CONCEPTUAL OUTLOOK TO SOCIAL BUSINESS DEVELOPMENT

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Social business concept has no clear methodological base, so a great attention is needful on social business development. The main scientific problem in the article is focused on clarification of methodological tools for identification social business development preconditions with the research purpose – the identification of specific typologic attributes of social business for improvement social business development. The monograph and descriptive analysis is applied for overview of scientific references, the content and meta-analysis – for presenting final conceptual explanation about attributes of social business, and the methodological determination – for generalisation and synthesis of the referenced conclusions. The research results reveal the fact, that under the different business model the different financial and social return is available. Therefore, the models of social business are starting vary in civil economy according social networks, stimulation of partnership and innovation, orientation to inter-sectoral activities.

Key words: business model, social business, social entrepreneurship, social values, civil economy.

JEL Codes: H49, H55, O33, P46.

1. Introduction

The formation of the social business concept was started in early 1976, when the practical experience of the entrepreneurs persuaded the new solutions of poverty alleviation, and this fact in the scientific overview is known as a „Grameen cases“ (Yunus et al., 2010). In nowadays the social business, as an innovative type of economic activity, has an orientation on the most powerful tools for solving social problems – business/corporate social responsability, business sustainability and social accountability (Yunus et al., 2010; Grassl, 2012).

The social business development becomes an important factor for evaluation of the new effects in economic-social environment such as the social returns under the conventional investment and financial grants of stakeholders.

Social business development gets a great speed under innovation process in European countries for remoted regions development, decrease of social changes in poverty, unemployment and etc. (Peredo, 2006).
Finally, the development of social business gets an orientation on highlighting the specific social goals: reduction of social problems, improvement of social values under implementation of innovation, intensification of investment or social entrepreneurship (Alter, 2007; Defourny, 2010). Therefore, this scientific research has a real background for identification the preconditions to develop social business in EU countries under impact of different business models.

The authors of the article declare about the specific social business development toolkit with a new pillar – social activity, which content covers: 1) permanent activity in producing necessary products and services for target population; 2) high level of independency and economic risk in any business; and 3) low payment for working people. Under this pillar, business development model is getting a new structure and meaning for entrepreneurs and society. Together with non-profit organizations, these declarations about the sustainable business and charity, get not a single source for financial injection into social activities. Social business gets a new possibility to compound the traditional business collaboration preconditions to social activities with the innovative business ideas.

The research problem in this article is concentrated on the main question – what possibilities are meaningfully important for social business development in EU countries. The research object is based on identification of preconditions for social business development.

Therefore, the research purpose is focused on the formulation of final approach under highlighted systematic changes and preconditions for building social business frame by it specific typologic attributes.

The research tasks of this article are formulated for identification of: 1) theoretical background of social business; 2) the possibilities for development social business as the new type and intensity of business partnership; and 3) the preconditions of the social business development under different business models.

The methodology of this research is focused on the several areas of the theoretical backgrounds: 1) definition of social business; 2) highlightening functions of different social business models; and 3) revealing impacts on it.

The research methods: 1) monograph and descriptive analysis is applied for overview of target scientific references and research reports of last decade; 2) content and meta-analysis is applied for building final conceptual explanation of theoretical and empirical frame of social business development; therefore, the conceptual attributes of social business are highlighted from the scientific reference content analysis by these criteria: implementation of product and service innovation, creation of social values, identification of social activities for social entrepreneurship, development of social business in the frame of specific business models; 3) methodological determination is applied for generalisation and synthesis of the referenced conclusions.

The final research results are presented as the theoretical insights and formulated in the article under the logic analysis and synthesis of identified attributes of social business development and founded as the contrasting elements from a typology of social activities.
2. Building of conceptual frame of social business development

The authors of this article present the generic distinctions of social business concept with highlighted frame of the inter-sectoral economic activity and high-profit orientation. The definition of social business gets background from nature of social entrepreneurship and gets concentration on the content analysis of the structural elements of social business models. Social business models serve for the realistic entrepreneurship conditions, when the solutions of social problems become target in entrepreneurial activity.

The concept of social business is founded on the applicable social values and the analysis of social business elements for better observation it nature and structural differences. The content analysis is applied as the first step for identification preconditions of economic vitality of social business, which closely depends on the financial grants and investment to social activities and type of it return. This interaction is known as double bottom line (DBL) concept, which was the first time formulated by John Elkington in 1994, and adopted by Robert J. Rubinstein in 1998 for seeking sustainability in business environment (Double bottom line ..., 2004). Later on, the triple bottom line (TBL) concept was established for sustainability approval in business.

The issues of improvement of the organizational model of social business stand on economic and social innovation including the formation of mission (social-driven), capital and assets, processing (producing products and service, acting in social networks) and final results of social business.

Therefore, the financial state of social business under three pillars declares about successful creation of new economic and social values.

According to M. Yunus (2007), the goals of social business development concerning the profit return model, is connected with the profit always available after the social activities when the synergy effect is prospective with any type of investment to social affairs. The results to business and society can be clarified, firstly, as social impacts, and secondly, as the profit.

The role and societal content of social business (Borzga, 2004), helps to explain the impact on target population, also declared about the target business function – to stimulate the corporate social responsibility. For findings of the conceptual frame of the social business, there are analytical explanations to some questions: 1) why social business so useful in nowadays, and 2) what factors make an influence on the necessity of new social business models.

Preferences of declared solutions for society by private initiatives are the most spreaded in the civil economy in nowadays, and social business models in the different countries have different impacts. Therefore, it’s important to arise an idea, that necessity to build the typology of social business models has a great reason. The concept of social business is not still fulfilled with concrete methodological frame (Grassl, 2012). Some declarations about functions of social enterprises or social entrepreneurship are covering some constructual elements of the social business concept.

The terminological missing of social business concept concerns about the high theoretical and practical research development (Dembinski, 2006; Bruni, 2007; Zahra, 2009; Grassl, 2012).
Each social responsible organization (profit or non-profit) has its own-fitted social mission, which include use it as business orientation or strategy for creation higher economic value. Innovation makes a frame to install it to social and economic activities in the most successful way (products, service, new features of it, managerial methods, processing or production development, improvement of partnership or market relations).

The main differences of social business in the conceptual level and arised the idea, that dichotomous distinctions build not a full set of characteristics for clarification the conceptual frame of social business (Grassl, 2012).

The authors of this article argue such theoretical approach/explanation and declare, that dichotomous attributes in different interactions simplify the analysis of trying to find social business impacts. For this purpose the authors suggest to use two-tier system of dichotomous attributes (1 tabl.).

**Table 1. Two-tier system of dichotomous attributes for identification the areas of social business development**

<table>
<thead>
<tr>
<th>Type of activity's objective/Outsourcing function</th>
<th>Social / *Non-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td></td>
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<tr>
<td>Private capital enterprises</td>
<td>Single ownership companies;</td>
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<td></td>
<td>Joint stock companies and cor</td>
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<td></td>
<td>porations;</td>
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<td></td>
<td>Social companies.</td>
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<tr>
<td>Social oriented enterprises and organizations</td>
<td>Funding organizations up to</td>
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<td></td>
<td>activity objectives (Rotary,</td>
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<td></td>
<td>sport clubs; Professional</td>
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<td></td>
<td>associations/clubs);</td>
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<tr>
<td></td>
<td>Social enterprises (housing,</td>
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<td></td>
<td>business cooperatives, credit</td>
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<td></td>
<td>unions).</td>
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<tr>
<td></td>
<td>Social groups and communities</td>
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<tr>
<td></td>
<td>Social networks;</td>
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<td></td>
<td>Mutual aid societies;</td>
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<td>Fair trade organizations;</td>
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<td></td>
<td>Micro-finance institutions.</td>
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<tr>
<td>Semi-private capital and public (service)</td>
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<tr>
<td>enterprises and organizations</td>
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<tr>
<td>Social enterprises (ex., for disabled people,</td>
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<tr>
<td>single/old people);</td>
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<tr>
<td>Public enterprises;</td>
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<td>o Regional business centres;</td>
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<tr>
<td>o Public transport companies, communal service</td>
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<tr>
<td>and other public service companies;</td>
<td></td>
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<tr>
<td>Public organizations:</td>
<td></td>
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<tr>
<td>o National/regional libraries, museums</td>
<td></td>
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<tr>
<td>o Schools, children gardens.</td>
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<tr>
<td>o Rehabilitation centres (cancer and etc.)</td>
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<tr>
<td>Public administrative (steering) organizations</td>
<td>Territorial administrative</td>
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<tr>
<td>and NGOs</td>
<td>County and Municipality centers with their service system;</td>
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<tr>
<td></td>
<td>o Regional tax control centers;</td>
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<td></td>
<td>o Police, first aid centers;</td>
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<tr>
<td></td>
<td>o Others;</td>
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<td></td>
<td>o Professional associations;</td>
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<tr>
<td></td>
<td>Communities (Church, local action groups, and etc.).</td>
</tr>
</tbody>
</table>

*Notice: *non-profit – means, that profit available for tax refund or social mission investment.

The role of social activity or nature of social entrepreneurship becomes important in the content analysis of the structural elements of social business. The new frame
for social business development has the traditional structure, where public organizations and social enterprises actively manage their investment under social response including main activity and market boundaries (Bruni, 2007).

The analysis of dichotomous attributes reveal the fact, that social business development is available in all types of ownership – private and governance, and all types of activity – profit or non-profit. Mostly, social business is developing where the public organizations have less impact on social activity of entrepreneurs.

Consequently, the definition of social business relates to social activities by using economic infrastructure for pursuasion of specific social needs and by advancing the civil economy as a holistic system.

3. Typology of social business models

The impact of social activities is stronger, when it is fitted as the purpose of entrepreneurship. Motivation is the basic attribute of entrepreneurship, and extremely important for the creation interaction between business opportunities and social problems. The design of social business models serves for identification of the social activity / function. It means, that social business model available for adoption under the social entrepreneurship, and the social activity/function always has highly important expression in social business model.

The entrepreneurial activity focused on coordination of business resources for social affairs builds a long lasting system to optimize the implementation of solutions, recognized as problematic in social life by using institutional frame. Successfull coordination of purpose-driven activity with resources serves for interactively extended entrepreneurial activity. Social entrepreneurial activity differs by it’s specific final purpose and makes a reason to create a new business models (Gras's, 2012).

The typology of social business models is built by the help of meta-analysis of results and consequences, presented in the scientific references of the last decade. The main elements of social business model are: business organization or strategy/development orientation; strategic approach to profit making system and internal investment policy; delegation of organizational functions; involvement type to lobby; internal decision making hierarchy.

The typology of social enterprises is built under structural organization of business elements: 1) mission, 2) integration level to social programs (non-profit business or entrepreneurial activity) and profit-driven business, 3) relationship with target groups, as it could be called philanthropic, transactional or integrative collaboration; 4) innovation (Austin, 2000; Peredo, 2006).

Social function is identified by the social actions (activity content) in business. The typology elements reveal the fact, that social actions differ from commercial opportunities. Typological aspects are identified by the help of different social business models (2 tabl.).
Therefore, social enterprises perform economic activity for getting profit, but their activity is directed on investment, but not profit return. Social enterprises have a different profit share and investment mechanism than traditional business companies. Their income or profit is needful for social mission. Social enterprises could be shortly called as hybirdic enterprises (Grassl, 2012), because of their specific business organization model. The models of social business can be grouped into four types: 1) business as an ecosystem (integrated network with general use of knowledge and value creation possibilities); 2) stakeholder oriented business; 3) customer oriented business; and 4) business community and/or culture oriented business (Dees, 1998; Grassl, 2012). Under social and non-profit activities there are some business models, which couldn’t be conceived to any economic sector, and for the typology institutional criteria are the most committed to define it as non-market sector, only social function here is declared (Gassler, 1986; Grassl, 2012). All social enterprises exist up to another type of business model, where social function takes a general axis to expand investment or successfuly reduce economic risk. Even social enterprises, if their „non-profit“ acitivity frame has a great impact on social life, can exist only in limited period without profit.

The 3rd Generation of European Innovation Governance Policy (Finnsight, 2015) serves for horizontal integration of high-tech products and service, technologies for industry and communication. The new social needs and demand to knowledge and skills are important as an absorptive capacity in business and civil economy. Finally, organizational business modelling and non-technological innovation impacts on the necessity of inventing social entrepreneurship. Such foresight builds the preconditions for the new generation of social business models.
The systematic approach to social business models was grounded and presented in nine versions of business models for social enterprises according the generic typology attributes – mission, target population and production (Grassl, 2012):

1) „Entrepreneur support“ model serves for a clear mission statement upon identification of target population needs and only then can be panned for it realisation as market-driven;

2) „Market intermediary“ model has based on the social entrepreneurial resources upon the needs of targeted groups;

3) „Employment“ model is built as a neccesity to solve social problems because the market has a powerful negative impact on target population;

4) „Fee for service“ model has a great orientation on the demand and purchase power of targeted population, and the possibility to manage profit depends on it size;

5) „Low income“ model is structurally simple, because all functions of the social enterprise get focus only on some target population concerning only purchase power;

6) „Cooperative“ model stands on aggregated resources for external markets. Usually, social entrepreneurs can expand market when the internal target groups are sized, market conditions are known, business strategy is stable, then the experience of social entrepreneurship could be shared without high risk and „exported“ to external markets as good practice model;

7) „Market linkage“ model is the most spreaded among traditional business companies with clear focus on the tool set to get competitive advantage or make economic impact on competitors. This model is typical for growing-up companies, even for social enterprises, when economic activity has a focus on target groups and market at the same time;

8) „Service subsidization“ model is convenient tool for social enterprises to manage their resources up to different strategies of business, concerning to market demand and target population needs;

9) „Organizational support“ model uses „a nest“ organizational structure making additional relations with state/regional social service organizations for improving the quality for target population, and different business strategy acting in competitive market.

Variety of business models lets to define the most actual preconditions for social business development: stability of business environment; social networking and innovation; less concentration on demand growth; perfection of target population needs, creation of new social values.

Social business development preconditions are forcing the process of social entrepreneurship, partnership in all levels of business organization and social activity. These preconditions are useful for making a frame for new business model with the focus on new social needs and values.

The development of social business depends on three group preconditions: market, investment for infrastructural and insitutional changes (fig.).

According to these preconditions the new value of social business is available. Some exceptions can build structurally complicated business organization, which belongs to hybridic type of economic activity, usually forced to solve social problems.
by using typical elements of social business – socially oriented business strategy, target groups and markets with specific investment model for business development.

![Diagram](image_url)

**Fig. The preconditions for social business development**

Such supportive results serve for horizontal investment and social business development. Networking with targeted population bridges the possibilities for the new economic activities with the great focus on social affairs.

Consequently, social business is getting a new start when the structural and strategic changes have focus on innovation. If innovation process is rapid, innovation has a great synergy effect on the social life, and the new types of economic activities appear during this transition period, when social groups get adaptation only with new knowledge and skills for conventional existence.

### 4. Conclusions

1. The conceptual frame of social business is constructed on the comparison of analytical elements of economic and social activity. After identification the social mission, entrepreneurship (creativity of entrepreneurs) and strategic solutions, innovation and economic activity compounded, the social business development gets a new conceptual frame including additional pillar – social activity.
2. The research results reveal the possibilities, which are powering the social business development: 1) social business development is more rapid, when social organizations are more active and their activities significantly have high impact on social entrepreneurship, social business potential and capacity, partnership, new social activities.

3. The most important element in the value formation and in the structure of the new activities of business are the new business models, which variety available according systematic changes – social networking, stimulation of partnership and innovation, orientation to inter-sectoral activities.

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References


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**KONCEPTUALUS POŽIŪRIS Į SOCIALINIO VERSLO PLĖTRĄ**

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**Santrauka**


Raktiniai žodžiai: verslo modelis, socialinis verslas, socialinis verslumas, socialinės vertybės, visuomenės ekonomika.

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