the heart of social value creation (Ormiston et al., 2011).

## **6.9 How to adjust/change the business model**

As argued before, numerous approaches and models exist for creating and adjusting a business model. When implementing business models in social enterprises, it is essential to consider the social value creation aspect since traditional business models do not usually include social dimensions. One helpful idea comes from Ludeke-Freund et al., (2020), who suggest that sustainable value creation (which could also be read as social value creation) needs to include multiple shareholders, optimally all of them in a participatory way (Ludeke-Freund et al., 2020). Transferring this idea to practice here into a business model innovation, one could suggest that the participation of all stakeholders in redesigning a business model could be recommended.

## 6.10 Case Studies

### Exercises/ Activities/ Further Discussion

#### Activity 1

Find a social enterprise that is familiar to you and/or from which you can access information. Use Osterwalder's business model canvas and try to fill and add sections to the canvas according to your chosen case. Look carefully for components that assist the social mission of the selected social enterprise.

#### Activity 2

Continue with the previous (activity 1) case enterprise. Find out and list all the stakeholders you can find from the enterprise. Go through each stakeholder and list at least three needs each stakeholder might have. If you can figure out more, list them all. After you have listed each stakeholder's needs, try to form a big picture, and figure out if there are stakeholders whose needs are not fulfilled. Are there matters or concrete issues that need to be addressed? Now look again at the business model canvas that you filled in Activity 1, go through each component, and examine if any parts could be improved that would benefit one or more stakeholders. If you were the C.E.O. or a board member, what would your suggestion be for future improvement/innovation?

## 6.11 Conclusions

A business model consists of several components that can be divided further. Profit corporations and social enterprises are always subject to economic competition; social enterprises are also subject to generating social impact according to their social mission. To manage under competitive and constantly changing operational environments, companies need to observe their operations and business models and be ready to adjust them if needed. Since there usually are not ready-made solutions for changes or improvements, such changes need to occur through innovation. A business model innovation may be a constant process or occur in multiple instances. When innovating and redesigning a business model in a social enterprise context, it should be executed according to the social mission and benefit several, if not all, shareholders.

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# Chapter 7

## Scaling Social Impact

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## Chapter 7: Scaling Social Impact

### Aim

This chapter aims to outline the main elements that define what social enterprises need to scale their social impact. To this end, we present below a series of strategies, requirements, and scaling models that may be useful for the reader to gain knowledge in this area of interest.

### Expected Learning Outcomes

At the end of this chapter, it is expected that the reader will have the ability to:

- ▶ Recognize the different scaling strategies that can benefit social entrepreneurs
- ▶ Identify the different requirements for scaling up for social impact
- ▶ Understand the different models for scaling up for social impact

**Keywords:** Scaling, Social impact, Scaling strategies, models of scaling, social entrepreneurship.

### 7.1. Introduction

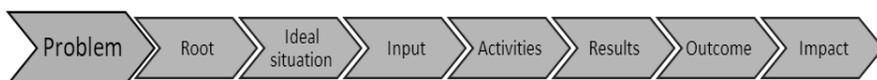
Social entrepreneurs set up hybrid organizations in which they apply, to some extent, commercial activities while pursuing their primarily social objectives (Doherty, Haugh and Lyon, 2014). They aim to address market or government shortcomings at a local or global level (Zahra et al., 2008). Most of the time, social entrepreneurs are expected to grow the realization of their social objectives, commonly called scaling. Syrus Islam (2020, p.1) describes it as “an ongoing process of increasing the magnitude of both quantitative and qualitative positive changes in society by addressing pressing social problems at individual and/or systemic levels through one or more scaling paths”. Alvord, Brown and Letts (2004) explain that scaling can occur by either helping more beneficiaries (targeted people facing a social problem), improving the benefits offered by a social enterprise has to their beneficiaries, or broaden their impact indirectly by engaging more societal stakeholders.

The relevance of the topic of scaling social impact stems from different roots. First, current societies face numerous sustainability challenges across

***“SE are expected to grow the realization of their social objectives, commonly called scaling”***

the Globe, whether in developed or developing countries. These are problems that remain unsolved by governments, corporations, or NGOs, such as poverty, inequality, homelessness, carbon emissions, or unemployment (Murphy and Coombes, 2009). Over the last two decades, a handful of SE cases were hailed for their creative solutions and innovative approaches to solving these longstanding social problems. It is only normal that we desire to explore further how we can get inspired, grow those innovations, and make society more sustainable. Second, considering the current non-profit financial trends, business models that are viable and scalable are an essential topic for both research and practice. Thus, increased attention is being given to cases globally, such as the Grameen Bank, Tom Shoes, Citizenlab or Close the Gap.

In order to “increase the impact,” social enterprises must firmly grasp the concept of the “Theory of Change” (Taplin and Clark, 2012). This theory provides entrepreneurs with a perspective on how you eventually develop change over time by breaking down more ambitious, high-level social change mission statements into smaller, easier-to-manage objectives in the middle and short run. Social entrepreneurs break down the social problem into what they can observe and what the root causes are for those problems. Afterward, they envision what they would like to achieve between 5 to 10 years and develop a list of resources they will need to acquire to develop activities. The consequences of these activities are then broken down into three parts: i) the Actual results from the day-to-day operations, focused on achieving social or commercial objectives. ii) How the accumulated results from these activities develop intermediary outcomes and iii) how the overall outcome performances, in the long run, contribute towards achieving an ideal situation.



**Figure 7.1** Theory of change

A good theory of change statement is built on indicators that are both SMART (specific, measurable, achievable, realistic, and timely) and CARE (comparable, aggregative, relatable, and easy to understand). It takes time to develop such a statement, but it eventually allows for the following generic statement to be developed:

“Problem – if (proposed solution) – then – because – which ultimately... - this is proven by...”

Social entrepreneurs can develop and combine different strategies for their theory of change. Other intended objectives of social change, size, and scope, as well as the challenges and methods for achieving and measuring it, need to be considered and are the focus of this book chapter. The following sections discuss scaling strategies, challenges, and models from the academic literature.

## 7.2 Scaling Strategies

Increasing social impact can be achieved in different ways. Perhaps the most classical manner, or at least, the method everyone might consider, is to grow the organization to be able to develop more activities and thus have more impact. But organizational growth does not always equal more impact. Based on a literature study of (Eiselein and Dentchev, 2021), six types of scaling strategies can be considered by social entrepreneurs. The scaling capacities of social entrepreneurs depend on several factors, such as their core innovations (Alvord et al., 2004), their operational model (Alter, 2007), their ecosystem (Diaz, Dentchev and del Carmen Roman Roig, 2020), as well as the type of hybridity present in their business model (Doherty et al., 2014). Furthermore, social entrepreneurs need to overcome a series of challenges located at the individual, organizational and institutional level. As suggested by Weber, Kroegeer and Lambrich (2012), the essential pre-requisite for scaling social impact is the need for managerial skills and a viable business model to create “just” social impact in the first place. In this section, we discuss the types of strategies social entrepreneurs can pursue.

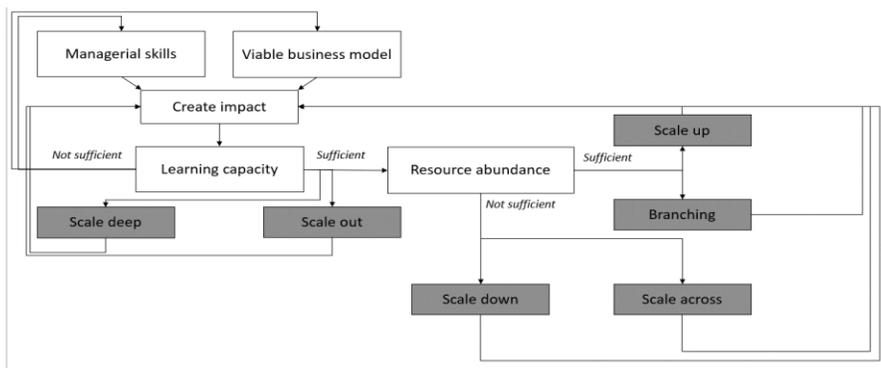


Figure 7.2 Scaling strategies, based on Eiselein & Dentchev (2021)

Social entrepreneurs tend to develop trial-and-error activities to develop a balance between social and commercial objective realizations. In essence, this implies that in the first instance, there should be a learning capacity present within the social entrepreneurial team to increase their impact on social problems. Should there not be sufficient capacity to reflect or learn, scaling should not be considered (as it may cause more harm than good).

Otherwise, social entrepreneurs have a first set of scaling strategies at hand: scaling deep or scaling out. Depending on whether the social entrepreneur aims to keep on focusing on its current social problem and context, it may choose to scale deep, which focuses on the learning curve, becoming more efficient or more qualitative (Andre & Pache, 2016; Smith & Stevens, 2010). It). By continuously learning and reflecting its current managerial processes, social entrepreneurs may benefit the most from scaling deep, which is a strategy that almost always throughout the life cycle of the organization, can be applied. Scaling out, on the other hand, refers to tackling other social problems by using the networks, experience and knowledge gathered during the salvation of the social entrepreneurs' original social problem (Mair and Marti, 2009; Lyons and Kickul, 2013).

Social entrepreneurs may also consider increasing their activities or start developing new products or services, should there be enough resources for it. Typically referred to as scaling up (Gibbon and Dey, 2011) and branching (Dees, Anderson and Wei-Skillern, 2004), these are more popular scaling strategies. Tangible (financial, physical technological or organizational) and intangible resources (human, reputation, or innovation) need to be validated before adopting these strategies. However, these strategies do not imply that the social entrepreneur cannot work together with partners or stakeholders to achieve the social impact. But they may focus on partnerships through a different type of scaling strategy.

Especially, when social entrepreneurs are lacking resources at hand, they may opt to scale across (Weber et al., 2012), by working with other partner organizations. There are different degrees of contracting that may occur in such situations. One example is to franchise the SE's model (social franchise reference). Another, is to freely diffuse and share the approach of the SE's idea and innovation approach, hoping others will notice it, adopt it, and start developing similar efforts elsewhere. Finally, in the events of not having enough available resources, or not having enough or the right type of partners, social entrepreneurs may counter-intuitively, scale down, i.e., doing less activities, which can improve their impact as both attention and resources are no longer being spread too thin (Uvin et al., 2000).

We can conclude from these strategies that social entrepreneurs should not feel pressurized to only grow their activities or organization but consider their capabilities and environment in making the most suitable decision. It is important to note that social entrepreneurs may choose diverse types of strategies to grow impact, either over time or simultaneously. At the same time, the learning capacity point also requires social entrepreneurs to reflect on the numerous factors that may challenge them in creating or scaling social impact. These are in fact requirements that need to be met or at least considered, which we will discuss in the following subsection.

## 7.3 Requirements

Social As figure 7.1 suggests, perhaps one of the most crucial scaling elements, at the individual level, refers to the managerial capabilities and skills of the team of individuals within the social enterprise. This not only refers to personnel members, but also towards their board members and volunteers. But this is quite challenging, as social enterprises often are composed of relatively small and agile teams (Eiselein and Dentchev, 2020). This implies they need to have skillful people who not only agree with non-competitive compensations (Austin, Stevenson and Wei-Skillern, 2006), but also who have aligned values and drivers that are compatible with the double bottom line of the organization (Eiselein and Dentchev, 2020). On top of that, social enterprises are known for a high personnel turnover due to the restricted growth opportunities and high workloads (Hynes, 2009; Murphy, Arenas and Batista, 2015), which causes losses of training investments. Obtaining and retaining those complementary managerial skills is quite challenging (Hynes, 2009).

Even when retaining skillful individuals, another challenge may limit the scaling of social impact. Tensions may rise amongst individuals, as either the objectives, or the methods of obtaining them, are a point of discussion. In the search of complementary team members who adhere to the social mission, differences amongst their personnel drivers may create conflicts amongst themselves. As such, social entrepreneurs need to balance social and commercial objectives with care. In essence, they need to recruit and retain people who are fit within the double bottom line of the organization, whilst simultaneously fit with one another.

This also applies when we consider individuals from different organizations. As social entrepreneurs aim to deliver social change, they often involve a wide variety of partners and stakeholders, whose diverse and sometimes opposite expectations and demands must be well managed. This is where the part on theory of change indicates that social entrepreneurs need to develop a set of indicators or measures to be able to hold themselves accountable (Ramus and Vaccaro, 2014), to gain legitimacy with stakeholders (Gamble and Beer, 2015), as well as to improve their efficiency and operations. It is difficult to develop a set of organizational, quantitative metrics that can measure social impact. What is even more important to scale social impact, is the involvement and empowerment of stakeholders during the entire process of impact measurement and scaling. Stakeholders need to accept those measures to gain their full support.

Furthermore, social entrepreneurs need to be aware of three more aspects that can influence their scaling efforts. First, their legal form influences their capacities to attract financial resources, thus influencing the types of operational models they can develop (Lounsbury and Glynn, 2001; Wronka, 2013). Secondly, Smith & Stevens (2010) point out that the geographical

location of social enterprises, and the level of their embeddedness, influence their capacity to scale. Thirdly, social entrepreneurs need to develop an ecosystem perspective, in which they can identify societal barriers, voids and pressures from various institutions and stakeholders (Zahra et al., 2009; Estrin, Korosteleva and Mickiewicz, 2013).

## **7.4 Models of scaling**

Value Next to the different scaling strategies and requirements, Han and Shah (2019) identified diverse types of scaling models, which can be implemented in the social entrepreneurs' endeavors with the scope to increase their social impact. The combination of these models with strategies might offer complementary reflections and insights. They identified what they call supply and demand, pathway, spiral, three-strategies, and multi-factor models. By no means do we aim to be extensive, but we will discuss from each of these models one popular example.

The SCALERS model was developed by Bloom and Chatterji (2008), where they identified an acronym of scaling drivers necessary for scaling social impact: "staffing, communications, alliance building, lobbying, earnings generation, replication, stimulating market forces". In an empirical study, Bloom and Smith, (2010) confirmed that all of these drivers, except lobbying and alliance building, are statistically significant. This model indirectly refers to managerial capabilities (which you first need to attract and retain), the social entrepreneur's capacity to tap into a broad network of stakeholders and partnerships across non-profit, for-profit, and public sectors.

The model proposed by Dees, Anderson and Wei-Skillern (2004) refers to three possible scaling strategies, which overlap to a certain extent the strategies mentioned above. They refer to dissemination, affiliation, and branching. According to Dees, Anderson and Wei-Skillern 2004, p. 28), dissemination refers to providing information or assistance to others to adopt or support the social entrepreneur's activities, affiliation can refer to coalitions and franchises, whilst branching is 'the creation of local sites through one large organization, much like company-owned stores in the business world' (Dees, Anderson, and Wei-Skillern 2004, 28). Depending on the need for central coordination and resources, as well as the social entrepreneurs' need for control and moral intensity of the social problem at hand, one strategy might get picked over another.

The spiral model of Taplin et al. (2012) considers scaling from an iterative, development perspective, where social entrepreneurs need to consider continuously: i) assessments ii) business model development iii) implementation and iv) evaluation and improvements. In other words, they take on a perspective similar to a project management life cycle. Its first phase focuses on conceptualization and development, by means of gathering data, identifying goals and needs, evaluating risks, strategies, and practicalities. This is the part where resources, schedules, budgets, and programs are being prepared. The actual implementation and evaluation refer to the execution and transfer phases of a project life cycle, in which the actual work is being tested, issues resolved, work packages being delivered, and more importantly, all lessons learned transferred to a new round of scaling. It is implied that social entrepreneurs have a go/no-go decision to make at every stage of this framework.

## 7.5 Conclusions

Social entrepreneurs tend to focus on how they can grow their impact, as very often the demand for their products or services are beyond their supply capabilities. However, we would like to end this chapter with some reflections. First, despite the innovative traits of social entrepreneurs, their offer, by itself, is not enough to develop systemic changes. It requires social entrepreneurs to always contextualize their growth perspectives, and to take their time to develop their activities, no matter the scope or objectives at hand. Furthermore, Smith and Stevens (2010) warn social entrepreneurs that scaling is not without risk. For instance, with limited available resources, social entrepreneurs need to be careful to not spread their resources too thin, nor to dilute the quality of their products and services by simply trying to achieve more than their capabilities allow them to. Furthermore, with scaling, there is the potential risk of drifting away from the social mission (Ebrahim, Battilana and Mair, 2014), as the increased attention or need for commercial activities might attract more attention from the entrepreneurs, or even become more important than the social mission itself.

It is highly likely that due to the different definitions created over the last decade for scaling social impact, confusion may rise amongst stakeholders with the inconsistent use terms. For example, Bocken, Fil and Prabhu (2016, p. 305) describe scaling up social impact as “increasing the number of customers or members of a business as well as expanding its offer and maximizing its revenues”. In contrast, Tjornbo and Westley (2012, p. 179) refer to scaling up “to a change strategy that targets institutions, resource flows, and beliefs at a broader systemic scale”. Yet again, for Lyon and Fernandez (2012, p. 69), scaling up is “a continuum ranging from internal

organic growth controlled within the organization to wider dissemination of good practice". As such, the importance of truly engaging and aligning different stakeholders from different sectors and backgrounds requires social entrepreneurs to be capable of understanding different perspectives and find a way to bring them together. It requires social entrepreneurs to have both people management skills, as well as a sector knowledge. Ultimately, they all need to develop a systems' perspective should they want to scale social impact, as it allows them to develop promising business models.

Perhaps as a final message, there is an even more critical question social entrepreneurs need to reflect on. In what time frame, and to what extent, does one wish to scale. Scaling is an iterative process of reflection, testing, calibrating, and evolving, but requires an impartial and honest opinion to what extent one is being beneficial towards society, and at what point it needs to start slowing down or even considering quitting. In the end, if the purpose of a social entrepreneur is to solve social problems, by definition, they should strive to no longer exist in the long run. As such, the question, to what extent does one want to increase impact and in what time frame, is almost existential for the business.

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# Chapter 8

# Social Impact and Impact Measurement

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# Chapter 8: Social Impact and Impact Measurement

## Aim

Measuring social impact is crucial in understanding if a social enterprise is making a real difference to society and its stakeholders. This chapter aims to introduce the social impact generation, the available tools, and how to measure the impact of social enterprises' interventions.

## Expected Learning Outcomes

- ▶ To understand what social impact is
- ▶ To explain why we need to measure social impact
- ▶ To describe how to measure the social impact created by social enterprises
- ▶ To learn how to produce and apply a Theory of Change
- ▶ To effectively communicate and report social impact

**Keywords:** Social Impact, Social Impact Measurement, Theory of Change, Communicating Social Impact

**“Measuring social impact is crucial in understanding if a social enterprise is making a real difference to society and its stakeholders”**

## 8.1. Importance of impact measuring for social enterprises

Sustainable development is a key social and cultural challenge and goal at national and international levels across all countries and economic sectors. The UN Member States adopted an agenda for sustainable development in 2015 (The 2030 Agenda for Sustainable Development), which consists of seventeen (17) Sustainable Development Goals (SDGs). These SDGs directly and/or indirectly correspond and interlink to social entrepreneurship (SE). Social enterprises are characterized with their duality to have equal economic and social objectives, and to try to solve social needs or problems. Social enterprises target different stakeholders characterized with different needs and expectations. Therefore, it is important to track the changes after implementation of one or another SE approach, how achieved outputs changed the target groups/stakeholders, level of change, direction. Social impact relates to the long-term positive changes for individuals, local communities, and society, which result from interventions provided by social enterprises (Keyte et al., 2016).

Measuring SE's impact will provide a clear picture of what is still not done, where efforts should be refocused, and how resources should be used more efficiently. In addition, social impact measurement and reporting can help social enterprises access extra resources and build organizational legitimacy (Beugre, 2017). The results from impact assessment are essential for investors, business angels, grant holders, as well as for target group involved in social enterprise and those who are using outputs of social enterprise activity. Measuring social impact is important for social enterprises because:

- ▶ It provides an improved sense of purpose, encouragement, and clarity about what an organization is trying to achieve.
- ▶ It gives valuable feedback about the social enterprise's activities and results. In this way there can be find gaps of performance and possibilities for improvement.
- ▶ It provides measurement data and evidence of progress that can be used as a marketing and communication tool.
- ▶ By measuring and reporting impact, social enterprises can retain and attract donors, investors, clients, volunteers, and other key stakeholders (Clifford et al., 2014).

The European Commission Expert Group on Social Entrepreneurship (GECES) has developed a methodology for measuring impact assessment for social entrepreneurship, the social impact across the enterprises in the European Union. The proposed approaches will provide investors, business angels, social risk investors, and grant managers with answers if it is worth investing in social enterprises, and social entrepreneurs to achieve economic and social business objectives.

Literature reviews reveal that scholars and researchers use different terms, methodologies, and indicators to measure social impact. Moss, Short, Payne, & Lumpkin (2011) and Santos (2012) are talking about social value as an indicator, while Husted & Salazar (2006) , Mair & Marti (2006), and Nicholls (2009) use social performance; Emerson (2003) is using indicator social returns, Hall, Millo & Barman (2015) social return on investment (SROI), and social accounting by Nicholls, (2009). Moreover, there is neither a commonly agreed and accepted approach for the measurement of social impact nor a common understanding of the overall aim of social impact measurement. Social enterprises measure the social impact of their activity by combining economic/financial and social indicators to present achieved goals. In social entrepreneurship, we can claim that earned income strategies are interwoven to their mission, and performance is a virtual blend of economic and social returns.

## 8.2 Designing and implementing an impact measurement strategy

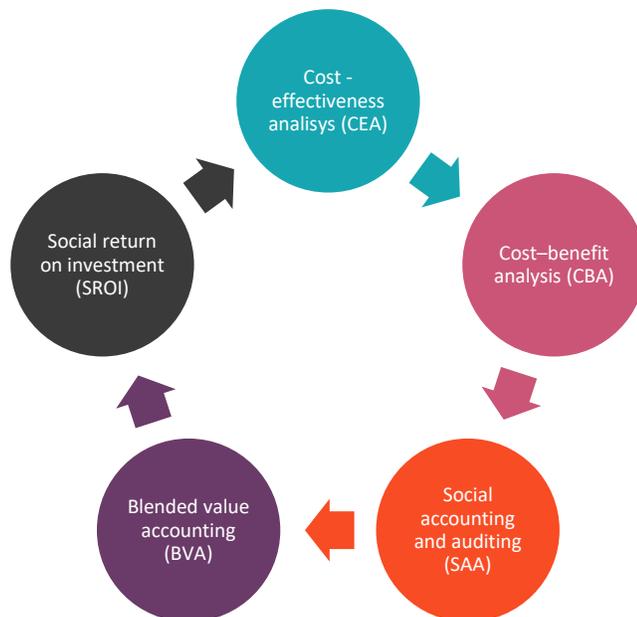
Social impact measurement can be described as a process of determining how much social change is achieved and can be attributed to a social enterprise's work and interventions (SOPACT, 2022). There is no single and best approach to measuring social impact (Muir, et al., 2014). The academic literature presents various methods and methodologies used for social impact measurement (OECD, 2014). This means that approaches to social impact measurement can be tailored to the specific objectives and capabilities of the particular social enterprise. Many approaches and methodologies are relatively complex in terms of required expertise, skills and resources and can be time consuming (Keyte et al., 2016). In determining the appropriate approach and designing relevant measurement framework, one should consider the nature of the social challenge that is addressed by the social enterprise, as well as the amount of available resources and capabilities for the impact measurement (Impact Investment Hub, 2022). The design and implementation of the impact measurement framework is usually based on the concept of the Theory of change (ToC) (Epstein, et al., 2014). ToC has variety of applications and can be useful in the planning, design and execution of the social enterprise's work and impact. Through this concept, every social enterprise could demonstrate its progress and achievement towards desired social change.

While many different methodologies are used for social impact measurement, they all follow similar processes and share common elements. According to the European Commission's expert group on social enterprise (GECES), measuring social impact involves five steps. In brief, these steps involve (i) identifying the desired social impact and (ii) the concerned stakeholders, (iii) defining a theory of change for social impact, (iv) designing an appropriate procedure for measuring and reporting on inputs, outputs, outcomes, and actual impact, and (v) analyzing how to improve the process of impact generation and change achievement (OECD, 2015).

1. Identify objectives – define the impact analysis scope and the desired social change to be achieved. Every organization with social goals should specify its own impact objectives and needs to measure impact to be able to make decisions on measuring and better managing the value creation process (Clifford et al., 2014). Social enterprises need to be clear about what they aim to achieve and how they will achieve it. In this regard, a ToC is a helpful tool that can be used for setting objectives of a particular intervention or organizational activities and describing how the social enterprise works.
2. Identify stakeholders – identifying concerned stakeholders who need to be involved in the impact measuring and reporting. Stakeholders have a critical role in shaping whether and how a social enterprise achieves its mission and objectives. Social enterprise stakeholders may include

beneficiaries, communities, funders, donors, governments, the media, employees, volunteers, trustees, researchers, and consultants. Because of their critical role, social enterprises need to analyze stakeholders' motivations, needs, involvement, and contribution in social activities and interventions and also for impact measurement. Impact measurement involves engaging and interacting with a range of stakeholders.

3. Setting relevant indicators by which the social enterprise will plan its intervention and describing how the social enterprise's activities will achieve its outcomes. With the help of the developed ToC, and respectively identified goals, relevant and proportionate measures should be developed that reflect what is being achieved in a clear and comprehensive format according to the stakeholders' needs. The above follows three steps: Definition of results, selection of the most important results, and taking measures regarding the most characteristic results achieved (OECD, 2015).
4. Measure, validate, and value – identifying measurement tools and measuring the intended outcomes and impact, verifying that the logical implications are strong enough and that the key stakeholders value the impact. There is a plethora of tools for measuring social impact, but the most used methods in the context of social enterprises are as follows:



**Figure 8.1.** Tools for social impact measurement according to Beugre (2017).

5. Report, learn and improve – the final step in the impact measurement process involves reporting measured results regularly to internal and external audiences. This enables most directly concerned stakeholders to learn and improve the social enterprise's interventions and services.

The reporting should be appropriate to the audience and needs to be presented in a transparent and useful way, to encourage future behaviors that are helpful and contribute to achieving the impact goals. Good reporting means transforming data into presentable formats that are relevant for key stakeholders. Reporting, learning, and improving are iterative processes. Another common feature of most good impact measurement methodologies is that an organization should only claim credit for the changes that their services or interventions have created. This involves considering the negative or unintended consequences which then give a truer picture of the overall impact a particular service or intervention has had (Clifford et al., 2014).

## 8.3 Theory of Change

All The measurement of social impact is based on a widely recognized impact chain known as the Theory of Change. A ToC represents the social organization's approach to creating change (Estonian Social Enterprise Network, 2017). This refers to how the enterprise envisages the future and how it intends to get there. It is basically the social enterprise's logic for change. The ToC explains and illustrates inputs, activities, outputs, outcomes, and impacts in a way that shows the pathway has been well-mapped (Beugre, C., 2017). It focuses on the link between the input and outcomes of a process or how the transformation of resources occurs and how this leads to the desired results.

ToC should start by describing a targeted problem. Subsequently, the target group is outlined and specified. When that is done, one should consider the changes that the intervention is to create and describe those as the kind of effects the project will have for the target group. Finally, there is a need to consider what activities can support and lead to the accomplishment of these effects.

The theory of change follows the patterns according to GECES, 2013:

1. A social enterprise, or a project within it, has a supply of resources, known as input. These may be financial, intellectual, human, premises, or other (GECES, 2013).
2. With these inputs, social enterprises undertake activities. Activations or interventions primarily focus on improving the lives of beneficiaries and other concerned stakeholders.
3. The activities have points of contact with those beneficiaries, known as "outputs." The output is not the result or the effect itself. Instead, it is the way to get to the impact or the outcome.

4. The activities and results change the lives of the people who benefit and other people who have a stake in the project. These changes are the outcomes and are stated as the difference in situation between what would have happened but for the service or product concerned and what was achieved with it. Those outcomes may be short- or long-term, depending on the need being met and the service or product being delivered (GECES, 2013).
5. The outcomes may then be evaluated regarding the impact on a person's life in terms of the value achieved for a given stakeholder by reason of the service or product supplied. This is net of the gain contributed by the intervention of others and considered both positive and negative effects (GECES, 2013).

The theory of change can either be made as a schedule or presented in a more illustrative way.

## **8.4 Key challenges of impact measurement for social enterprises**

There is uncertainty surrounding measuring impact, particularly as there is no right way to design and implement a measurement framework. In this regard, there is a range of conceptual and practical challenges which social enterprises face when measuring social impact:

- ▶ Measuring social impact often involves measuring intangible elements and soft outcomes or determining to what extent a social change can be attributed back to the efforts and activities of particular social enterprises.
- ▶ Because of a lack of staff skills and knowledge of how and what to measure, it can be difficult for social enterprises to know how to design and implement a measurement process.
- ▶ There is specific terminology in relation to measuring social impact that can be used differently across the social sector and is hard to understand.
- ▶ Even in the case of social enterprises that have experience with measuring the social impact it can be difficult to precisely determine whether their impact measurement frameworks are of sufficient quality and how they can improve.
- ▶ Designing measurement framework should ensure achieving greater impact and better manage impact, rather than focusing on accountability and reporting.
- ▶ Social impact requirements are time demanding and complex, which could be overly burdensome for social enterprises.

- ▶ Social enterprises need relatively expensive resources and specific capacities to measure impact, while the measuring should be proportionate to the ability of the organization and to the usefulness of the measurement generated.
- ▶ The needs for impact measuring and reporting of both the stakeholders and the social enterprise should be aligned.

There is not one specific methodology or a standard set of indicators to measure social impact of social enterprises, because of the diversity of the social enterprise's stakeholders work within their contexts.

## 8.5 Communicating Social Impact

Social enterprises that try to engage and inspire their internal and external stakeholders need to communicate the impact of their services and interventions effectively (Thinknpc, 2018). Social enterprises can use the information collected in the process of impact measurement to demonstrate their work and the difference they make.

The communication of social impact could be described as a process of collecting, analyzing, and reporting information to internal and external stakeholders related to the social enterprise contribution to social change. Communication of information about a social impact with the external stakeholders creates transparency and credibility to the social enterprise's work. Effective communication and reporting is particularly important for raising investment, securing funding, building organizational legitimacy, or engaging with the local community better. Social impact communication is also important for internal organizational purposes. The internal stakeholders need relevant and reliable information about work progress, outputs and outcomes achieved to make decisions to improve impact strategies and operational performance of their social enterprises (Estonian Social Enterprise Network, 2017).

Effective communication shares relevant and useful information to stakeholders in appropriate way. The communicated message should reach the right audience at the right time and in the right format. In this respect, social enterprises first need to develop a communication strategy describing what and to whom they want to communicate and then to report appropriately on their mission, activities, and results. Social enterprises can develop their own approach and plan to effective impact communication based on their audience, intent, and message (Sheth, 2017). The social enterprise impact communication strategy should answer to several questions:

- Why does the social enterprise want to communicate its impact? There are many possible impact communication purposes – the social enterprise might want to be accountable to its stakeholders; review its

activities and impact in comparison to intended mission and purposes; revise and improve impact strategies and plans; recruit, motivate and involve staff, volunteers, and potential supporters; and demonstrate that it helps effectively to its target beneficiaries, etc.

- Who is the audience of the social enterprise impact communication? The social enterprise needs to identify and analyze the characteristics of the stakeholders who would like to know more about the social impact generated. Different stakeholders have different expectations about impact communication and reporting. If the social enterprise is trying to address a variety of stakeholder groups, this requires different communication strategies, formats, and channels to successfully deliver a message.
- What message does the social enterprise want to communicate? The content of the message should be relevant and interesting for the targeted audience. In order to create a compelling message, the social enterprise need to carefully plan the content of the message and the emotions to appeal to.
- How does the social enterprise communicate the message? (Creativelab, 2022). Social enterprises need to choose the right channels to communicate the intended message. Depending on the interests, habits and behavior of the target audience, the social enterprise could choose the right channel to reach them. Some of the most useful information channels to deliver communications related to social change are:
  - ▶ Posters, fliers and brochures
  - ▶ News stories, articles and editorial on TV, radio and newspapers
  - ▶ Press releases
  - ▶ Blogs, videos, podcasts and other content on websites
  - ▶ Social media post on Facebook, Twitter or LinkedIn, etc.
  - ▶ Annual reports, annual reviews and impact reports

Generally, a thoughtful mix of communication channels will be useful to reach various audiences with various communication preferences. A significant and specific form for impact communication is formal impact report. Impact reporting is an essential part of the impact measurement process. Reporting refers to transforming the data into formats that can be understood by different stakeholders. Impact reporting might take the form of an report or annual report (Boswell & Handley, 2016). The best reports present valid information, explaining what worked well, what did not work and setting out how the organization is trying to improve (InspiringImpact, 2022). Impact oriented reports should include all relevant information that allows internal and external stakeholders to assess a social enterprise's performance and achievements, and specifically include information on performance, risk, and organizational capacity (Americansforthearts, 2020).

Impact communication is an ongoing process. Social enterprises could benefit from impact communication and reporting, only if they engage in an ongoing

and reciprocal impact dialogue with their internal and external stakeholders. Good impact reporting helps beneficiaries, volunteers, donors, funders and other supporters understand and engage with an organization. It also helps staff and trustees focus on results and work to achieve their vision. In addition, they maintain open feedback channels and offer an insight on the type of information that is useful and valuable to the various groups of stakeholders. The social enterprise can use that information to adjust and improve its operations and performance (Boswell & Handley, 2016; GECES, 2013; Pizarro & Miranda, 2022).

## **8.6 Conclusions**

This chapter has addressed the main concepts that define what social impact is, why it is needed, and how the social impact created by social entrepreneurs can be measured. Then, we elaborated on the definition of the theory of change, which will be helpful to the reader. At the end of this chapter, we elaborated on the importance of and ways to communicate the social impact provided by SEs.

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# Chapter 9

## Ecosystems for Social Entrepreneurs

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# Chapter 9: “Ecosystems for Social Entrepreneurs”, connecting with others to unleash social impact

## Aim

This chapter aims to present the different elements of ecosystems for social entrepreneurs. The increased interest in ecosystems is based on the attention that it has generated among different stakeholders. This awareness is because there is a need to understand how ecosystems actors cohabitate and interact. This collaboration results in support to each other, the advancement of their goals, and improved social impact. In this chapter we discuss how ecosystems operate, how all different actors within the ecosystems are interconnected, how the exchange of resources is facilitated, and the development of multiple capabilities for social entrepreneurs.

***“Ecosystems allow us to analyze the environment and strategize for change”***

## Expected Learning Outcomes

- ▶ Readers can enumerate ecosystem elements, and actors
- ▶ Readers understand how ecosystem actors engage with each other
- ▶ Readers can enumerate the different elements of ecosystem support
- ▶ Readers can explain the advantageous position of the university in the ecosystem

**Keywords:** Social Entrepreneurship, corporate social responsibility, sustainability

## 9.1 What is a supportive ecosystem?

The increased interest in the ecosystem concept has led to a debate about its scope, appropriateness, and boundaries. The concept includes interesting attributes that are useful for today’s business activities. Ecosystems allow us to analyze the environment and strategize for change (Isenberg & Onyemah, 2016). Social entrepreneurs address complex social and/or environmental challenges. This is without access to abundant resources, and often without a comprehensive set of business skills. Hence, they leverage resources provided by different supportive organizations within the ecosystem (Williams & Lee, 2009). Social entrepreneurs are also able to rely on other actors present in the ecosystem. These actors can

provide them with different types of support including knowledge, mentoring, networking, capital providers, legal and accounting advice, and technical services (Roundy, 2017).

Spigel (2015, P. 50), argues that ecosystems are “combinations of social, political, economic, and cultural elements within a region that support the development and growth of innovative start-ups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding, and otherwise assisting high-risk ventures”. The literature portrays ecosystems as “fully functioning entrepreneurial or business environments.” And they emerge from activities by entrepreneurs, and institutions that coevolve in a “coherent system” (Malecki, 2018). In different studies, the ecosystem concept is reflected as a composition of key factors that provide valuable support for the success of entrepreneurs (Brown, 2016). These elements include companies, financial organizations, consultants, incubators, universities, and other public services (J. Roncancio-Marin et al., 2022). The interactions, complementarities specialized knowledge, services, and activities of all these actors have an impact on social entrepreneurs. They allow social entrepreneurs to access multiple levels of resources needed to create a positive impact and impact the overall success of their entrepreneurial ventures (Roncancio, 2022; Roundy, 2017).

The conversation about ecosystems revolves around two key questions. How do ecosystems work? What type of input is expected from every single unit so that the support for social entrepreneurs materializes? The work of Isenberg (2010) has been widely recognized as one of the most cited frameworks of ecosystem composition. From this framework, we observe different elements such as leadership, culture, capital markets, and open-minded customers. These elements interact cohesively to support an environment where different entrepreneurs can operate. The framework also presents the ecosystem as being surrounded by non-governmental institutions, infrastructure, professionals support, investment bankers, technical experts, and advisors.

Stam, 2015, highlights the main elements of entrepreneurial ecosystems. These factors are necessary to obtain value creation as an outcome. They include networks, leadership, talent, knowledge, support services, formal institutions, culture, and physical infrastructure demand. These elements are represented by several actors such as the local, regional, and national level of government institutions and policy-making institutions. But also support service organizations such as universities, incubators, accelerators, business coaching, business plan/pitch competitions, co-working facilities, entrepreneur networks, and physical infrastructure providers (Spigel, 2015).

Biggeri et al., 2017, argue that actors in supportive ecosystems for social entrepreneurs operate with minimum legal constraints and with all kinds of different resources. Volunteers and other organizations dedicated to supporting the needs of social entrepreneurs are examples of important

actors. Existing work on the entrepreneurial ecosystem highlights the relevant actors like industry associations, educational institutions, other professionals, and customers (Biggeri, Testi, & Bellucci, 2017).

In general, the support received through ecosystems helps social entrepreneurs with their challenges. It addresses their need for complementary innovations, actors, and tools to achieve their mission (Spigel, 2017). The process of solving social problems is neither bottom-up nor top-down. It relies on a circular multi-actor collaborative perspective (Letaifa, 2016). A more comprehensive review of the supportive function of the entrepreneurial ecosystem should address the different roles adopted by the different actors. Specifically related to the support and their contribution in terms of activities and different roles adopted. We further elaborate on this by presenting the different support archetypes.

## **9.2 How do Ecosystems for SEs operate?**

Much uncertainty still exists about the concrete contribution of each specific actor in the ecosystem. And their specific activities related to their supportive function (Spigel & Harrison, 2018). To date, only a few studies explain the supportive roles these stakeholders adopt in the ecosystems (Roundy, 2017). But there is not a clear overview of how each offers support to the whole system. An ecosystem is mainly composed of several actors, executing particular activities, and exchanging resources, knowledge, and information. These members assume specific roles depending on their specialization and function (Adner, 2017). With this characterization, Adner advances ecosystems as the “alignment structure of the multilateral set of partners that need to interact for a focal value proposition to materialize.” The ecosystem, therefore, operates based on different activities, actors, positions, and links. And all these elements combined create a supportive function for all stakeholders participating in the network (Dees, 2007).

Actors in an ecosystem may include individuals, business organizations, or public institutions, in summary, all parties involved (Mason and Brown, 2014). Ecosystem actors are interdependent (Audretsch & Belitski, 2017), and form a diverse and dynamic community (Olav Spilling, 1996). The support function of an ecosystem is dependent on its actors. More precisely, the number of actors, their skills, knowledge, and motivation to undertake different activities (Ben Letaifa & Reynoso, 2015; Wronka, 2013). (Pistrui, 2008) argues that the motivation to play a supportive role within an ecosystem is related to the common vision, commitment, passion, and striving for a common goal.

Supportive actors play a complementary role within an ecosystem. Their activities include mentoring, coaching, networking, and training (Prahalad & Hart, 1999). The diversity of the different kinds of actors could be interpreted as a success factor for the complementarity of actions (Biggeri et al., 2017). But it adds a level of complexity to an ecosystem. Therefore, it

is important to have a clear view of the boundaries, hierarchy, and structure of the ecosystem. An overview of the relationships and dynamics among its actors is valuable as well (Biggeri et al., 2017).

Actors in ecosystems are interconnected and they execute specific activities or actions that generate multiple outcomes. These include training, financing, mentoring, volunteering, etc. These activities can be seen as a result of innovation, manufacturing, service development, and distribution (Stam, 2015). This makes ecosystem activities closely related to the collective and individual output of the products and services. Roundy et al. (2017) stress the importance of arranging the ecosystem activities towards a specific output. Examples of this are financial activities like loans, seed capital, investment, grants, and foundation grants. Universities also provide support in the ecosystem. They enable knowledge sharing upstream, coaching, education, or promotion of entrepreneurial activities (Li & Garnsey, 2013). The support activities are intended to strengthen knowledge, resource availability, and skills within the ecosystem. In turn, this fosters the development and growth of the focal ecosystem actors (Letaifa, 2016)(B-Hert, 2006; Miller & Acs, 2017).

The roles of the different actors is an essential component of the functioning of an ecosystem. These roles range from social to political, economic, and cultural (Spiegel, 2017). A further nuance of these roles can be found in the work of (D. Isenberg, 2010). He asserts the importance of finance, policymaking, knowledge generation, leadership, and infrastructure. Adner (2017) argues that in a successful ecosystem, all actors are satisfied with their position. And this is reflected in the well-addressed needs of ecosystem actors. If this is the case, the support function typically provides resources, knowledge, infrastructure, and advice to its members (Ellis, 2011; Liu & Stuart, 2014; Ranganathan & Rosenkopf, 2014). And thereby strengthening the ties between actors in the ecosystem (Leung et al., 2006).

Throughout the activities and their roles, ecosystem actors enable the exchange of different resources, knowledge, information, and materials. These transfers help actors to realize their different objectives, whether it be scaling, supporting, or competing with others. Here, the focus should be on the support activities that exchange content between supportive actors and others. The links across the ecosystems allow for the creation of an ecosystem structure (Adner & Kapoor, 2010; Uzzi, 1997). These links are distributed depending on the size and amount of actors present (Semrau & Werner, 2014). Established links allow actors to receive support from others in the form of crucial information and valuable resources. These exchanges are based on the complementarity, resourcefulness, and social capital of actors across the ecosystem (Greve & Salaff, 2003). The interactions between actors can be stimulated, but established interactions can support, and intensify the value-creation process even more (Larson, 1992). Ecosystems nurture and grow thanks to strong industry networks and

connections. This is only possible through the supportive local culture and the ability to reconfigure relationships when an adverse event occurs (Malecki, 2018).

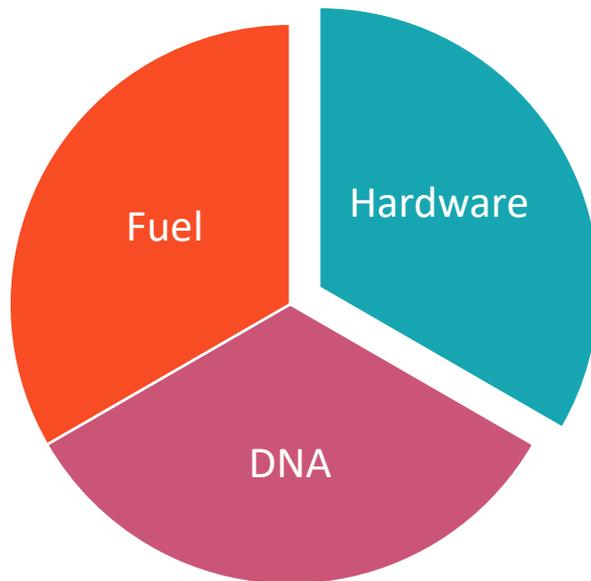
### **9.3 What does a variety of actors mean?**

One of the key aspects of an ecosystem is the interconnectedness and the variety of actors (Pistrui, 2008). This means that there is a full range of different actors from different disciplines. And their specialization, experience, and accumulated knowledge in different areas of expertise nurture the ecosystem as fertile grounds to sprout innovation while supporting growth (Adner & Kapoor, 2010). Having multiple actors, and big entrepreneurship-stimulating-events does not mean that an ecosystem works optimally (Lavie, 2006). Like in any other network, an ecosystem is based on the different relationships that can be derived from the multiple actors working together (Spigel, 2017). This is what we mean by interconnectedness. In an ecosystem, a variety of actors is needed, but the different established connection between them is what makes the ecosystem alive and functional (Adner, 2017).

The definition of a common value proposition is needed to develop cohesiveness among actors within an ecosystem (Adner & Kapoor, 2016; Brusoni & Prencipe, 2013; Li & Garnsey, 2014). In terms of a supportive ecosystem for social entrepreneurs, this value proposition is a common understanding of all actors involved. This consensus is reflected by their specific roles, intentions to collaborate, and the division of resources, knowledge, and information that can support the activities carried out. And this applies to all actors involved in the social innovation value chain, including social entrepreneurs (Biggeri, Testi, & Bellucci, 2017).

In this line, we concur with the definition brought by Spigel (2017), who asserted that an ecosystem is “A set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship.” Actors alone cannot enable collaborations and support in an ecosystem. To spur collaboration and support, ecosystem actors need to share a common understanding and have knowledge of their roles and comprehend the roles of their peers. To be able to commit, understand, and facilitate the interactions across the ecosystem, an understanding of the capacities, competencies, and resources that others have is important (Acs, Stam, Audretsch, & O’Connor, 2017; Autio & Thomas, 2014).

The main actors in an ecosystem can be classified according to their contributions to creating a supportive environment (Diaz Gonzalez & Dentchev, 2021). We find different actors that could be classified into three different support categories (as can be seen in the Figure 9.1.) (a) Fuel, (b) Hardware, and (c) DNA:



**Figure 9.1** Actors' categories in a supportive ecosystem

These categories are developed based on the different levels of resources and support attributes that ecosystems can offer in support of social entrepreneurs. Fuel brings all essential resources that enable and maximize productivity to the ecosystem. It supports the movement of actors and their interaction and boosts entrepreneurial activity. Therefore, Fuel embraces elements such as funding, qualified human capital, supporting actors, and extended networks.

Within the Hardware category, we find more specialized resources, including knowledge and infrastructure. Hardware includes a variety of tools, like physical infrastructure and specialized services. The last category of support is DNA. This characterizes the local dynamics of the ecosystem within a certain level of boundaries. It helps to foster and strengthen both Fuel and Hardware. Entrepreneurial culture, policies, and visibility are the subcategories of support available through DNA. These elements facilitate the availability of resources within Fuel and provide access to the resources through Hardware.

Universities are well-positioned actors within the ecosystem to provide support (Sánchez-Barrioluengo & Benneworth, 2019; Wright & Siegel, 2015). Universities possess two interesting factors that facilitate their engagement in supporting activities towards entrepreneurs, indistinctively of their abundance of resources or infrastructure. The first factor is related to their organic positioning and interaction with external stakeholders such as governments and industry (J. Roncancio-Marin et al., 2022). This setting is a process that is well illustrated in the third, quadruple, and quintuple helix

of innovation (Carayannis & Campbell, 2010). These interactions make university actors engaged in a dynamic dialogue with local partners. This environment often spans support activities that are useful for entrepreneurs and entrepreneurial dynamics. Secondly, universities are well-surrounded by students, faculty, and staff. These critical masses accumulate high levels of human and social capital. This confluence can create abundant opportunities to expand collaborations and support through coaching, mentoring, and volunteering, as well as curricular and other extracurricular activities within the ecosystem (J. J. Roncancio-Marin et al., 2022; Wright et al., 2017).

## **9.4 Conclusions**

This chapter presented definitions of a support ecosystem for social entrepreneurs. We also describe why it is essential to understand how such ecosystems operate, which actors compose them, and, above all, how social entrepreneurs can benefit from the dynamics of all these stakeholders.

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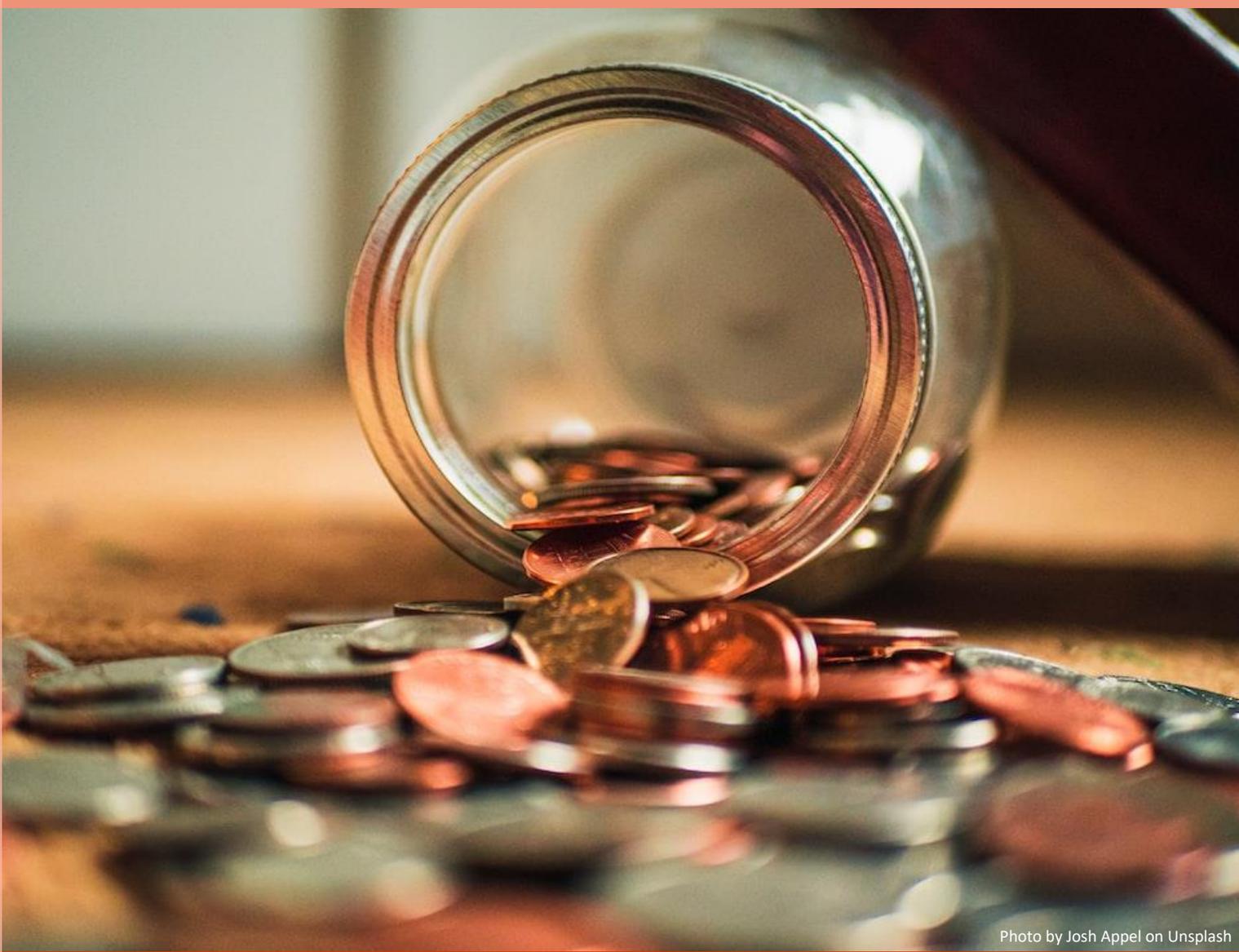


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# Chapter 10

## Funding Social Enterprises

**Philippe Einselein, Odisee, Belgium.**

# Chapter 10: Funding Social Enterprises

## Aim

Despite the potential impact social enterprises can have in transforming societies sustainably, funding remains one of its most challenging facets. This chapter aims to provide more nuance and clarity on what is discussed in academic literature. The chapter provides an overview of the different funding sources available to social enterprises, the two mainstream strategies social entrepreneurs can opt between, the types of financial models they can develop, and factors of influence.

## Expected Learning Outcomes

At the end of this chapter, the reader is expected to have the ability to:

- ▶ Distinguish between the different sources of financing for social enterprises.
- ▶ Identify the most suitable strategies for financing social enterprises.
- ▶ Understand the different financing models and the factors that influence them.

**Keywords:** Funding sources, funding strategies, models of funding, social enterprises funding.

**“The most popular funding source for social enterprises has become the Internet, thanks to the development of crowdfunding platforms”**

## 10.1 Funding sources for social enterprises

The number of social entrepreneurs has grown significantly in recent decades worldwide (Ebrahimet al., 2014). They have attracted public interest with their ability to successfully address social problems and provide innovative approaches to social issues. However, it became clear that social entrepreneurs face challenges that impede the scalability of their social ventures. And this hinders their ability to deliver social value. Generally, social entrepreneurs face similar challenges as traditional entrepreneurs, and on top of those, they have specific challenges faced by social SMEs. In addition to the economic aspects, social entrepreneurship aims to solve social problems or establish social change. The goal of social entrepreneurship is not only to maximize profits but to solve social problems. This adds a new goal and poses new challenges for social entrepreneurs.

A wide range of funding sources are at the disposal of social enterprises, as they can apply for instruments that are classically associated with and provided to, both the nonprofit and for-profit sectors. Typical examples include grants, sponsorships, subsidies, foundations, philanthropic institutions, donations, low-interest loans, equity, debt or mezzanine capital (Achleitner, Spiess-Knafl and Volk, 2014; Dentchev et al., 2020). Social enterprises can also apply for several new instruments that have been developed specifically for them, such as impact investments, social impact bonds crowdfunding platforms, or specific competition prizes (Castellas, Ormiston and Findlay, 2018; Dentchev et al., 2020).

According to Lyons and Kickul (2013), the most popular funding source for social enterprises has become the Internet, thanks to the development of crowdfunding platforms. Social enterprises can also apply for social impact bonds, in which they act as service providers for governments (Fraser, Tan and Lagarde, 2016). Social enterprises can also participate in various regional or international competitions, such as the European Social Innovation Competition, Chivas Venture, Yunus and Youth or Global Citizen Award. Various network organizations such as Ashoka or Sociale Innovatie Fabriek, or education centers such as the VUB or Vlerick Business School, may also offer some funding opportunities.

Table 10.1. Overview of types of funding sources

Non-profit sources	Specific sources	For-profit sources
<b>Bootstrapping</b>		
<b>Crowdfunding platforms</b>		
Subsidies Donations Grants Sponsorship Foundations Philanthropic institutions	Social Impact Bonds Competition prizes	Market-driven activities Loans Equity Venture Capitalist Angel Investors

## 10.2 Strategies

Surprisingly, despite the options, studies have shown that most social enterprises have difficulties staying financially healthy (Haski-Leventhal and Mehra, 2016). This can mainly be accredited due to the SE’s complex business models (Martin, 2015). Both in terms of hybridity and financial model, social entrepreneurs work on delivering multiple types of values towards multiple types of stakeholders. Throughout the literature, two mainstream financial strategies seem to emerge. One approach builds on the vast range of funding

resources available to social enterprises and aims to diversify their funding sources as much as possible. It follows the same logic of what nonprofit organizations aim to achieve (Carroll and Stater, 2009), i.e., stability by reducing the risks of being overly dependent on one funding source. It is not uncommon for social enterprises to combine donations, subsidies, and market-based activities to finance their activities (Szymańska, Van Puyvelde and Jegers, 2015).

However, SEs need to be aware of the potential drawbacks, such as the crowding-out effect (Carroll and Stater, 2009; Siqueira et al., 2018) as well as the unstable nature of these sources. The former refers to the effect where one source decides to withdraw its support, due to the presence of another. Regarding the latter, while the diversification strategy has its benefits in terms of risk-averseness, donations, and subsidies, it may be susceptible to contextual (socio-cultural and political) variances. Recent trends of withdrawing support from governmental bodies have shown that social enterprises and “classic” nonprofit organizations have felt financial pressure to behave more autonomously. In other words, social entrepreneurs should strive to become (to a certain degree, at least) financially independent. This resonates with the “earned income” school of thought (Margiono, Zolin and Chang, 2018), which considers the self-earned income generation throughout market-based activities as essential trait of social enterprises (Defourny and Nyssens, 2010).

Generating independently, one’s own funding is often linked to social enterprises’ growth ambitions and capacities. An organization implementing an “earned income” approach is often considered more financially sustainable (Salvado, 2011). Not only that, despite its difficulty, an autonomy-oriented approach provides better possibilities in terms of scaling, i.e. amplifying social impact over time as well (Tirumalsety and Gurtoo, 2019). Earned income refers to the sales of goods or services to customers. Depending on the type of hybrid organizational form the SE takes, customers may or may not be in the same audience as the intended target group of people SE wishes to help. Sometimes, the intended beneficiaries cannot pay for the services provided. In a way, a third party pays for them then.

But what is better, to diversify sources or to focus on making your own money? The most suitable funding strategy depends heavily on the life cycle stage the social enterprise is in. According to Dentchev et al. (2020), social enterprises follow almost the same life cycle stages than “classic” enterprises, ranging from ideation, validation, building, and growth. Assuming it is quite difficult in the earlier stages of the life cycle to develop market-based activities, a more risk-averse strategy, i.e., diversity, could be more suitable from a financial sustainability perspective. On top of that, by diversifying its financial sources, social enterprises can increase their visibility and network more transversally, which benefits their story’s legitimacy development. However, it is essential to note that the social enterprise’s life cycle is taking a plodding start, requiring lots of patience regarding financing.



Figure 10.1. Two main financial strategies of social enterprises.

### 10.3 Model

Social enterprises represent a new type of business model (Seelos and Mair, 2005), and are also sometimes referred to as a hybrid organizations (Smith, Gonin and Besharov, 2013). This type of organization's central characteristic is about balance and, in the case of unbalance, conflict. Social enterprises mainly face mission drift or financial unsustainability. This occurs when either too much attention is given to the organization's financial needs to the social mission's detriment (Ebrahim, Battilana and Mair, 2014a). Or, in the latter case, when entrepreneurs remain too ideological and do not pay enough attention towards organizational survival. Numerous studies have been investigating how social enterprises have to deal with the conflicting objectives of social enterprises and the conflicting expectations of their surrounding stakeholders (Ebrahim, Battilana and Mair, 2014b; Lute and Gore, 2014; Eiselein and Dentchev, 2020). Funding providers have a powerful position and can impose social enterprises to prioritize their needs over other stakeholders. In part, this of course depends on the type of hybrid model the social entrepreneur develops.

Santos, Pache and Birkholz (2015) developed a typology of four hybrid models. A two-by-two matrix distinguishes hybrids on whether the clients are the beneficiaries and whether there are automatic value spillovers or contingent value spillovers developed. They identify market hybrids, bridging hybrids, blending hybrids and coupling hybrids. According to the authors, examples of these categories include BoP (bottom of the pyramid) initiatives, an integrated business model with job matching for people with disabilities microfinancing organizations and work integration social enterprises (WISE). They differ in levels of mission drift risk as well as financial sustainability. Moreover, the ideal financial mechanisms differ among them, respectively with impact investing, venture philanthropy, fixed-income credit products, and social impact bonds.

Indeed, according to Hines (2005), not every funding source will be suitable for each type of hybrid, depending on the overall mission and strategy.

Alter (2007) provided an overview of nine types of financial models, depending on the level of embeddedness of the social and commercial activities. He makes the distinction between embedded, integrated, and external social enterprises. According to him, embedded social enterprises share social and commercial activities, where the clients are the same target group as the beneficiaries. He identifies 7 types of operational models that can take up this first form: entrepreneur support model, market intermediary model, employment model, fee-for-service model, low-income client as market model, cooperative model, and market linkage model.



Figure 10.2. Types of social enterprises, based on Alter (2007): social and commercial activities can overlap (fully or partially) or be completely separated from one another.

An integrated social enterprise has an overlap between social and commercial activities and creates synergies between both. This can be done through cost-sharing or asset leveraging, for example. Two types of operational models can take up this form: the market linkage model and the service subsidization model. An external social enterprise clearly separates social programs and business activities. Commercial and social activities are linked through specific ownership and relationship mechanisms between them. Commercial activities are only present to support social activities. Alter (2007) identifies with this type of social enterprise the only operational model as the organizational support model.

Among those nine models, the only operational model that can occur within both embedded and integrated social enterprises is the market linkage model. However, it does not mean the social enterprise is bound to use only one model. It is not uncommon for social enterprises to combine operational models. Some of these yields a higher commercial in an integrated or external social enterprise, or social return in an embedded social enterprise. This is often at the core of the complexity of social entrepreneurial business models. They mix and mesh up different services and goods to achieve seemingly conflicting objectives. To round up the types of operational models social enterprises can use, it is important to pay attention to one more in particular.

**The Franchising Model.** In the event of developing a proven, successful social entrepreneurial business model, social entrepreneurs may increase their impact by letting others replicate their model under a franchise (Giudici et al., 2020). Nevertheless, various factors must be accounted for if the social enterprise aims to become financially successful.

## 10.4 Factors of influence

At the individual level, the social entrepreneur's financial and networking skills are essential (Jones, Latham and Betta, 2008; Scott and Teasdale, 2012; Dufays and Huybrechts, 2014). They need to attract and convince like-minded, yet complementary and skilled people to provide their valuable time or resources to support their social cause. Social entrepreneurs envision social change, which requires an extended amount of time and effort to be achieved. While entrepreneurs must find ways to attract financial resources, they should also actively pursue strategies that diminish or dissolve costs. Being cost-efficient by developing strategic partnerships is another possible way of "funding" the social enterprise. Most important here is that the social enterprise can develop a legitimate reputation, being a trustworthy and capable changemaker.

At the organizational level, social enterprises' impact measures play a crucial role in attracting funding. In essence, funders want to objectively assess how the social enterprise is performing both in terms of social and economic objectives. This gave rise to the recent and popular concept of "social return of investment", amongst many others. SROI means  $x$ . A study by Maas and Liket (2011) identified numerous impact measures in different kinds and nature.



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However, social impact is often complicated to measure, as Austin, Stevenson and Wei-Skillern (2006, p.3) point out: "due to non-quantifiability, multicausality, temporal dimensions, and perceptive differences of the social impact created". Next to the impact measures, one should also acknowledge the difficulty in recognizing social enterprises. As there is often a lack of a separate legal entity, social enterprises are often forced to adopt a non-profit or for-profit legal structure in most countries. This limits their capabilities in combining funding approaches from the opposite sector.

At the societal level, the degree or level of development of the social entrepreneurial ecosystem (Diaz and Dentchev, 2021) itself, may also influence the support or ease of access to funding sources. As such, the presence and kind of resources supporting organizations have to offer heavily influence social enterprises' funding opportunities. Supporting organizations can either directly or indirectly provide funding opportunities. Indirectly, governments, universities or municipalities may offer for example the right institutional frameworks or networks or may even act as intermediaries with different actors in the broader ecosystem.

## 10.5 Conclusions

Over the last two decades, social entrepreneurship research has been developing a growing knowledge of diverse topics. It analyzed its role in society, examined entrepreneurial behavior and validity, as well as organizational governance. Social enterprises' funding has started to gain attention at the crossroads of the latter two streams in recent years. Funding social enterprises requires a broad horizon, and to consider multiple facets that are interlinked. Strategies, skills, contexts, business models, type of hybridity... funding social enterprises is not easy and requires stakeholders to look beyond the difficulty of getting funding. As Dentchev et al. (2020) explained, some social enterprises may be misguided to blindly stare at the challenges of “access to funding” or “complexity of business models”. Certainly, funding comes with a fair number of obstacles, but social enterprises can always find a way to fund themselves throughout different life stages. As long as they keep their eyes open and keep on reflecting and improving themselves.

Even in more recent times, several Belgian social enterprises were able to redefine and reinvent their business models, using such a crisis to underline their importance and contribution to society. They had every right to complain about funding, and yet they kept on developing the viability of their business models. If their funding challenge can survive even such a crisis, there is much to learn we all have from them. Perhaps for future research endeavors, academics will venture more into quantitative research methods to get a better picture of the financing of social enterprises, as most of the social entrepreneurship research has been conducted primarily through qualitative in-depth interviews, focus groups, case studies and anecdotal stories. Hopefully, future research will develop new insights that will contribute towards the resilience of social enterprises, while inspiring non-profits and for-profit organizations to adopt multi-stakeholder, multi-value creating activities.

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# Chapter 11

## Social Entrepreneurship and Inclusive Business Models

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# Chapter 11: Social Entrepreneurship and Inclusive Business Models

## Aim

Social entrepreneurship contributes to important objectives, such as inclusiveness and equal opportunities. Social entrepreneurs channel resources to resolve social problems that affect disadvantaged groups. To increase their social impact, they can adopt an inclusive business model, i.e., by involving low-income communities in both the demand and supply sides, as clients, employees, producers, and entrepreneurs. Indeed, economic inclusion in the labor market refers to the equality of opportunities, regardless of gender, age, and socioeconomic status. For this purpose, it is important to analyze social vulnerability and the groups targeted through inclusive business models. Key factors linked with vulnerability are poverty, health status, ethnicity, and migration. Moreover, social enterprises may also support smallholders in establishing stronger negotiation positions in the market, via access to market information and capacity building. Finally, the contribution of Corporate Social Responsibility (CRS) and circular economy is explored. These are both promising concepts which contribute to societal goals, along with social entrepreneurship.

***“SE contributes to important objectives, such as inclusiveness and equal opportunities”***

## Expected Learning Outcomes

- ▶ To define inclusive business models
- ▶ To discuss the integration of vulnerable groups
- ▶ To learn about the contribution of Corporate Social Responsibility (CRS) and circular economy, along with social entrepreneurship

**Keywords:** Social Economy, Social Entrepreneurship, Inclusive Business Models, Social Vulnerability, Marginalized Groups, Circular Economy

## 11.1 Introduction

Over the past years, sustainable economic development has been steadily gaining momentum. There is now a growing consensus that economic and social development are not conflicting concepts (Barbier, 1987; 2015). This economic approach fosters long-term financial growth, while not harming the environment and future generations. The World Bank has advocated the “win-win” prospects of sustainable economic development, underlining that overreliance on the private sector could result in poorly coordinated markets and exclusion of disadvantaged groups (Hamilton & Clemens, 1999). Similarly, the United Nations’ 17 Sustainable

Development Goals which serve as a blueprint to address global challenges (such as poverty, hunger, and inequality within and among countries - see goals 1, 2 and 10) promote sustainable economic growth along with productive and decent employment for all (goal 8) (United Nations, 2015). To reduce social inequalities and promote economic growth, both states and the free market have started implementing this economic approach, e.g., by introducing inclusive business models, corporate social responsibility (CSR) policies and circular economic models.

However, although we are living in an era of economic growth and widespread improvements in living standards, inequality (i.e., economic inequality and inequality of opportunities) remains a challenge and it is intricately linked to other issues, such as climate crisis, urbanization, and migration (United Nations, 2020). To reduce social inequalities and promote economic growth, states and free markets started implementing an economic approach, e.g., by introducing inclusive business models, corporate social responsibility (CSR) policies and circular economic models.

## **11.2 Defining Inclusive Business Models and Social Entrepreneurship**

As explained in previous chapters, social entrepreneurship aims at creating and sustaining private and social value, by applying market solutions to social problems. Today, social entrepreneurship exists in all European countries, employing close to 13.6 million Europeans (Borzaga, et al., 202). To capture social entrepreneurship's full spectrum, we should consider that it may take different legal forms. In some countries, including Italy and Greece, social enterprises' role and types of activities are regulated by national law. However, they may also be cooperatives serving general interests or enterprises, which primarily pursue a social aim (European Commission, 2015). In any case, we must distinguish social enterprises from traditional cooperatives and for-profit entities, which engage in business activities primarily for profits. This is also the case for not-for-profit actors, such as volunteer organizations and social promotion associations; although they have similar objectives with social enterprises, they do not perform activities that are entrepreneurial (Fici, 2015).

Social enterprises are renowned for their innovativeness, and they are oriented towards the efficient orchestration of available resources to maximize their social impact. To achieve this, they can adopt distinct types of business models. For instance, the "entrepreneur support" model provides business support to target populations, while the "low-income client" model provides services to those who may not afford it otherwise. Another business model is "service subsidization," where products and/or services are provided to an external market to fund other social programs (Alter, 2007).

Moreover, to avoid mission drift, social enterprises can adopt inclusive business models (IBMs) and involve the stakeholders concerned in designing adequate solutions. Alternatively, users of their services and their employees must be

encouraged to express their opinions, e.g., through their participation in the decision-making in special committees (Borzaga, et al., 2020). Interestingly, the belief that gave birth to IBMs is that human and business development go hand in hand. According to the UN's definition, IBMs involve poor populations in both the demand and supply sides, i.e., as clients, employees, producers, and entrepreneurs, aiming at both commercial success and development impact (United Nations Development Program, 2008). Based on this approach, business models that solely promote viability and competitiveness may not reduce poverty. Now more than ever, IBMs' contribution is crucial, considering that around 40% of the global population, i.e., three billion people, face extreme poverty (World Bank, 2016). Apart from poor populations, IBMs may also target other vulnerable communities which have limited or no access to basic rights and services, e.g., shelter, healthcare, and education. IBMs approach these challenges indirectly, by engaging members of marginalized groups in economic activities. This way, disadvantaged people can gain access to income and resources from business partnerships. Building IBMs requires entrepreneurship; while entrepreneurs come from diverse backgrounds, they all search for and capitalize on opportunities, when they set up new companies or introduce changes in existing corporations (United Nations Development Program, 2008)..

## **11.3 Defining vulnerable groups**

Vulnerability is a term encountered in different scientific fields. In medical and health science, it is used to measure the risk of harm; economists use the concept to quantify a system's stability during unanticipated changes; in social work, psychology and humanitarian studies, the notion determines the susceptibility of persons and groups to harm (Wisner, 2016). According to the World Bank, "poverty is more than inadequate income or human development – it is also vulnerability and a lack of voice, power and representation" (World Bank, 2001, p. 28). Vulnerable groups are segments of population who face social exclusion and require special attention to ensure a dignified livelihood (Hahn, 2011). Based on this approach, social vulnerability is a concept which derives from respecting human dignity and fundamental rights. Subsequently, it is a by-product of social inequalities.

In the labor market, vulnerability represents the difficulty of specific groups to either access job opportunities or have their rights respected, such as equal pay for equal work (Pavel, 2011). Apart from poverty, key factors linked with social vulnerability are age, health status and ethnicity/nationality (Singh, et al., 2014).

To begin with, an important variable to consider when examining barriers for entrepreneurs is age. While survey data indicate that youth are interested in becoming self-employed, in reality very few of them are. For instance, in 2018, only 6,5% of EU residents between 20-29 were self-employed (Eurostat, 2019). This fact indicates an untapped entrepreneurial potential. The main barriers faced by young entrepreneurs are the lack of entrepreneurship skills and business networks, in

addition to their limited work experience and financial resources. Moreover, they usually also face market barriers, such as low credibility with potential customers (Halabisky, 2012). Common public policy responses to these issues include grants and loans for startups, training, mentoring and support of network building (OECD, 2019). As for senior citizens, they constitute a diverse group which faces different barriers in accessing the labor market. Indicatively, these are the lack of entrepreneurship skills, limited financial resources and outdated business networks. Public policy can also have a fundamental role in addressing these issues through training, improving their access to financing for startups and supporting network building. An interesting solution is for experienced senior entrepreneurs to mentor young entrepreneurs so as to encourage the transfer of knowledge between generations (OECD, 2019).

Health status is considered as an important determinant in employment since people with physical or mental disabilities remain insufficiently valued in the labor market. Findings suggest that they face extensive stigmatization and discrimination in the labor market, even in countries which have adopted constitutional and institutional support. This indicates a need for greater collaboration between policymakers and employers to promote their access to labor opportunities. Additionally, the role of public perception in relation to disability plays a key role; thus, public education about health-related issues is a primary method to promote equity and dignity for persons with disability (Shier et al., 2009).

Other indicators linked with work exclusion or discrimination are race and ethnicity. Specifically, the economic marginalization of minorities and migrants is attributed to multiple factors, such as xenophobia, language, and culture barriers, in addition to limited access to information and political representation (Burton & Cutter, 2008). Foreign workers are usually employed in construction, agriculture, and domestic work, where they may be forced to work in the “black market” under precarious conditions. While many migrants have entrepreneurial experience, they often encounter greater barriers to entrepreneurship compared to nationals. This is due to language barriers, cultural differences, a lack of credit history, their uncertain legal status and eligibility to work and limited professional network. Moreover, migrants either are unaware of the available support for entrepreneurs (e.g., training programs and grants) or report that it is inaccessible (e.g., support is not provided in multiple languages). However, these barriers vary within the population of migrants (which range from international investors to refugees), depending on their level of access to human and financial capital (OECD, 2019). Additionally, a social group whose integration is particularly challenging is the Roma population. Multiple factors, including social exclusion, limited access to education and the lack of identification papers prevents them from accessing the labor market (Pavel, 2011). To be effective, public policy actions must account for the complexity of migrants’ needs, going beyond business startup support and aiming for effective outreach and linkage with integration policies and programs (OECD, 2019).

Finally, it is worth mentioning that a group-based approach to vulnerabilities is helpful to identify people in need of support. However, scholars have underlined that labelling all members of a social group as vulnerable may be counterproductive (Pavel, 2011). On the one hand, reliance on group criteria may further disempower and stigmatize them. On the other hand, it could overshadow other vulnerable individuals who do not fit into these categories. For instance, depending on the context, a 30-year-old healthy asylum seeker with no support network and family in the country of asylum could be more vulnerable compared to a 70-year-old with mobility issues who travels with his family, because the latter will be prioritized in accessing state housing opportunities. Similarly, becoming a woman entrepreneur is less challenging in the EU, compared to third countries where women could face barriers, due to culture norms, gender inequality and rights abuse. Indeed, vulnerability is not a static concept to be attached only to specific groups. Consequently, when approaching vulnerability, we should examine both the social context and personal characteristics (Mustaniemi-Laakso, et al., 2016)..

## **11.4 Inclusion of vulnerable groups through social entrepreneurship**

To make the connection between social entrepreneurship and vulnerable groups, we need to examine the former's objectives. Social enterprises can involve marginalized persons in the production chain and orient their products and services towards the resolution of social issues that affect disadvantaged groups. Firstly, social enterprises can choose to hire vulnerable individuals or support production by vulnerable communities, realized by the so-called smallholders. For example, "Faire Collection" is a NY based social enterprise founded in 2008, which hires artisans in Ecuador and Vietnam to create jewelry and sells them on international markets. Moreover, they offer dignified wages and have introduced social programs, such as scholarships and interest-free loans (Faire Collection, 2020). Another interesting initiative is "Change Please," a coffee company launched in 2015. This social enterprise trains and hires homeless London residents as baristas, provides them with housing within 10 days of employment and then supports them in locating future job opportunities (Tbd, 2017). Additionally, "Cracked It" is a UK smartphone-repair service, operating since 2015 which is staffed by young ex-offenders or youth at risk of involvement in gangs. This social enterprise started as a small initiative in east London, where the founder piloted a phone-repair program in a youth center as an alternative for young people to earn income (Tbd, 2017).

Moreover, social enterprises may both involve vulnerable communities and aim to resolve a social issue. This is the case, for example, with "Solar Sister," a US registered social enterprise launched in 2010, which provides solar energy to

remote communities in Uganda, Sudan, and Rwanda. Their mission is to train and support female entrepreneurs in East Africa to sell affordable solar lighting and green products, such as solar lamps and mobile phone chargers, inspired by Avon cosmetics distribution system. This way they engage local women to sell life-saving products to their networks of family and neighbors, addressing the lack of access to electricity for many people in sub-Saharan Africa (Kermeliotis, 2013). Another successful example is “Graefewirtschaft,” a women-led social enterprise founded in 2009, by both German nationals and migrants which were long-term unemployed. It employs close to fifty people, migrants, and it runs a wide range of services, such as provision of meals to schools, support for elderly, work integration and on the job training for refugees (International Labor Organization, 2017).

Social enterprises may also support smallholders in establishing stronger negotiation positions in the market, via collective bargaining, access to market information and capacity building. Inclusion of smallholders in the labor market improves their efficiency and productivity, which therefore increases employment opportunities (Dentchev, 2020).



**Figure 11.1.** Pathways for inclusion of vulnerable groups through social entrepreneurship

This nourishes diversified income streams for vulnerable groups and the dissemination of upgraded skills in the market, avoiding their dependence on a single buyer (Kelly, et al., 2015). Consequently, Figure 11.1 shows the three main pathways for inclusion of vulnerable groups through social entrepreneurship are hiring, training, and empowerment of such groups.

## 11.5 The Contribution of Corporate Social Responsibility and Circular Economy

In addition to social enterprises, other economic initiatives may also alleviate social issues and support vulnerable communities. In this section, we will discuss how

corporate social responsibility policies and circular economy are relevant to the integration of marginalized and disadvantaged groups.

Firstly, Corporate social responsibility (CSR) is a self-regulation form which sets ethical commitments to corporations and answers society's expectations from them (Pavel, 2011). In other words, CSR involves the integration of social factors in business dynamics to legitimize a company's existence. Companies also stand to gain from CSR policies, by incorporating these initiatives in their marketing approach. Moreover, enhancing the inclusiveness of business activities could also be the aim of a holistic CSR strategy. Based on the above, there is a complementary relationship between CSR and social entrepreneurship. The former refers to business decisions to support social causes, while the latter refers to corporations that involve vulnerable people and/or provide solutions to social issues (Buendía-Martínez & Monteagudo, 2020). It is important to note that national laws on CSR vary between EU member states (European Parliament, 2020). From 2017 onwards, EU based public interest entities (e.g., banks, insurance companies and companies listed on the regulated market of any EU state) exceeding five hundred employees are required to disclose non-financial information, including CSR policies (article 19a of the EU Directive 2014/95/EU). Specifically, they must disclose their business model, policies pursued, outcomes, risk management and key performance indicators regarding the environment, social and employee matters, respect for human rights, anti-corruption, and bribery.

CSR initiatives may be oriented towards responding to urgent situations or persistent social issues. For instance, following the refugee flow to Europe during the summer of 2015, the Austrian Federal Railways provided first care and transportation to refugees, in addition to starting an apprenticeship program for young refugees, as part of their annual CSR policy (Einwiller, Ruppel, & Strasser, 2019). Similarly, Vodafone Foundation started the "Instant Network Emergency Response" in 2013 to provide free communications and technical support in areas affected by natural or humanitarian disaster, such as sub-Saharan Africa, the Philippines and Lesbos Island, Greece (Vodafone, 2020). CSR initiatives could target multiple vulnerable groups. For instance, PwC Greece, which offers audit, assurance, advisory and tax services has been providing pro bono services to the Muscle Dystrophy Association (MDA Hellas) for more than 10 years (PwC Greece, 2017). Another example is "Hellenic Petroleum S.A.," one of the largest oil companies in the Balkans, which donated heating oil to 136 public schools, three care centers for the elderly and other institutions protecting vulnerable groups, in 2019 (Hellenic Petroleum, 2020).

Moreover, circular economy (CE) is a concept which has gained attention in the last years. This model fosters the transformation of waste into resources to reduce negative environmental impact and promotes sustainability. The CE approach requires businesses to better manage their resources to reduce emissions from oil/gas extraction and pollution. Specifically, the three basic principles of CE are (a) preserving and enhancing natural capital, (b) optimizing resources by circulating products, components, and materials and (c) fostering system effectiveness, by

revealing and reducing negative externalities (Heyes, Sharmina, Mendoza, Gallego-Schmid, & Azapagic, 2018).

CE and inclusive business models meet at numerous points. Both economic models place individuals and sustainable development at the center. Moreover, a key factor of their success consists in strengthening creative and innovative capacity at local level. A social enterprise which adopted CE is “Fairphone,” launched in 2013 in Amsterdam. Contrary to most smartphones which are designed to become obsolete quickly and be replaced with more advanced models, this company offers devices which promote repairability and longevity, constructed from responsibly sourced material and recycled copper and plastics (Rayner, 2019). Another interesting initiative is “Elvis & Kresse” founded in 2005, in the UK. This social enterprise designs luxury bags and wallets made from reclaimed materials, such as decommissioned fire hoses, parachutes, and printing blankets. The company managed to collect and reuse all of London’s decommissioned fire hoses by 2010 and they donate 50% of their profits to charities (Elvis & Kresse, 2018).

These examples bridge us back to the initial question of how corporate action can address social vulnerability and other global issues, by promoting sustainability. CSR policies are a fantastic opportunity for all types of businesses to integrate social and environmental concerns in their operations and in their interaction with stakeholders. Similarly, CE looks beyond the current take-make-waste industrial model, encouraging a systemic shift that builds long-term resilience.

## 11.6 Conclusions

As discussed in this chapter, social entrepreneurship is a phenomenon with enormous potential, which is not yet fully fulfilled in Europe. Social enterprises may significantly impact employment and welfare of vulnerable people. Alternative and more sustainable models of economic development have emerged, giving birth to IBMs, adopted by social entrepreneurship and circular economy. While these economic models are widely diversified, they serve as a vessel for social inclusion, offering employment opportunities to vulnerable people and addressing social issues affecting them.

Some scholars have highlighted the idiosyncratic nature of social entrepreneurship (Jimenez & Pulos, 2012). They claim that conscious consumerism may not address social issues, such as poverty, inequality, and environmental degradation. More specifically, they underline that societies may not overcome the negative externalities of a capitalist economy by engaging in more capitalism. Moreover, they refer to the “halo effect” of social entrepreneurship and CSR policies, i.e., when a company’s positive social impact influences consumers’ perceptions about the former’s overall activities, even when they have little or no information about them. Despite that, the inspirational role of social entrepreneurship and IBMs is undoubtedly a starting point for the corporate sector to become more inclusive.

Economic inclusion in the labor market refers to the equality of opportunities, regardless of gender, age, education level and socioeconomic status. Indeed, integration of disadvantaged groups in business activities is far from an easy task. The same applies for resolving deep-rooted social and environmental issues. The success of IBMs depends on the support received from states and consumers, in addition to the quality of their products and services (Dentchev, 2020). To successfully integrate smallholders into value chains, social enterprises need to be viable, i.e., individuals and companies should purchase their products, not only due to their story, but also due to their quality (Kelly, Vergara, & Bammann, 2015).

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# Chapter 12

## Social Entrepreneurship in the Refugee Context

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# Chapter 12: Social Entrepreneurship in the Refugee Context

## Aim

Social entrepreneurship is well-placed to promote social cohesion and empower vulnerable groups, including beneficiaries of international protection, i.e., refugees and beneficiaries of subsidiary protection. After displaced populations reach the country of asylum, multiple factors, including the lack of documentation, the absence of a support network, the limited knowledge of the local language, and discrimination, hinder their integration. While they bring skills and experience from their country of origin, they may not always match them with professional opportunities in the host countries. This chapter analyzes how social enterprises may serve as a tool for inclusion in the refugee context. We review the vulnerability factors and the existing barriers for migrants to access the labor market. In addition, we present the work of social enterprises which employ or target refugees in Greece and the UK.

**“Social entrepreneurship can support the integration of vulnerable groups”**

## Expected Learning Outcomes

- ▶ To understand how social entrepreneurship promotes social cohesion in the refugee context
- ▶ To review the vulnerability factors
- ▶ To define existing barriers for migrants to access the labor market
- ▶ To learn about social entrepreneurship's role through the work of social enterprises which employ or target refugees in Greece and the UK

**Keywords:** Social Economy, Social Entrepreneurship, Forced Displacement, Refugees, Inclusion Barriers, Labour Market Integration.

## 12.1. Introduction

The recent global financial crisis has increased unemployment rates and social exclusion in many states. In Southern Europe, this was coupled with the unprecedented flow of immigrants and refugees to Europe from 2015 onwards. Specifically, between 2014 and 2019, there were 1,243,600 arrivals in Greece and 659,600 in Italy by sea and land (UN Research Institute for Social Development, 2020). To this date, the EU's response to the continuous migration flows remains challenging. According to the legal provisions introduced by the Common European Asylum System (European Commission, 2014), host countries are responsible for the reception and accommodation of asylum seekers, the examination of their asylum claims, and the integration of those recognized. On the one hand, the needs of migrants are heterogeneous. On the other hand, governments have limited national resources available to provide appropriate services to migrants (UN Research Institute for Social Development, 2020).

As explained in the previous chapter, social entrepreneurship can support the integration of vulnerable groups, including beneficiaries of international protection. In this chapter, we will analyze vulnerability in the refugee context, the integration barriers, and how social enterprises may serve as a tool for inclusion. In addition, we briefly present the work of social enterprises in two countries; Greece, which hosts thousands of refugees, and the UK, which has a long history of social entrepreneurship.

## 12.2 Vulnerability factors

Understanding vulnerability in the refugee context requires the review of some key terms. Populations on the move are referred to as refugees, immigrants, migrants, and beneficiaries of international protection. Firstly, a "refugee" is any individual who is outside his/her country of origin and is unable to return or enjoy its protection owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion (UNHCR, 1995). This is the key difference between refugees and immigrants who continue to enjoy the protection of their own country when abroad, e.g., for purposes of employment or study purposes. In comparison, the term "migrant" is broader, describing any person who has left his/her country (UNHCR, 2011). When we analyze vulnerability in the refugee context, we refer to forcibly displaced populations, meaning asylum seekers and those recognized as "beneficiaries of international protection."

Forced displacement has scaled up, leading to more than 100 million persons becoming displaced during the last ten years due to armed conflicts, indiscriminate violence, genocides, and other human rights violations (UNHCR, 2020). Based on the above, the push factors behind international migration have not weakened. In addition, millions of people are expected to be displaced due to climate change and other global threats (Gurría, 2016).

Forcibly displaced populations are considered vulnerable groups for a wide range of reasons which often overlap. On the one hand, situational vulnerability refers to the conditions both prior to fleeing, i.e., economic deprivation or lack of access to fundamental human rights in the country of origin, and after, i.e., en-route and in the country of destination. Migrants often travel through irregular routes, which expose them to exploitation and abuse by smugglers and corrupt officials, in addition to life risks from hazardous border crossings. After they reach the country of destination, the lack of documentation, the absence of a support network, the limited knowledge of the local language, and discrimination are factors that enhance their vulnerability. While they bring skills and experience from their country of origin, their education and credentials are not always recognized in the countries of asylum, meaning that

they may not match their skills with the professional opportunities offered. On the other hand, individual vulnerability relates to the characteristics or circumstances of displaced persons. Specific groups are particularly vulnerable to violations of their rights, such as children (especially those who are unaccompanied or were separated from their families), the elderly, people with physical or disabilities or chronic illnesses, survivors of torture or trauma, or trafficking (UNHCR, 2017). After reviewing the vulnerability factors, it is also important to examine the existing barriers for migrants to access the labor market

*“Forced displacement has scaled up, leading to more than 100 million persons becoming displaced during the last ten years”*

## **12.3 Barriers to labor integration**

According to the Common European Asylum System, asylum seekers must be granted "effective access" to the labor market no later than nine months from the date when the application for international protection was lodged, provided that a decision has not been issued and the delay is not attributed to the applicant. After they become recognized beneficiaries of international protection, they enjoy equal access to the labor market as nationals and EU citizens and shall receive integration support from the host state.

However, despite these legally binding provisions, unemployment rates of migrants in the EU are high, while workplace inclusion remains low. Work opportunities and integration support provided to asylum seekers and refugees vary between member states. This is the case because EU legislation may not prevent practical obstacles, such as administrative, institutional, economic, education-related, and cultural challenges. Also, said the legislation does not specify how access should be provided to asylum seekers and recognized beneficiaries of international protection.

Regarding asylum seekers, EU states have imposed certain restrictions on the type of work and conditions to access the labor market. These restrictions apply to (European Employment Policy Observatory, 2016):

- ▶ the number of days asylum seekers can be employed (e.g., in the Netherlands, asylum seekers could work for a maximum of 24 weeks a year),
- ▶ the type of occupation (e.g., in Cyprus, asylum seekers may only work in unskilled sectors, such as agriculture, fisheries, manufacturing, waste management, wholesale trade, and repairs),

- ▶ the access to Public Employment Services (e.g., in Germany, job centers perform a priority review, examining whether advertised positions could be filled out first by either a national or a foreigner with a secure residence permit) and
- ▶ The issuance of work licenses by employers (e.g., in Malta and Cyprus). Although this is not a legal restriction per se, it is a deterrent due to its short-term nature and administrative procedure.
- ▶ Even after asylum seekers are recognized by the host state as beneficiaries of international protection, barriers continue to exist regarding their access to the labor market. These are (European Employment Policy Observatory, 2016):
- ▶ The limited or no knowledge of the local language. This is also true for beneficiaries of international protection who received language training from the host country. Applicants typically need to move beyond a basic understanding of the language to be accepted in high-skilled job opportunities.
- ▶ The high levels of unemployment in certain countries. Specifically, the recent economic crisis increased work insecurity and caused additional obstacles and competition in entering the labor market for all citizens, including beneficiaries of international protection.
- ▶ Discrimination from employers and society towards non-nationals. In some cases, this also escalates to racist and xenophobic behavior against beneficiaries of international protection (Hellenic Open University, 2019).
- ▶ The low level of work qualifications and skills. Moreover, education opportunities and vocational training specifically targeted to beneficiaries of international protection and their needs have not been established by all states.
- ▶ The limited social networks of beneficiaries of international protection can be highly valuable to their integration both in society and in the labor market.

Consequently, as explained in the following section, social entrepreneurship in the refugee context is valuable in order to facilitate the social and labor inclusion of asylum seekers and beneficiaries of international protection.

## **12.4 Advantages of social enterprises**

Social enterprises can complement state actions regarding migrants' integration by using private sector mechanisms (Ashkar, Auerswald, Samra, & Schoop, 2016). Since the former's modus operandi is more flexible compared to the public sector, they better respond to the changing economic and social needs of migrants. Moreover, social enterprises boost local economic circuits by offering

better economic and working conditions for refugees and natives, even during economically challenging times (UN Research Institute for Social Development, 2020). Interestingly, following the 2015 refugee crisis, several EU social enterprises which already offered services to vulnerable people extended their target group to migrants and refugees. New social enterprises were established, in some cases by migrants and refugees themselves, e.g., in Italy

Additionally, social enterprises are more democratic and inclusive compared to "traditional" private sector businesses. This allows them to gain the refugee communities' trust and provide tailor-made services for those with different needs. For instance, in Heraklion and Bergamo cities (in Greece and Italy), services provided by social enterprises varied from emergency relief and health and helpline services to in-kind support such as temporary accommodation, food and clothing, and medication. Also, social enterprises can reduce tensions between refugees and the host community. As documented in Italy, when new enterprises operated by refugees benefit from links with local organizations, this encourages dialogue and integration times (UN Research Institute for Social Development, 2020). Focusing on social enterprises that promote the integration of refugees, we shall review the work of social cooperatives in Greece and the UK. We will present both existing enterprises which extended their work to refugees and enterprises formed after the 2016 migration crisis.

Social enterprises in Greece mainly operate in sectors that are labor-intensive instead of capital-intensive (British Council, 2017). An existing social enterprise that expanded its target group following the refugee influx is "Prasines Diadromes," established in 2012 in Thessaloniki, North Greece. This social enterprise promotes sustainable green jobs and accessibility, in addition to bicycle renting and repairing services. In 2016, it extended its educational programming for physical activities to migrant children and women through an action titled "learning to ride safely," implemented together with the municipality and supported by private donations of bicycles (Greenways). Another example is "Artistic Partnership in Community's Creative Opening," which started as a volunteer movement of artists in 2013 and was established as a social enterprise in 2017. Its vision is the diffusion of social exclusion and the promotion of equal opportunities to re-integrate excluded vulnerable groups through art activities, including ex-prisoners, migrants, the homeless, disabled groups, and the unemployed (APICCO, 2020).

Moreover, "Emantes" social enterprise was founded in July 2018 by volunteers involved with refugee and feminist groups. Its two basic objectives are the provision of psychosocial support for LGBTQI+ migrants and raising awareness about the community's issues. Emantes' operations rely exclusively on the voluntary work of its members and on their collaboration with volunteers from Greece and abroad (ACCMR, 2020). Another example of a successful social enterprise is "Syllogeio," launched in 2019 in Athens city, to offer learning opportunities at the bare minimum cost. It provides Greek lessons to students of secondary education who study for the national exams, in addition to

children with special education needs and adult refugees and asylum seekers in Athens city (Syllogeio).

Furthermore, "Nest" is a social enterprise that aims to promote social entrepreneurship in Greece and social change through innovative business ventures. One of its many interesting projects is the "Social Fashion Factory" (SOFFA), a cooperative of fashion designers and professionals that supports work integration and micro-entrepreneurism in the sustainable fashion of refugees, survivors of human trafficking, and unemployed persons. SOFFA is operating within the fashion industry by tackling environmental crises and exploitation of resources, in addition to offering fair wages and working conditions. The majority of SOFFA's shareholders are refugees (60%) and unemployed Greeks (30%), and already in May 2018, SOFFA produced and sold nearly 11,000 products (Dimitropoulos, 2018). Moreover, Nest has also created "Refergon," an online which matches refugees with employment opportunities in businesses and social enterprises, aiming at breaking barriers to employability. The platform identifies skill-building and vocational training opportunities for unskilled refugees offered by NGOs and academic institutions (SOFFA).

As for the UK, there are various social enterprises that support refugees and asylum seekers to integrate into society. One of them is "Clear Voice," operating since 2006, which offers professional interpreting services in over 200 languages by telephone or face-to-face translation. This social enterprise encourages recruitment from minority groups and supports charitable work for victims of displacement and exploitation through its profits. Similarly, "NEMI Teas," a London-based company launched in 2016, provides job opportunities to migrants in commercial roles (e.g., sales, marketing, and distribution) by appointing them in tea stalls across food markets and festivals. Moreover, "Spring Action Cleaning" hires refugees residing in Coventry. This enterprise which offers cleaning services was launched in 2017 by the Coventry Refugee and Migrant Centre in an effort to support migrants' future employment and confidence building (Supply Change, 2020). Another interesting social enterprise is Hackney-based "Bread and Roses," founded in 2016, which has started a seven-week floristry program for refugees. Through this initiative, they aspire to create a forum for women to be creative and practice their English skills (Bread & Roses). The review of the above social enterprises showcases that, while they operate in diverse industries, they can be equally effective in promoting social inclusion and providing work opportunities to beneficiaries of international protection.



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## 12.5 Conclusions

Social entrepreneurship remained resilient during the economic crisis and contributed to the integration of displaced populations. However, it is true that it remains small in terms of personnel, production, and influence in the EU economy. Consequently, as emphasized by the UN, states need to legally recognize social entrepreneurship and provide incentives for their establishment. Given that social entrepreneurship can support the implementation of inclusion policies, said policies should actively promote social enterprises' access to markets and financial resources. Raising public awareness about the role and activities of social entrepreneurship is also crucial, along with including them in policymaking (UN Research Institute for Social Development, 2020).

Finally, it is important to note that the number of refugees who become entrepreneurs in their host country significantly varies between states. This depends on both the culture and the regulatory environment in the country of asylum (OECD, 2019). Interestingly, a survey focusing on Syrian refugees in 3 countries (Austria, the Netherlands, and the UK) indicated that, while 32% were business owners in their home country, only 1.5% started a business in their host country, and less than 12% intended to become entrepreneurs (Deloitte, 2017). As mentioned, displaced populations face multiple barriers when accessing work opportunities linked to language and cultural barriers. Moreover, it should be noted that refugee entrepreneurs usually operate in markets with low entry barriers, such as retail, wholesale trade, and

restaurants. Since these markets have many players, they also have excess supply, which leads to low profit and limited growth opportunities. Moreover, when refugee entrepreneurs focus solely on niche "ethnic" markets, this limits their income since said markets are typically small. For this reason, OECD has underlined that an important factor for the success of refugee entrepreneurs is their access to mainstream markets since they are more profitable (OECD, 2019). Given that social entrepreneurship is renowned for addressing society's most pressing issues, its problem-solving approach is necessary to address the migration crisis and the obstacles mentioned regarding the integration of vulnerable populations, including displaced populations.

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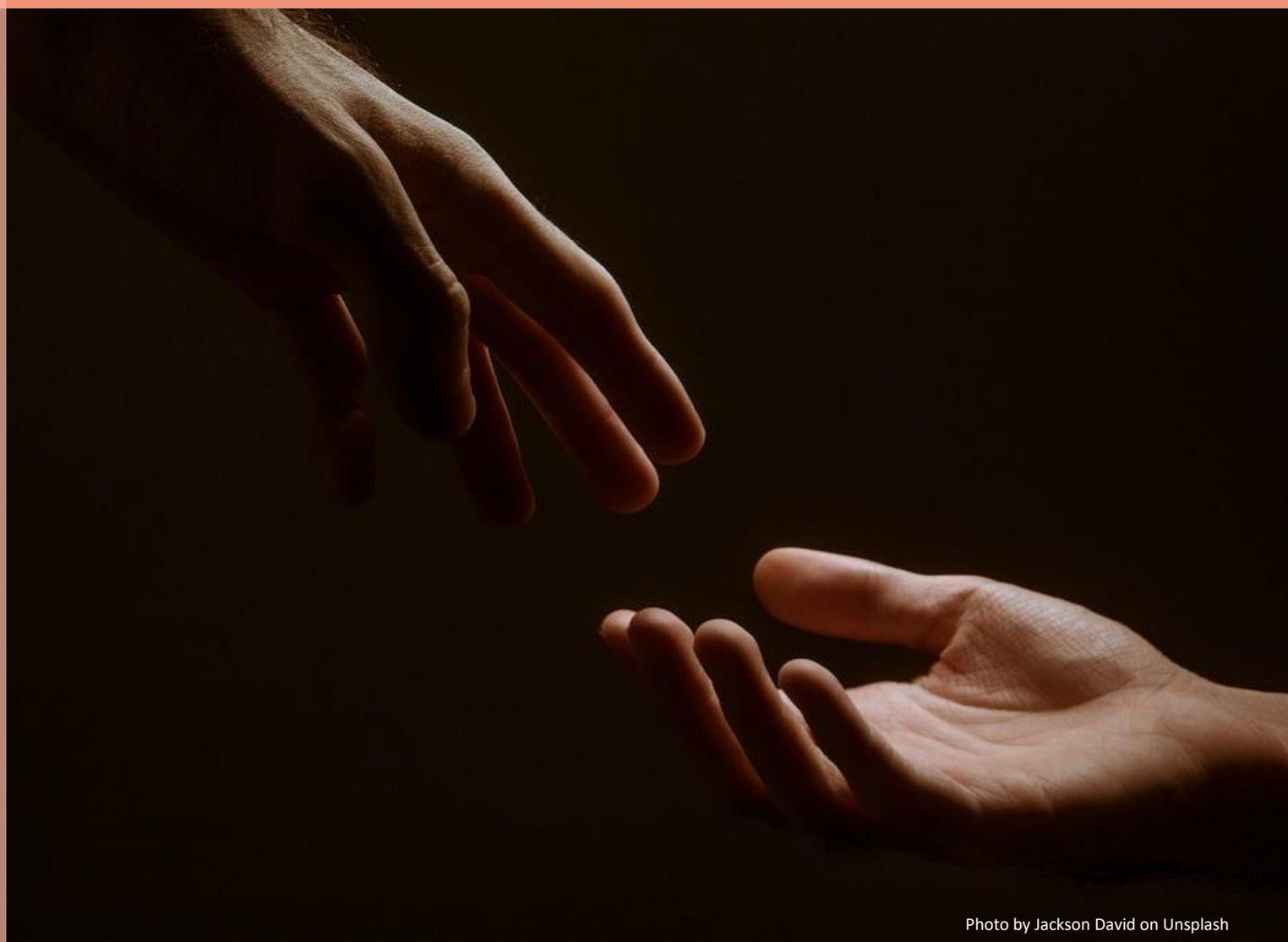


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# Chapter 13

## Social Entrepreneurship at the Bottom of the Pyramid

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# Chapter 13: Social Entrepreneurship in the Bottom of the Pyramid context

## Aim

This chapter aims to explain the Bottom of the Pyramid (BoP) concept and evolution since its introduction in 1998. We review the relationship between (social) entrepreneurship and BoP through the years, challenges, opportunities, and new tendencies, along with the emerging characteristics of Frugal Innovation.

## Expected Learning Outcomes

- ▶ To gain a deep understanding of the BoP concept
- ▶ To understand the BoP context
- ▶ To identify the difference in Challenges and Opportunities of BoP entrepreneurs
- ▶ To determine the characteristics of Frugal Innovation

**Keywords:** Bottom of the Pyramid, Social Entrepreneurship, Frugal Innovation

***“BoP was introduced by Prahalad and Hart (2004) to represent the people who live in poverty”***

## 13.1 Introduction

The term “Bottom of the Pyramid” was introduced by Prahalad and Hart (2004) to represent the people who live in poverty. Different organizations try to quantify the number of people belonging to the Bottom of the Pyramid (BoP) using parameters such as their acquisition power or daily income (IDB Group, 2019; Prahalad & Hart, 2004). For example, according to Casado and Hart (2015), anyone living with less than US\$8 per day belongs to the BoP, but the most used reference is the one of Prahalad, being part of the BoP, the people with less than 2US\$ per day. No matter the amount, according to Oxfam -an international organization focusing on alleviating global poverty- the eight wealthiest billionaires in the world own the same level of wealth as half of the earth’s population, and each day we have more people getting into poverty. Besides the limited income, the BoP has a specific income that differentiates them from other groups.

## 13.2 The BoP Context

The BoP constitutes the portion of the world with the lowest income. According to studies, this is around 80% of the world’s population (Voola & Voola, 2019). However, using an approach focus on income to define poverty fails to recognize the complexity of poverty as it ignores different problems

that are closely related (Chmielewski, Dembek, & Beckett, 2020). Besides poverty, BoP context characterizes for being heterogeneous across multiple dimensions (Ted & Hart, 2011). For example, it is expected that these economies are also dominated by giant multinational corporations, and therefore small enterprises run by the BoP population find it challenging to compete. At the BoP, a formal enterprise is expensive, bureaucratic, time-consuming, and with no benefits; therefore, most ventures are part of the informal economy (Ted & Hart, 2011).

As the population is poor, there are normally no markets and access to international markets is complex as the knowledge and procedures are unclear (Seelos & Mair, 2011). This is connected to the informality of the enterprises which cannot export their products. The connection of BoP enterprises to the global market is weak (Gupta & Khilji, 2013), and although the internet can be a good channel, some places lack internet connection, or poverty limits their access to computers or/and their capacity to use them. The weak infrastructure (Karnani, 2006) is not only reflected on the internet connectivity, but also to limited access to electricity, water as well as to metropolitan areas.

These differences give the BoP population a different mindset in which priorities and needs are different to other groups of people. Someone with no experience in poverty might have challenges understanding their reality, therefore, the approach with them needs to take into consideration their context. The weak regulatory institutions have no capacity to educate people or enforce the respect of laws and regulations. Patents are not respected and reduce the incentive for people to create something new. Resource scarcity can be most commonly noted in electricity, water, internet, and human resources (Goyal, Sergi, & Jaiswal, 2016). The access of BoP population's access to quality education is limited. In some cases, children do not go to school because they need to work, and for those who are able to attend classes their learning is limited to writing and reading. Finding qualified human resources in these areas is challenging.

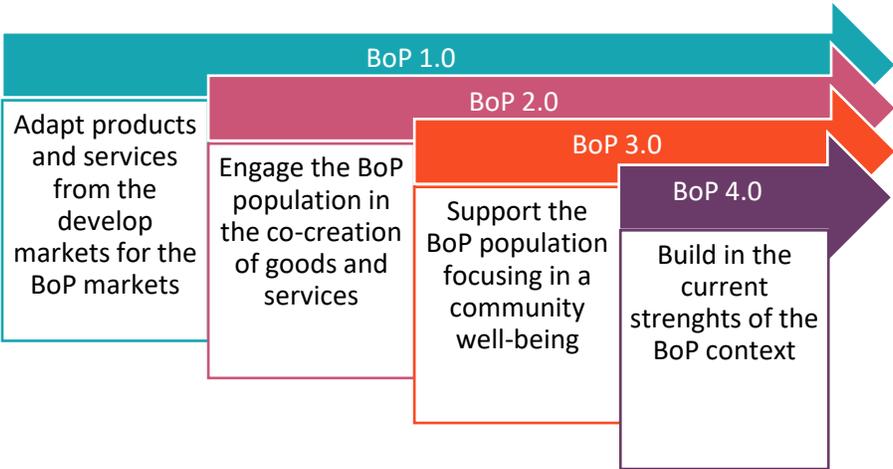
### **13.3 The Evolution of the BoP Concept**

Traditional business is based on maximizing shareholder value and addressing social issues to governments and nonprofits (Voola & Voola, 2019). However, government and nonprofits had a limited impact regarding social problems. This limitation led to the emergence and evolution of Social Entrepreneurship as an alternative to creating socio-economic impact at the BoP (Goyal et al., 2016). Social entrepreneurs question the assumption of models based exclusively on economic goals and promote models in which the economic and social goals have equal relevance for the success of the company.

The first attempt of enterprises reaching the BoP market is known as BoP 1.0 (Prahalad & Hart, 2004) and focuses on adapting current products for the poor; for example a multinational that produces a new version of their product in a small version that can be sell at a lower price. The logic behind BoP 1.0 is that the BoP has a low power of acquisition at an individual level. Still, as they are so many (4 billion), it becomes an attractive market for international companies (Karnani, 2008). This attempt has been highly criticized as multinationals approach the poor population to increase their profit.

In order to fight the the criticism, a second attempt of the BoP concept was proposed. A new attempt to serve the BoP must be more than providing low-cost products. The BoP 2.0 focus (Simanis, Hart, & Duke, 2008) changed from selling to the BoP population to co-create with them. This attempt proposes multinationals to change their role of power and become enablers of the BoP entrepreneurial ecosystem by co-creating with the BoP population products and services based in their own necessities (Gupta & Khilji, 2013).

BoP 3.0 (Casado-Caneque & Hart, 2015) has a broader approach as it also includes environmental concerns into the business model (Dembek, York, & Singh, 2018). BoP 3.0 also proposes that multinationals should share their wealth with BoP communities to compensate for all the negative impact that they have (Gupta & Khilji, 2013). Lastly, BoP 4.0 proposes that is not only about co-creating with the BoP but taking into account and building in what the BoP already has to complement the knowledge of traditional business that we already have in the western world (Gupta & Khilji, 2013), see Figure 13.1.



**Figure 13.1.** The evolution of the BoP concept, source: the author, 2022

## 13.4 Challenges and opportunities of the BoP

Social enterprises have numerous challenges and opportunities as presented in previous chapters. These challenges increase for social enterprises in the BoP. The BoP market is complex as costumers have a low acquisition power, competence is mostly informal and does not respect legal restriction as patents, limited government support, and lack of infrastructure and resources (Goyal et al., 2016). Regarding resources, the lack of highly skilled professionals is a significant challenge for social enterprises which aim to hire from the BoP. Consequently, the low level of education found at the BoP is challenging to innovate or develop disruptive enterprises that could compete at a global level.

The opportunity that this challenge provides is that the BoP requires a multitude of scalable market-based innovations that can solve these challenges (Goyal et al., 2016). This context has so many unsolved social problems that the opportunities for social enterprises are countless. However, a firm aiming to develop an enterprise at the BoP, needs to understand the context and adapt to these conditions. It is not about taking functional models of the western world and replicating them at the BoP. This will not work (London et al., 2014).

If an external firm wants to enter the BoP markets, it risks being perceived as an attempt to take advantage of the BoP population (Voola & Voola, 2019). An alternative for this is that external firms initially look for allies in the local market to facilitate their connections, but this opportunity comes with a challenge. As BoP markets are usually non-existent or very small, finding the right local partner might be challenging (Seelos & Mair, 2011). It is also essential to understand that doing business in the BoP market implies making poverty a part of the business reality and building around it (Dembek, Sivasubramaniam, & Chmielewski, 2020).

A different challenge to consider when working with the BoP is the vulnerability of these communities (Dembek et al., 2020). Social Enterprises need to consider this in their development to avoid undesirable value destruction. Dembek and York (2018) propose to work in changing the poverty mindset to prevent the destruction of value. This is also related to using a highly collaborative approach to be aware of the BoP population concerns.

The BoP conditions also lead to new tendencies to focus on their needs and resources. One that has been important in the last years is their innovations, which do not work with new technologies or expensive machinery but with limited resources and sometimes ancient technologies. These innovations are called frugal innovations

## 13.5 Frugal Innovation

Frugal Innovation is originated in emerging markets. The meaning is fuzzy, but the main idea is that products and services need to be developed to satisfy these markets' special needs and can be bought with the resources that consumers of these markets have (Weyrauch & Herstatt, 2017). In emerging markets, there is a high level of BoP population. In recent years, this concept is also used in developed economies, which is used as a synonym for reverse innovation. There are three criteria that innovations need to fulfill to be frugal: substantial cost reduction, concentration on core functionalities, and optimized performance level (Weyrauch & Herstatt, 2017).

A substantial cost reduction characterizes frugal innovation, usually at least 33% less than conventional products or services. This cost reduction must be reflected in the customer's perspective. A decrease in quality or performance should not accompany this cost reduction. Cost reduction can happen in different ways, such as by reusing old materials, using locally available materials, and eliminating unnecessary product features (Hossain, 2018). The second criterion is the concentration on the core functionalities of the innovation. The new product or service targets user requirements by providing higher customer benefits. Frugal innovation solve the most essential needs and minimizes the use of resources. These criteria also aim to make the products easy to use and with a lower impact on the environment.

The third criterion is the optimized performance level. This is related to the second criterion of core functionalities because there must be an examination of the levels of performance and quality to satisfy the essential needs with no waste of resources. The performance level must be according to the context, because emerging markets have different needs that might not be the smaller tools, or the ones connected with internet but the ones that work better for them in their places. These criteria might vary based on the needs and conditions of different markets. Overall, frugal innovation can happen at an individual, group or societal level (Hossain, 2018). Usually, frugal innovators live and are close to their target market, therefore, they understand better the needs and the resources available, which renders these markets challenging for multinationals.

## 13.6 Conclusions

The purpose of this chapter was to present the definition of the BoP and its context. We also reviewed the historical relationship between social entrepreneurship and the context of the BoP. It is expected that the reader will be able to identify the differences in the challenges and opportunities for entrepreneurs located at the BoP and how the avenues presented in this chapter can lead to the emergence of frugal innovations.

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**ON AIR**

Photo by Fringer Cat on Unsplash

# Chapter 14

## Community Media

### Case Studies

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# Chapter 14: Challenges in Social Entrepreneurship

## Aim

In this chapter, the reader is expected to gain awareness about the relationship between social entrepreneurship and community media. To this end, definitions and examples are presented in this chapter, which will allow the reader to understand what community media is, its historical process, and how social impact can be promoted through these media. Additionally, some cases are presented as examples where the greatest beneficiary has been social entrepreneurship.

**“...Community media has an important place in the participation of citizens”**

## Expected Learning Outcomes

- ▶ To gain awareness of the relationship between social entrepreneurship and community media.
- ▶ To gain a deep understanding of the main concepts related to community media.
- ▶ To gain information about the historical process of community media.
- ▶ To gain awareness about community media by giving case studies from European Union countries.

**Keywords:** Social Entrepreneurship, Community Media, Community Radios

## 14.1. Introduction

Social entrepreneurship focuses on the marginalized and the poor, applying practical, innovative, and sustainable approaches to benefit society. This approach distinguishes social entrepreneurs, people, and organizations who devote their lives to social development. In this context, community media has a social impact. As an alternative tool to public and commercial media, they have an important place in the participation of citizens. They provide information and voice access to communities and facilitate community-level discussion, sharing of information, and input in public decision-making. Community media encourage social inclusion and foster cultural and linguistic diversity (UNESCO, 2011).

Studies in community media first emerged from efforts to "democratize" the media. In 1976, UNESCO established a commission to examine the questions of international communication, especially the inequality of information flow among first and third-world countries. The Latin American academics who were influential in the debates argued that the underdevelopment of the south (the third world) partly stemmed from the unequal information exchange coming from the north. The UNESCO debate aimed to establish a "New World Information and Communication Order (NWICO)." The McBride Report, the result of the discussion, recommended that south-to-south communication be developed and more democratic national politics, including an ethics law about the mass media, should be implemented. Hence the terms "access," "participation," and "self-governance" appeared as democratic media indicators within this context. When the United States of America, in 1984, withdrew its membership and finance from the UNESCO communication movement, the debates were interrupted (Rennie, 2006).

Societies and groups use community media with shared ideas, characteristics, interests, or ownership (Possi, 2003). Community media ensures media plurality, freedom of speech, diversity of content, and representation of distinct groups and interests; they encourage public and gender-balanced access, support for cultural diversity, self-governance and media literacy, open dialogue at the local level, transparency, and a channel of communication (Milan, 2009).

The community media is used for mobilization, sensitization, and education for holistic development. Community media are small-scaled, non-profit, open and accountable to the community which they serve, essentially run by volunteers, open to the participation of the community members in terms of programme-making and governance, it enables participation and access in terms of integrating the non-professional media producers into the work, and it contributes to the social change. Community media can serve communities of interest, geographical communities, and cultural communities.

The crucial role of the community media is to bring tolerance and pluralism to society. Community media provides public broadcasting services and presents accessibility for all. On the other hand, it reproduces and represents the common, shared interests. In this sense, the community media offers a tool of empowerment for marginalized communities. Under the framework of all these features, the community media constitutes a separate subgroup within the media sector (European Parliament, 2007).

This subgroup is an alternative to the established processes and conditions of media production; it is free from the intervention of the state, market actors, and multilateral institutions; the local communities produce it in their languages about issues which they assume significance concerning their own needs, and for their consumption. Thus it is also an alternative to the dominant media as to the content (Saeed, 2009). The community media presents news and information appropriate for the needs of the community members; it integrates

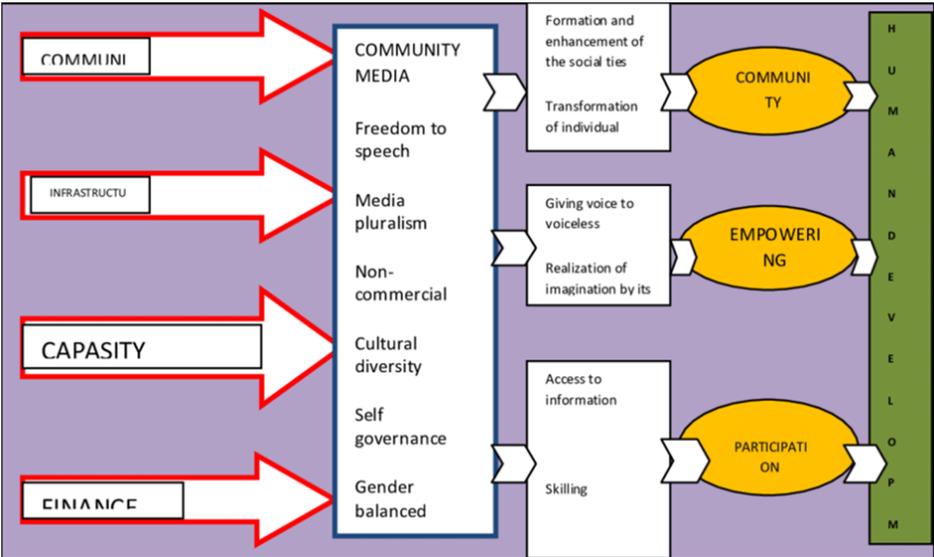
its members in public debates and contributes to their empowerment in social and political aspects. In general, the ownership and control of the community media are shared by the residents, local administrations, and community-based organizations and the content is considered and produced locally (Jankowski, 2003).

The community media establishes counterbalances against concentration of media power in the hands of a few numbers of people and against the homogenisation of the cultural content. Community broadcasts present alternatives for endogenous development. It makes programs based on specific needs such as health, education, employment, gender, peace, and environment. Community media uses the language (languages) of the community members. It accepts the positive, moral and cultural values of its community. The community media is expected not to broadcast sexist or biased programs against the disabled and minority groups. The community media may be an important tool for the disadvantaged members of the community to become active participants of society and participate in essential debates for them. The general sector has also been an educational basis for its volunteers to become future media professionals. (European Parliament, 2007) And distribution of the content may be by cable television infrastructure or by electronic networks like the Internet (Jankowski, 2003).

Funding of the community media is not essentially commercial though it may include total budget company sponsorship, advertisements with limited numbers and kind, and by governmental subsidies (Jankowski, 2003). In some examples, they do not broadcast advertisements due to editorial preferences and as they do not constitute an attractive target for the advertisers. However, lacking stable financing resources, like subsidies governed by the state, endangers their existence (Milan, 2009). And in some cases, some are against receiving advertisements and state support on an ideological or pragmatic basis. In administrative terms, they have a broadcasting board or boards of administrators. In other words, community media is people's media made by the people for the people. These services influence public opinion, create consensus and enhance democracy.

NWICO advocates point out the Bolivarian miners' radio which appeared at the end of the 1940's as the first example of the democratic community media. This first appearance was a protest movement in a tin mine (Rennie, 2006). While community media developed in 1950's in North America, in West Europe it appeared in the 1960's and 1970's (European Parliament, 2008). According to the community radio operation definition accepted by the World Association of Community Radio Broadcasters European Branch (AMARC Europe), community media is called the popular radio, educative radio, miner's radio or peasant radio in Latin America. While in Africa, references are made to local rural radio or bush radio, in Europe, in general, it is called as the union radio, free radio, neighborhood radio, or community radio.

While the Asian talks about radio for development, in Australia, it is called Aborigine radio, public radio, and community radio (Servaes, 1999). Community media is seen as a natural part of contemporary democracies in general, and it is considered a field of variety and values to which the market and state cannot reach. Community radio was created by the belief that civil society needs communication platforms. Thus, community media and civil society are interdependent in this sense. Especially the pirate broadcasts, which do not have commercial characteristics, caused the community media to appear. As it is observed in the European context, community broadcasting, in many examples, was established due to the continuous pressures from community groups rather than directives inspired by the state. The community media can present alternatives to the communication agenda established by the dominant social-political or even cultural order by contributing to the political emancipation and democratization processes. Therefore, creating change in living conditions of the poor, marginalized, deprived, or oppressed communities. Community media contributes to development's social and cultural dimensions by presenting channels for development, social and political empowerment, and realizing citizens' rights (Milan, 2009), see Figure 14.1.



**Figure 14.1.** Connection in Between the Community Media and Human Development (Milan, 2019)

As seen above, it seems that the contribution of the media to social initiatives has been evident. Likewise, it can be understood that great social movements have been promoted by radio and television, so their historical impact is also noteworthy. Recent literature suggests that social entrepreneurship, understood as a business activity that seeks to solve a social problem, can benefit greatly from the media since they have contributed not only to human development, but also to the support of social movements that have promoted social justice, peace, and freedom of expression.

Evidence of the above can be found in the growing number of digital social ventures that seek to address a social issue using the media. Next, in this chapter we present some cases of social entrepreneurship that benefit from the media either to maximize their impact, or to promote a social cause as well.

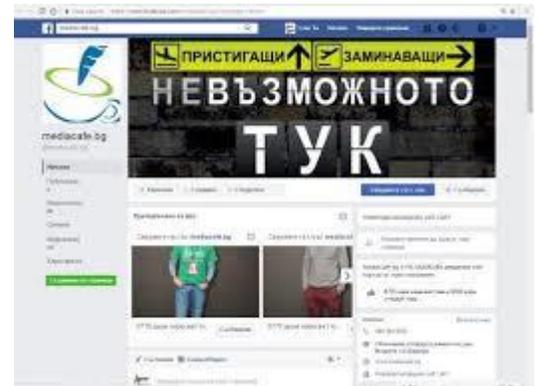
## 14.2 Community Media cases from Bulgaria

### The case of MEDIA CAFÉ

**Media Type:** Independent Youth web portal

**Founder:** "Viscomp" company, Founding date: 2007

**Strategy:** MediaCafe.bg is a new-generation independent youth web portal. Through the portal, the Media Cafe team represents the idea of "independence"; because political organizations or existing circles do not stand behind "media" and "coffee". Media is us, cafeteria means everything that makes us noticed and comments on it with you". Because Media Cafe.bg policy is to remain neutral against political intrigues and false political profiles, users will not find criminal news or yellow journalism on this portal.





the inclusion of young people. The main purpose of the ORV team is to support young artists and provide them with a platform to express themselves, their talents, and their activities. Over the years, ORV MEDYA has partnered with various local, national, and international projects. ORV MEDIA also offers a variety of services to its customers.

**Target Groups:** Young people, young artists, youth professionals, and organizations.

**Stakeholders:** Facebook friends and followers of 10119 ORV media  
Youtube followers 1,54 B.

**Publication Frequency:** 7/24

**Languages:** Bulgarian only

**Web Site Link:** <http://www.orvmedia.com>

**Social Media Links:** <https://www.facebook.com/orvmedia>

<https://www.youtube.com/channel/UCIhBdMP3pXMhwJgWHslixZg>

**Content:** ORV media provides information to Bulgarian youth through several attractive sections:

1. "Youth news" with useful information on voluntary initiatives in Bulgaria and abroad, young people's sports or educational achievements, festivals, and competitions for young people in various fields.

Special news section called.

2. Projects and initiatives section - ORV media, organizer of many projects and initiatives and its participant, among which:

- ▶ ORV Academy - the art academy for street artists(<http://www.orvmedia.com/index.php/projects/353-orv-academy>);
- ▶ "Youth MediaLab" - The international youth project itself, youth activities and It is dedicated to producing audio, video and text materials for the promotion of its organizations.  
<http://www.orvmedia.com/index.php/projects/348-proekt-youth-medialab>);
- ▶ - There are TV and radio broadcasts called "No Limits" and many more.

**Other:** ORV MEDIA has a well-developed client network that includes SMEs, public institutions and organizations, and NGOs, and its activities are based on special events, products, services, etc. It ensures that they secure through the revenues from their advertisements.



## The case of YOUTHHUB

**Media Name:** YOUTHHUB

**Media Type:** Youth NGO web portal

**Founder:** YouthHub NGO, Date of Establishment: 2016



**Strategy:** YouthHub is a private, non-governmental organization based in Sofia Bulgaria. YouthHub.bg was established on September 1, 2016. Its main aim is to help young people in Bulgaria to serve as an online youth platform where they can find all kinds of opportunities for their development (training courses, seminars, youth exchange programs, networking and other activities). In addition, the NGO aims to provide quality educational activities to young people in the country.



They intend to invest in the future of the Bulgarian youth nation and the skills they need to guide them to succeed and grow in their professional and private lives to help them improve. The history of the NGO that launched YouthHub.bg goes back to 2012, when its founder Ms. Madlen Nenkova founded a Facebook group. The group aimed to serve there as a space where all envisaged opportunities to allow young people to be active and grow will be shared. By September 2016, the group reached more than 13,000 people, including high school and university students, young professionals, NGO staff, teachers, business people, and others.

**Target Groups:** Young people in Bulgaria

**Stakeholders:** More than 17,000 followers and visitors

**Publication Frequency:** 7/24

**Languages:** Bulgarian and English

**Website Link:** <http://youthub.bg>

**Social Media Links:**

<https://www.facebook.com/youthub.bg>

<https://www.instagram.com/youthub.bg/>

<https://www.youtube.com/channel/UCZ6Tf0936KP8BKL7qVuhFGQ/featured>

<https://www.linkedin.com/company/youthub/>



**Content:** YouthHub provides information to Bulgarian youth on education, professional development, development of new skills, job opportunities, and many other topics. Ongoing projects/initiatives:

- ▶ Leadership Academy GLOW
- ▶ "Open lessons in the bar"
- ▶ "Social cafeteria - book for everyone."
- ▶ Revised Ideas - StartUP Conference
- ▶ WIZZ Youth Challenge - International youth competition
- ▶ "Design as magic" - Training program and many more can be found at YouthHub.bg

## The case of NULA 32 (НУЛА 32)

**Media Name:** NULA 32 (НУЛА 32)

**Media Type:** Information web portal [www.orvmedia.com](http://www.orvmedia.com), Radio ORV and ORV + video platform.

**Founder:** 4 young men from Plovdiv - Atanas Yankov, Panayot Stefanov, Iliya Dimitrov and Kostadin Bukhchev

**Founding Date:** September 2015

**Strategy:** NULA 32 is the Plovdiv magazine distributed for free. The subjects covered are related to the city's culture, life, and personality. Besides being an alternative, the magazine is far from pop culture. Here you can find exciting stories and great photos.

**Target Groups:** Young people and artists

**Stakeholders:** more than 28,000

**Publication Frequency:** Facebook profile: 7/24, Printed magazine: It is published every three months.

**Languages:** Bulgarian only

**Website Link:** <http://nula32.bg>

**Social Media Link:**

<https://www.facebook.com/nula32>

<https://www.instagram.com/nula32magazine/>

<https://www.linkedin.com/company/nula32-magazine/>

<https://www.youtube.com/channel/UCyHhY0375SHMWqUGJk6sKDw>

<https://open.spotify.com/show/3QhQRQQ5c0NuN5vOeImLK h>

**Content:** NULA 32 works with the cultural dynamics of the city of Plovdiv. The magazine is unique with its paper pages and hardcovers, which is unusual in our digital age. The subject in it concerns the city's future, nature, and history (each time, the focus is different and relates to various aspects of our historical heritage).

## 14.3 Media cases from Portugal



### The case of RÁDIO MANOBRAS

**Media Name:** Rádio Manobras  
**Media Type:** Radio  
**Founder:** Anselmo Canha  
**Founding Date:** September 2011

**Strategy:** Rádio Manobras is a public radio for Porto, open to everyone, where he lives, works, adds life, and defines the city's identity. Rádio Manobras is involved in a common, activist, and volunteer daily practice. Provides broadcast access to the community. For the community, it is a tool made by the community and held by the community and in the public domain. The ultimate goal is to promote diversity and progress in all matters. While it is broadcasted on the internet for 24 hours, it broadcasts at a frequency of 91.5 MHz at regular intervals.

**Target Groups:** Since it is mainly an internet radio, it is not possible to limit the target audience. When it broadcasts on a radio frequency, the target group is the citizens of the city of Porto.

**Stakeholders:** 6237 followers on Facebook page

**Publication Frequency:** Every day.

**Languages:** Although it is Portuguese, it is open to all languages.

**Website Link:** [www.radiomanobras.pt](http://www.radiomanobras.pt)

**Social Media Links:** <https://www.facebook.com/radiomanobras/>

**Content:** The current program includes themes from feminism, mental health and agriculture to experimental voice, etc.



### The case of RAUM: ONLINE ARTIST RESIDENCES

**Media Name:** RAUM: ONLINE ARTIST RESIDENCES (Raum: Online Artist Residence)  
**Media Type:** Online platform  
**Founder:** Terceiro Direito  
**Date of Establishment:** 2015

**Strategy:** It is an online platform that hosts artists' residences with the support of structures actively used in artistic creation, teaching, and publishing (university research units, publication projects, museums, visual arts schools, and independent art projects). The



areas of art considered are photography and visual arts, film, architecture, graphic design, music, and sound arts. Raum's partners are invited to initiate creative processes such as investigative texts, visual and audio articles, and artworks specially developed for the platform, embodied in the suggestions of guest artists. Raum platform is a platform supported by many public and private institutions and organizations, from municipalities to museums, and it is a partner.

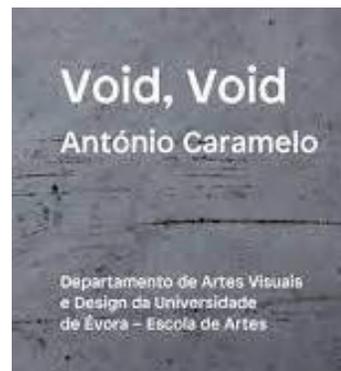
**Target Groups:** Artists and art students.

**Stakeholders:** 3244 followers on Facebook.

**Publication Frequency:** Every two weeks.

**Languages:** Portuguese and English.

**Website Link:** <http://raum.pt/>



**Social Media Links:** <https://www.facebook.com/Raum-resid%C3%A2ncias-art%C3%ADsticas-online-371900256290770/>

**Content:** On the website, you can find art workshops and discussions, current residences, projects under development, and proposals.

### The case of RÁDIO MIÚDOS



**Media Name:** Rádio Miúdos

**Media Type:** Online Radio

**Founder:** RádioMiúdos.pt - Associação Portuguesa Rádio Miúdos

**Founding Date:** November 2015

**Strategy:** Rádio Miúdos is the first Portuguese radio for children where language, information, and content are fully adapted to young people. Radio promotes interaction between children with content that must be presented by the radio. Each child is invited to play with their own language and discover the culture, history, and Portuguese language. Destination all PALOP countries (African Portuguese-speaking countries) and uniting every Portuguese-speaking child. The idea is to tackle the "despair of the language" immigrants face when living abroad, thereby filling a gap in the Portuguese language panorama. It provides a meeting point and a tool for immigrant children worldwide to connect with culture by using language while maintaining their connection with Portugal.

**Publication Frequency:** 7 days a week, 24 hours a day.

**Stakeholders:** 8649 followers on Facebook.

**Language:** Portuguese

**Website Link:** [www.radiomiudos.pt](http://www.radiomiudos.pt)

**Social Media Links:**

<https://www.facebook.com/radiomiudos>



<https://www.youtube.com/channel/UCv8Jh8aifsr00tf-Lz2c0KQ>

**Content:** Rádio Miudos includes podcasts, interviews and difficult topics for participants both in and outside Portugal. More information can be found about Programming, News, Interviews, Schools, challenges, and Podcasts on the website. Their programs include entertaining information about philosophy, books, Portugal, cinema, meditation, science, etc. This project ranked 3rd in the "Original Portuguese Ideas" 2015 competition promoted by the Calouste Gulbenkian Foundation and COTEC, and won 1st place in the "Canvas - Standing Projects" contest supported by the Portuguese representation of the European Commission in "Entrepreneurship Exchange 2016".

## 14.4 Media cases from Turkey

### The case of AÇIK RADYO

**Media Name:** AÇIK RADYO

**Media Type:** Radio

**Founders:** Açık Radyo consists of 92 partners, almost all of whom have equal shares.

**Founding Date:** November 13, 1995

**Strategy:** Açık Radyo is not dependent on any interest or capital group. In addition to operating independently of the state, pluralist democracy is utterly independent of any "ideology" other than the rule of law and the protection and awareness of universal human rights and fundamental freedoms. Hence, it is an independent institution. For 20 years since its establishment, Açık Radio has been dedicated to the efforts and talents of 1133 individuals aged 9 to 75, who have contributed to the production of more than 1145 programs (talk shows, conversations, musical performances, etc.)

**Target Groups:** Açık Radyo is a "regional" radio station broadcasting in Istanbul metropolitan area and its surroundings.

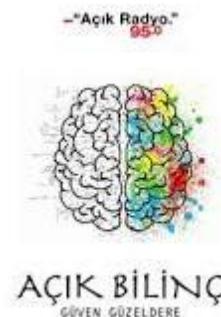
**Shareholders:** Audiences and some institutional support

**Publication frequency:** 24/7

**Impact:** 33,580 likes on Facebook page.

**Languages:** Turkish

**Web Site Link:** <http://acikradyo.com.tr/>



### Social Media Links:

<https://www.facebook.com/acikradyo>

<https://twitter.com/acikradyo>

<https://www.instagram.com/acikradyo/>

[https://www.youtube.com/channel/UCH9LJ4LCDzVDJZtQA\\_NOr6Q](https://www.youtube.com/channel/UCH9LJ4LCDzVDJZtQA_NOr6Q)

<https://www.flickr.com/photos/acikradyo/>

**Content:** Perhaps we can best explain Açık Radyo as a combination of News + Music + Personality. Talk shows by Açık Radyo are about:

News and commentary, ecology, environment, folk culture, philosophy, language, civilized society, birth, women, children, youth, grassroots organizations, Istanbul city, Europe, European Union, Mediterranean, Anatolia, fundamental rights, law, peace movements, history mathematics, mind games, science, science fiction, mythology, anthropology, human brain, economy, archeology, political economy, social policy, meteorology, climate science, local government, design, architecture, world literature, poetry, books, theater, cinema, plastic arts, urban planning, museums, communication, internet, electronic games, television, psychology, traffic, business world, advertising, consumer society, health, cuisine, wine, bread, olives, coffee, perfume, football, sport, travel, nature, photography, amateur flying, riding, sailing, earthquake preparedness, occupational hazards & safety, children's rights, animal rights, globalization, civilized society, social movements.



### The case of NOR RADYO



**Media Name:** Nor Radyo

**Media Type:** Internet Radio

**Founder:** Nor Zartonk

**Date of Establishment:** 2009

**Strategy:** Nor Radyo has defined its broadcasting policy as "an internet radio project where all people can freely express themselves and share their culture." Nor Radyo is the voice of multiculturalism and coexistence. In this context, it favors peace, freedom, equality, and fraternity against nationalism and all kinds of racial, ethnic, and sexual discrimination. All friends who share these common denominators and want to share their cultural wealth are invited to this free platform.

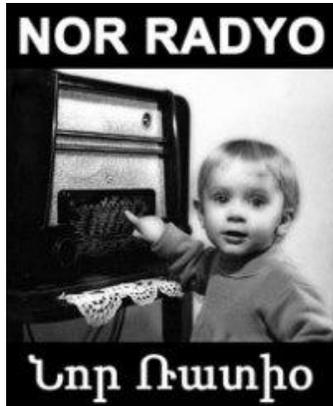
**Target Groups:** It reflects different cultures with its multilingual structure. With the internet radio feature, it is impossible to limit the target audience.

**Shareholders:** Armenian Culture and Solidarity Association



**Frequency:** 7/24

**Impact:** The Facebook site has 8,345 likes and 8,311 followers.



**Languages:** The radio broadcasts in Turkish, Armenian, Greek, Syriac, Hamshen, Circassian, Chechen, Pomak, Laz, Georgian, Zaza, Kurdish, and Ladino.

**Website Link:** [www.norradyo.com](http://www.norradyo.com)

**Social Media Links:** <https://www.facebook.com/norradyo>

<https://twitter.com/norradyo>

<https://www.instagram.com/norradyo/>

**Content:** Workers, animal rights, women's movement, LGBTI+, gender and ecological movement have been included in the programs of Nor Radio so far.

## 14.5 Examples of Community Media Projects from the European Union

### The case of La Maison des Media Libres

La Maison des Media Libres (House of Free Media) is a French initiative that combines four community television initiatives under one umbrella to offer an alternative perspective on current developments and social and cultural issues. The main goals are establishing an alternative media center that includes television and radio production, book publishing, film distribution, and online activities. The organization combines the capabilities of a community television initiative (Zalea TV), a community radio initiative (Radio Frequence Paris Plurielle), a community magazine (Les périphériques vous parlent), and a film distribution association (Coerrances). The four organizations jointly pool their resources and collaborate on specific projects. It also organizes "weeks of action" on alternative media strategies for other community media organizations (European Parliament, 2007:5-6).

**Website:** <http://souriez.info/La-maison-des-medias-libres>

### The case of Angel Radio

Community media sometimes appeals to specific age groups. Angel Radio (England) is targeted and produced by older citizens who play a more active role in London's community life. The station has produced many programs that specifically address aging-related issues. It also functions as a social focus and offers seniors a resource and information center. Angel Radio seeks to spark public discussions on issues that matter to its base. For example, it has produced CDs for local schools aimed at raising awareness about topics such as the neglect of the elderly and about physical and mental abuse suffered by elderly citizens (European Parliament, 2007:6).

**Website:** <http://angelradio.co.uk/>

### The case of Radio Regen

Radio Regen is a Manchester-based initiative that aims to develop media and communication skills as a tool for social inclusion and regional revitalization. It has developed a three-level training course to respond to the diverse needs of the station base. In its training program, Radio Regen first offers all its volunteers three days of certified "basic training" in radio production. It also provides a ten-week introductory course to help develop the technical and soft skills of the unemployed. In addition, the organization has launched one year for anyone wishing to pursue a career in radio production. Media literacy skills are also taught as part of the English National Curriculum. Radio Regen has partnered with six (6) local schools to support communication and IT skills through radio production and broadcasting sessions. Finally, Radio Regen has developed a Community Radio Toolkit on how to start, run and fund community media initiatives. This toolkit is available online and provides valuable advice to community media volunteers and activists (European Parliament, 2007:8).

**Website:** <http://www.radioregen.org>

## 14.6 Conclusions

This chapter established and analyzed the link between social entrepreneurship and community media. The subject has been presented and supported by examples of conceptual content of the community media and its historical development in the world and the community media in the European Union member states.

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Algül worked as a reporter, program producer and presenter at various TV channels and production companies during her undergraduate education at Marmara University Faculty of Communication. After completing her postgraduate education at Marmara University Radio-Television Department with her thesis on Political Communication and Media, she studied at the FH Fulda Intercultural Communication and European Studies program in Germany in the 2009-2010 academic year, during her doctoral studies at the same department. Dr. Algül received her doctorate in 2012 with her thesis on Community Media in parallel with ethnic and minority groups in Turkey. Algül has a book called "Community Media - The Example of Nor Radio". She completed her Post Doctorate in Athens National and Kapodistrian University, Department of Communication and Media Studies in the 2018-2019 academic year, with a TÜBİTAK Post-Doctoral Research Scholarship, under the supervision of Assoc. Dr. Tsaliki, on the subject title of Soft Power and Inter Cultural Communication: Perception/Reception of Turkey in Greece through the study of Turkish soap. She is still working as an Assistant Professor at Marmara University, Faculty of Communication. She works as a researcher in the European Union project ERMIScom: Common curricula for diversity: Education in media and integration of vulnerable groups. Figen Algül academic fields of study include Media and society, audience studies, alternative media, intercultural communication, political communication and social memory studies.



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