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SOCIAL ENTREPRENEURSHIP:
A BUSINESS MODEL FOR SUSTAINABLE DEVELOPMENT

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Abstract

Social entrepreneurship is recognized for working towards achieving developmental goals that are associated with the basic needs of the people and converge with sustainable development. The convergence of developmental goals and the basic needs of the people set a relationship between social entrepreneurship and sustainable development. This conceptual study draws from the literature and brings the characteristics of social entrepreneurship, which enables it to achieve the social agenda of providing for the basic needs of the people. These characteristics become the essential part of the strategies of social entrepreneurship that help it to function as a model for sustainable development. To further the inquiry, these strategic elements of social entrepreneurship are then analyzed in the light of Hamel’s framework of the business model. It also examines whether the business model framework of Hamel can be applied to implement these strategies. The diverse aspects of the business model framework of Hamel are examined to understand the relationship between social entrepreneurship and sustainable development.

Introduction

Social entrepreneurship is often defined as entrepreneurship that produces products and services to cater to social needs that underlie sustainable development goals. It was in 2003 that the World Bank recognized the need to satisfy basic human needs that contribute to health and education. Social entrepreneurship works towards these services and makes them accessible, affordable, and of good quality, through replicable, scalable simple ideas, which makes it possible to execute them at different locations (Seelos & Mair, 2005). In India, we see the effect of what the World Bank recognized as social entrepreneurship in the definition – ‘a business instrument to address the issues of poverty, unemployment, and inequity in society, through socially oriented business innovations’ brought out by the National Council for Skills and Entrepreneurship Development (Ministry of Skill Development and Entrepreneurship, Government of India, 2015: 41).

Social entrepreneurship, however, lacks a universally accepted definition. Thus we need to have a working definition, derived from the literature of social entrepreneurship, to carry through the analysis. The study defines social entrepreneurship as – a sustainable, enterprising process, aiming to meet the needs of people who are excluded from the larger folds of society. This definition of social entrepreneurship also focuses on the developmental goals that are listed as Sustainable Development Goals by the United Nations.
Furthermore, there are the characteristic features of the social entrepreneurship that must be brought into this discussion because they form the essential part of the strategies of social entrepreneurship, helping it to work towards sustainable development.

**Methodology**

Drawing from the literature, the study brings out the characteristics of social entrepreneurship, which enable it to achieve the social agenda of providing for the basic needs of the people. The study explores the idea of how the characteristics of social entrepreneurship, as essential parts of its strategies, help in achieving sustainable development. This research applies the inductive or explorative method and will be followed by the analytical method that aims to identify social entrepreneurial strategies regarding good public provision, based on existing insights regarding social entrepreneurial organizations.

Secondary data sources and information are gathered through existing case studies, documentary research, as well as Internet publications. They will form the crucial tools to identify the relevant patterns in strategies in social entrepreneurship that can help in arriving at the business model perspective.

The literature suggests that social entrepreneurship is most advantageous in developing economies. But this study does not limit itself to the perspective of development in developing countries. Since social entrepreneurship provides creative solutions to the problems in both developed and underdeveloped countries, it must be considered a global phenomenon (Sommerrock, 2010:12).

Finally, the study uses the exploratory research approach to gather propositions to trace the links between social entrepreneurship and sustainable development, which develops into a business model. The business model of SELCO is studied, using the business model framework of Hamel, to understand the relationship between social entrepreneurship and sustainable development. The relationship is observed in light of the strategies used in social entrepreneurship to work towards sustainable development. The implementation of strategies in social entrepreneurship becomes easy through the business model perspective.

The selection of SELCO as the case for this study is based on its stage of maturity, as it has successfully overcome the transition from the venture stage to that of a self-sustained organization.

**Strategies for Sustainable Development**

Several characteristic features of social entrepreneurship that are crucial to the strategy adopted in social entrepreneurship are related below:

**Innovation** - is one of the characteristics of social entrepreneurship, which is widely discussed, and helps it to reach out to the people and keep the mission socially relevant. Abdelkafi (2012: 305) suggests that innovation for the greater good is a concept related to social innovation, as 'all what is social can be thought to be contributing to the greater good.' Social innovation is considered to cross-sector fertilization between government, business and not-for-profit organizations, arisen to tackle complex global problems requiring sophisticated solutions, for example, climate change(Ross, Mitchell, & May, 2012). Social entrepreneurship as a phenomenon exists within the broader concept of social
Innovation, whereas social innovations contribute to the greater good. Similarly, J A Philps et al (2008:36) define social innovation as ‘a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.’

Innovativeness as an attribute helps social entrepreneurship achieve ‘social value creation.’ Besides, social innovation also helps in overcoming the difficulty of maintaining sustainability in social entrepreneurship (Weerawardena & Mort, 2006:32). Social innovation has a critical role to play in a condition where both the market and the public sector fail, leading to the emergence of social entrepreneurship (OECD, 2010). Due to this condition, social entrepreneurship becomes crucial in innovation research, which in turn also helps social entrepreneurship gain a conceptual clarification and realistic perception (Howaldt, Domanski, & Schwarz, 2015).

Social innovation - Mulgan, Tucker, Ali, and Sanders (2006) describe that social entrepreneurship achieves its social purpose through the diffusion of social innovation. Social innovation in social entrepreneurship means a process of providing innovative solutions for managing complex social problems, like community development or social exclusion or poverty reduction (Perrini & Vurro, 2006). Social entrepreneurship provides innovative solutions to unsolved social problems. This characteristic of social entrepreneurship is also emphasized by OECD (2010), by saying that social entrepreneurship goes hand in hand with the social innovation process so that it can improve people’s lives by bringing social changes (OECD, 2010).

Probing further about how social entrepreneurship involves social innovation, it is also seen that in social entrepreneurship, social innovation occurs at the level of practice and ‘stems from a perception of an unmet social need and a desire to meet that need and therefore work towards an improvement in social conditions’ (Andrew & Klein, 2010: 21). The attribute of social innovation in social entrepreneurship gives it the recognition as a tool to tackle challenges.

Further, social entrepreneurship involves social innovation as an important tool to tackle social challenges and the issues of poverty, unemployment, and inequality in society. Besides, social entrepreneurship is identified with the organizations that engage in socially oriented business innovations, which enable them to bring sustainable development to the people and society.

Basic needs - of the people, who are not included in the process of development, are recognized and worked towards by social entrepreneurship. It is done by addressing the needs of the population at the ‘bottom of the pyramid,’ who are also the socially and geographically disadvantaged sections of society. The people living at the bottom of the pyramid largely comprise the people of underdeveloped countries. People of the underdeveloped countries also represent the low-income groups who have less or no capacity to pay for the services and products that would cater to their primary needs of health, education, shelter, and livelihood.

Social needs - is another area towards which social entrepreneurship is oriented, particularly of the people living at the bottom of the pyramid. Which means that social entrepreneurship creates products
and services to cater to the unsatisfied needs, which is the result of the existing economic and social institutions. The developmental goal of social entrepreneurship is realized when it provides goods and services that signify social needs, i.e., needs leading to people's well-being and improved quality of life. By addressing the acute social needs within existing social structures, social entrepreneurship does not just work as a medium to mend the social fabric but also works towards ‘developmental goals’ (Lehner, 2012).

**Social value creation** - is an important characteristic of social entrepreneurship, as the economic value creation is only the by-product in the social entrepreneurship process. Social value can be understood as ‘the creation of benefits or reductions of costs for society—through efforts to address societal needs and problems—in ways that go beyond the private gains and general benefits of market activity’ Auerswald (2009: 52). It is important to note that while social entrepreneurship operates in a social context, it limits its access to capital and the market support system. That is why it becomes crucial for them to develop strategies and organize a structure that is novel and to have unique strategies.

The above-discussed characteristics of social entrepreneurship imply that the primary mission of social entrepreneurship remains ‘social,’ i.e., the social needs of the people at the bottom of the pyramid. However, it is a difficult task to come up with a list of the most insistent social needs, while it is observed that social entrepreneurship solves this problem by integrating social needs with sustainable development. By integrating it, social entrepreneurship also prioritizes the social needs that must be targeted urgently and focuses on the products and services that cater to social needs underlying the sustainable development goals.

By focusing on the products and services that cater to social needs, social entrepreneurship creates ‘tremendous value by catering to very basic humanitarian needs’ (Seelos & Mair, 2005:244). The academic journals and media provide evidence for social entrepreneurship working towards meeting such social needs. Such evidences indicate that there is an integration of social entrepreneurship with sustainable development (Sommerrock, 2010) and allows to analyze social entrepreneurship as a business model for sustainable development. The bigger question here is whether social entrepreneurship can develop into a business model for sustainable development.

Social entrepreneurship, as an organization, grows in the space where the government and the existing businesses are unable to meet social needs. These needs remain unmet mainly because the potential customers are willing but unable to pay for products and services that would satisfy their needs. The business community does not address them due to the inability of potential customers to pay (Seelos & Mair, 2005).

So far, the discussion has drawn from the literature on social entrepreneurship. However, the sociological literature also discusses various aspects of development that can be used in understanding the role of social entrepreneurship in sustainable development. The theoretical approaches from sociology that show a potential to explain the different aspects of development also bring out the links between two important aspects, i.e., sustainable development and a business model.
There is the social movement theory, Gandhian perspective and the local embeddedness perspectives, which give different viewpoints on how social entrepreneurship is linked to sustainable development.

Social entrepreneurship is also analyzed from the perspective of social movement theory (Mair & Martí, 2006). A social movement is understood as a self-conscious and successful attempt to introduce innovation into the social system (Banks, 1972), which is similar to what social entrepreneurship is also acknowledged as doing. Social entrepreneurship also introduces social innovation into the social system, which indicates that both are familiar phenomena that diffuse social innovation in society. While seeking the reflection of social movement in social entrepreneurship, it also indicates that capitalism shows ‘the essential ingredients for the cultural acceptance of the emergence of the large-scale pursuit of science and scientific technology’ (Banks 1972:19). Such cultural acceptance becomes the reason for the emergence of social movements (such as the cooperative movement and trade union movement) in nineteenth-century Europe.

Social entrepreneurship shows the same characteristics and has emerged as a result of strain, i.e., the problem of the need of health, education, and welfare due to growing social inequalities, and the failure of the state and market to meet these. As there are inequalities in the distribution of income, wealth, political power, and other value-added resources, these inequalities lead to new economic organizations that are seen as a part of the third sectoriii (Banks, 1972) and innovating to reach the neglected sections of society. Social entrepreneurship shows all the above-stated qualities to become a new economic organization, having its unique business model that ensures development, particularly sustainable development.

Social entrepreneurship has another aspect of local embeddedness to meet the local objectives. Seelos, Mair, Battilana, & Dacin, (2011: 6) make a significant point that social entrepreneurship is embedded within local communities as they target ‘the needs of a locally defined set of individuals.’

Similarly, social entrepreneurship is also looked at from the Gandhian perspective, and it is important to discuss it here for two reasons: it promises to fill the implementation gaps in the sustainable development agenda, and it is relevant for sustainability (this is not self-evident and needs to be explained). That is why social entrepreneurship practices are known to be non-violent communication, rooted in Gandhian social action (Ziegler, Schulz, Richter & Schreck, 2014).

The Gandhian source of social entrepreneurship is important to appreciate its role in sustainable development. The sustainability aspect of social entrepreneurship requires the discourse to pay attention to the Gandhian perspective, as it will also give direction to the sustainability agenda.

**Social Entrepreneurship and Sustainable Development**

In this discussion of social entrepreneurship, sociological theories are invoked to understand sustainable development. It is seen that sociological theories are used for planning the public policies that have a bearing on sustainable development. That also enables sociological theories to bring the content of sustainability in the development field (Ratner, 2004). Indicating that ‘development’ is incomplete without contemplating the sustainability aspect of development, this makes ‘sustainable development’
the institutional part of development, and it also reduces the gap between sociological theories and public policy.  

Sustainable development, however, cannot bring social justice or economic development by not retaining the basic integrity of vital ecosystems’ (Ratner 2004:64). Thus, sustainable development cannot be an alternative to the economic growth model of development. Furthermore, sustainable development can be understood from the sociological point of view through its underlying structure by reformulating the basic categories of Max Weber’s classic work on the sociology of values (Ratner, 2004).

Nussbaum (2000) and Alkire (2005) trace the roots of the concept of ‘sustainable development’ from Aristotle’s work, as in the Nicomachean Ethics, Aristotle discusses human ethical behavior and eudemonia, meaning happiness, flourishing, good living, and well-being. It was nearly two thousand years ago that Aristotle had thought that the definition of a ‘good society’ should be the central task of philosophy, and defined the three significant realms of social progress which contain indicators having social, economic and environmental standpoints. The idea of the three realms in Aristotle’s work is used to gain an understanding of sustainable development, which must be achieved through a balancing of three areas: social, economic and environmental (Harris & Burns, 2004).

Thus, there are three important realms of sustainability agenda – social, environmental, and financial performances. Social entrepreneurship seeks a balance between these three realms of the sustainability agenda through its ‘triple bottom line’, i.e., through social, environmental, and financial performances. Another way social entrepreneurship meets the sustainability agenda is through its contribution towards the needs of goods and services. The latter part of the study seeks to inquire into these two aspects of social entrepreneurship that have not been fulfilled by the market and the state.

Nevertheless, the focus of the study is on analyzing the links between social entrepreneurship and sustainable development. The foremost relationship between the two is to do with the basic needs of the people. As discussed in the earlier section, the key goal of social entrepreneurship is to work towards meeting the basic needs of the people, i.e., through its goods and services. Meeting the basic needs of the people becomes the converging point for social entrepreneurship goals and development goals. The most acceptable definition of sustainable development – is development which meets the needs of the present without compromising the ability of future generations to meet their own needs by the World Commission on Environment and Development (Brundtland, 1987). The definition emphasizes that sustainable development requires meeting the basic needs of all, and provides all the opportunity ‘to fulfill their aspirations for a better life’ (Brundtland, 1987:16).

Another aspect of sustainable development which is crucial in social entrepreneurship is the need to reach out to the population missing from the development scenario due to the failure of the market and state. Social entrepreneurship reaches out to people by achieving ‘fairness in distribution and opportunity, adequate provision of social services including health and education, gender equity, and political accountability and participation’ (Harris, 2000:6).

In the literature, the evidence of sustainable development through social entrepreneurship can also be found (Yujuico, 2008; Ziegler, Schulz, et al, 2014) where social entrepreneurship gives attention
to both non-economic dimensions and economic development, especially the environmental sustainability of the earth for present and future generations (Ziegler et al., 2015).

The study indicates that social entrepreneurship and sustainable development both come under the purview of social equity. In the study, social equity in social entrepreneurship is ‘fulfillment of basic health and educational needs, and participatory democracy,’ which are also known to be the crucial elements of development, and are interrelated with environmental sustainability (J. M. Harris, 2003: 2). The aspect of social equity in social entrepreneurship makes it a channel for sustainable development, which is also an inherent element of sustainable development in social entrepreneurship.

**Business model - as a unit of analysis in social entrepreneurship**

The business model has been in use since the 1950s (Bellman et al., 1957), but the problem remains that there is no uniformity in its explanations by different scholars. It means that the business model means different things to different people who conceptualize it differently. Abdelkafi (2012: 314) attempts to solve the problem of not having a universally acceptable definition of the business model by introducing his value-focused business model framework. He defines a business model as ‘the way organizations or individuals communicate, create, deliver, and capture value out of a value proposition’ and recognizes that innovation for the greater good is beneficial for society and humanity.

In the context of the above-given definition of the business model, the study intends to inquire how social entrepreneurship functions through using the business model perspective for the effective implementation of SDGs. In this study, the business model perspective means how the characteristics of social entrepreneurship are used as the strategies to achieve the agenda that resonates with sustainable development. The following sections of the paper will be discussing these strategies, regarding their objective of public good.

The study considers that the business model is used in both academia and practice and is understood as an advancement of the strategy concept. The business model is the operationalization of a strategy into a plan of a business that facilitates the implementation of the strategy into structures and processes. Sommerrock (2010) explains that the conceptualization of the business model in social entrepreneurship integrates the business model concept into the broader context of the social entrepreneurship process. By integrating the business model concept into the broader context of the social entrepreneurship process, it helps in analyzing the way social entrepreneurship, as a business model, functions for sustainable development, i.e., by providing the goods and services such as education, health, and livelihood that integrate with sustainable development.

The ‘business model’ as a unit of analysis in social entrepreneurship invariably involves the activity of production and distribution of goods and services while a business model is to do with the pure strategies of production and distribution of goods and services. Besides, in social entrepreneurship, production and distribution of those goods and services is focused on the development and well-being of the people.

The business model perspective to study social entrepreneurship strategies is discussed at different levels. Social Enterprise Alliance indirectly emphasizes the ‘strategy’ of the social entrepreneurship business model. It defines social entrepreneurship as an earned-income business or
strategy undertaken by a non-profit organization to generate revenue to support its charitable mission (Defourny & Nyssens, 2012).

Likewise, Yunus (2010) explains that social entrepreneurship to be a new kind of capitalism, aiming to solve the humanities most pressing social needs. For Yunus (2009), social entrepreneurship is a mission-driven business approach, which he relates to the concept of social business, designed to address social objectives with a non-loss, non-dividend situation. According to this view, social entrepreneurship is a business model that makes the provision of goods and services to poor customers and covers all the costs through market resources.

**Why should there be a business model for social entrepreneurship?**

This section discusses the business model perspective of the strategies of social entrepreneurship that enables it to work towards sustainable development. The study aims to understand the implementation of these strategies and how they can be improved if there is a business model for social entrepreneurship. It also aims to explain how social entrepreneurship can achieve operational efficiency by developing a business model for itself.

The reason for employing the business model perspective here is that it can help define the strategies or mechanisms which would show how social entrepreneurship is communicating, creating, delivering and capturing value out of a value proposition (Marko, 2014). By value, it means ‘an overall view of a company’s bundle of products and services that are of value to the customer’ (Osterwalder, 2004:43). Some of these strategies and mechanisms are drawn from the literature and are discussed below.

As it is reflected in the literature, social entrepreneurship aims to achieve a greater good (greater good can be defined as the outcome of innovations for the common benefit and social innovation). If we study the strategies and mechanisms of social entrepreneurship as the components of the business model or give business model perspective to the analysis of social entrepreneurship, it is seen that the business model concept becomes a mediator between open innovation and the greater good (Abdelkafi, 2012). It means that social entrepreneurship works as an innovative business model using open innovation for the greater good.

Openness is another important strategy used by social entrepreneurship, which helps social entrepreneurship proactively look for good ideas from the outside world. By using the business model concept as a framework, social entrepreneurship can identify the areas of the organization that is affected by it. Use of the business model perspective also denotes the way of doing business (Abdelkafi, 2012). It is important to note that the advantage of openness can be leveraged only through adequate business models. And, for it, one requires to come up with the comprehensive business model framework.

It is suggested that social entrepreneurship can leverage the advantages of openness through the use of adequate business models. Moreover, the business model will provide coherence and a framework to study the principles of openness, helping in serving the greater good.

Social entrepreneurship has a unique value proposition, which is understood regarding the characteristics of social entrepreneurship. Abdelkafi (2012:301) explains the business model 'as an
adequate representation of reality...capture the real world...abstracts the complexity in operations and captures the essential mechanisms, according to which business is conducted'. As a concept, business model deals with value. It is seen in the context of the objective of social entrepreneurship, i.e., to produce value for the customers and themselves.

Nevertheless, if a social entrepreneurship organization fails to create value for itself, it may not survive. Which means that the adequate implementation of business models, which communicate with the characteristics of social entrepreneurship, is required for its success. A business model for social entrepreneurship would help achieve the objectives outlined by the characteristics of social entrepreneurship, and give it operational efficiency. Additionally, the business model would give social entrepreneurship a way to communicate, create, deliver and capture value out of a value proposition.

By developing a business model for social entrepreneurship, the essence of entrepreneurship can be redeemed. And the design of the business model must be emphasized which constitutes the components of a business and their relationship about its intended functions (Grassl, 2012). While the subjective individual qualities such as alertness, opportunity recognition or acceptance of risk are the properties of entrepreneurship, they can be incorporated in social entrepreneurship only through a particular design of its business model. It means social entrepreneurship must develop its design that can tie social entrepreneurship to structural and objective factors of social reality.

It is widely perceived that social entrepreneurship is hybrid, which is a mixture of characteristics on a continuum between two opposite poles, i.e., social and economic. The movement of social enterprises towards production is different from many privately held businesses as they are attentive to socially desirable distributive results (Grassl, 2012). "Social entrepreneurship then has a dual goal – at the microeconomic level to pursue projects that address specific social needs, and at the macroeconomic level to advance the civil economy within the economy as a whole" (Grassl, 2012: 40). Thus, social entrepreneurship requires a design for its business model, which would incorporate a continuum between two opposite poles.

Considering the implementation factors of social entrepreneurship in the Indian context, it is defined as a 'business instrument to address the issues of poverty, unemployment and inequity in society, through socially oriented business innovations' (Ministry of Skill Development and Entrepreneurship, 2015: 41). Social entrepreneurship is considered to be an innovation-driven phenomenon addressing the needs of the population at the 'bottom of the pyramid' (BoP), and meeting the needs of socially and geographically disadvantaged sections of society (Ministry of Skill Development and Entrepreneurship, 2015). It becomes all the more important to have a particular design of the business model for social entrepreneurship that would effectively deal with the issues stated above.

Thus, the characteristics or features of social entrepreneurship, i.e., innovation, particularly social innovation, meeting people's basic needs and social needs, and social value creation define the objectives of social entrepreneurship. These objectives play a crucial role in bringing sustainable development, coming through social entrepreneurship. This section discussed the reasons for which social entrepreneurship must have a business model for itself, so that it can efficiently achieve these objectives for sustainable development. Efficiently achieving these objectives also means that social
entrepreneurship in itself is a business model and has the potential to bring about sustainable development.

**Key aspects of social entrepreneurship business model**

Apart from what is drawn from the objectives of social entrepreneurship that have been discussed so far, there are also certain other aspects of social entrepreneurship which must be considered as crucial to the business model of social entrepreneurship.

The previous section discussed the social and economic attributes of social entrepreneurship, which poses a question of how social and economic value creation are combined with social entrepreneurship to become a self-sustained organization. The literature on social entrepreneurship does not provide clarity on how social and economic value creation are combined with social entrepreneurship. Social entrepreneurship needs a business model so that the solution to this particular problem can be found. And having a business model for social entrepreneurship will give a structure to the organization, which will help in finding out the way specific networks are built, and through the resource procurement strategies adopted by social enterprises ensure the creation of social and economic value. It will also help us know how the value so created reaches the right target groups (Mair & Schoen, 2005).

This will also help social entrepreneurship to have a clear strategy on combining social and economic value. Then the business model of social entrepreneurship can pay attention to external resources and develop creative mechanisms to avoid environmental barriers, which can be done by strategizing the three key resources, i.e., relational, cultural and institutional (Dacin, Dacin, & Matear, 2010).

Similarly, social entrepreneurship can use cultural knowledge, which is also a key resource for social entrepreneurship, and it helps to develop successful social entrepreneurial strategies and operational plans. Successful social entrepreneurial strategies and operational plans can be well incorporated in the implementation and the strategic planning of social entrepreneurship through a business model. The strategies and the effective use of relational resources help develop social entrepreneurship’s social network, i.e., social capital and social skills. Through a business model, social entrepreneurship strategizes its social network, as the success of social entrepreneurship is dependent on the utilization of social skills, especially in the developing economies. While there are also relational resources external to an organization, they are not internal to the organization as cultural resources are. The cultural resources are defined as ‘the norms, values, roles, language, attitudes, beliefs, identities, and aesthetic expressions of a community’ (Dacin, Dacin, & Matear, 2010:49). Social entrepreneurship puts institutional resources to use differently, which refer to the political, legal, and institutional infrastructure. The business model will help social entrepreneurship organize its institutional resources. Introducing political infrastructure can be in an underdeveloped region of a country, and institutional infrastructure can be the banking infrastructure. The problem of institutional barriers (the lack of skilled workers or struggling economies) occurs when there is a lack of understanding of institutional resources. The role of social entrepreneurship in this scenario is identified to create a resource that addresses the lack of institutions. That is why social entrepreneurship can be seen occurring where there are
significant socio-economic, cultural, or environmental problems, and shows the ability to create a resource that addresses the lack of institutions (Dacin et al, 2010). The ability to create a resource that addresses the lack of institutions is a unique aspect of social entrepreneurship and must be brought in its structural design through designing a business model. Social entrepreneurship addresses the lack of institutions by strategizing the use of relational, cultural, and institutional resources, which is also unique to social entrepreneurship and must be integrated into its business model design.

Another aspect of social entrepreneurship which must form the part of its business models design is its use of incentive structures to create relations with various stakeholders, which also has to do with value creation. Social entrepreneurship is ‘embedded in extensive networks made up of for-profit companies, non-profit organizations, local, regional, national and international public authorities and governments, and other institutions’ (Sommerrock, 2010:135), which helps in creating relations with various stakeholders, hence in value creation.

By having a business model for social entrepreneurship, the problems of scalability and sustainability of social entrepreneurship can be solved, as it will allow in understanding the strategies and skills employed by their counterparts (Dacin, Dacin, & Matear, 2010). It will help in understanding how social entrepreneurship can function as a business model to bring sustainable development.

**Using Hamel’s business model framework in the implementation of social entrepreneurship strategies**

Observing social entrepreneurship can be as a business model in understanding the strategies created or designed to overcome the problems related to the creative use of minimal resources. It also helps in building long-term relations with the clients and use the underutilized resources that are meant to satisfy unmet social needs (Leadbeater, 1997).

The study uses Hamel’s (2002) framework to understand how a business model for social entrepreneurship can be developed, considering the key objectives of social entrepreneurship. The example of SELCO is used to show how a social entrepreneurship business model can function, and hence used for achieving sustainable development.

This study understands the business model of social entrepreneurship through the framework provided by Hamel (2002) (see Figure 1). Hamel’s framework is used to show how social entrepreneurship business model functions.
The core components discussed in Figure 1 provide a systematic approach to attaining the social entrepreneurial goals, incorporating its objectives that lead to sustainable development. The business concept of SELCO is analyzed based on the component of the figure, and these components are observed to have further sub-components.

The four elements of customer interface in SELCO Solar Pvt. Ltd as per Hamel's (2000) model are fulfillment and support, information and insight, relationship dynamics and pricing structure. SELCO’s fulfillment and support ways define how it reaches its customers and the kind of customer support it offers. SELCO ensures that it provides the same quality of products and services to all its customers irrespective of their economic status. It sets up SELCO as a need-based solution provider. SELCO approaches its potential customers, rather than customers coming to it. It studies the needs of the potential customers and designs both the product and the financial plan according to their need and capacity to pay, and this approach helps SELCO to reach out to the bottom of the pyramid.

SELCO gains information and insight into the customer interface so that it can help serve them better. This aspect has to do with the basic and social needs of the target population. SELCO also works on the relationship dynamics with its customers and aims to establish trust with them. The pricing structure of the products remains the same for all the customers, as SELCO is a for-profit company. It works on ways to help its customers to get finance for purchasing their product and facilitate the repayment of the loans. There are cases where the customers make payments on a daily basis to repay their loan, as their earnings are also on a daily basis.

The core strategy of SELCO is its business mission is to provide redesigned off-the-shelf solar electric components to suit the particular needs of the urban and rural poor (Yale School of Management, 2009). The other subcomponents of core strategy are ‘product or market scope.’ The ‘product scope’ indicates that the solar products that SELCO deals with are unique because they are designed according to the needs of the person or a group who require them.

SELCO does an extensive need-assessment of a particular segment or activity to be able to match its competitors. An extensive need-assessment is another subcomponent of the core strategy, which is known as a ‘basis for differentiation.’ The products designed by SELCO are different from other products available in the market as these products could be the designing of a solar product for street

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Source: Hamel (2002: 92)
vendors, midwives or farmers, and the creation of solutions for particular needs of its target market. It means SELCO is constantly innovating its strategies so that it can reach out to the needy.

The strategic resources of SELCO are the core competencies, strategic assets and core processes of the business. The core competency as a subcomponent of the strategic resource includes the skills and unique capabilities of SELCO. SELCO realized that the success of solar installations for the poor depends greatly on designing financial solutions for their customers (Yale School of Management, 2009). It is a general thought that the capital expense of purchasing solar panels and batteries required for it is high, which keeps this technology out of the reach of those who live at the bottom of the income pyramid.

The core competencies of SELCO lie in their ability to be able to make their products financially viable for their customers. SELCO devised ways to bring banks and microfinance organizations to finance their solar products for their customers. It required SELCO to convince these financiers of the efficiency of solar power; gradually, SELCO developed partnerships with banks and microfinance organizations to plan loans and repayment strategies according to their customers’ repayment capacity.

Other subcomponents of strategic resources are ‘strategic assets’ and ‘core processes’. SELCO’s strategic asset lies in its strong network of centres that are completely decentralized. SELCO’s core process is its effort to provide reliable after-sales servicing. Dedicated and reliable customer support ensures that the customers continually use the products, and their service needs are fulfilled without delay.

Hamel’s business model framework has a component of configuration, which refers to the unique ways in which competencies, assets and processes combine and interrelate. This component is prominent in SELCO, where it has a strategy to link income-generating activities with energy services, and it also improves the quality of life of its customers. The strategy to link shows that SELCO creates market linkages to income-generating activities that also contribute to increasing affordability for the end user.

The value network is the last component of SELCO’s business model. In SELCO, supply, coalition and partners are the important subcomponents of the value network. SELCO has technological partners such as Massachusetts Institute of Technology (MIT), D-Lab, Engineers Without Borders (EWB), Engineers for Social Impact, and SDM Institute of Technology. By collaborating with them, SELCO works towards technologically advancing its products and meeting the agenda of providing technology (in the form of solar equipment) to the bottom of the pyramid population. Also, it aims to break the myth that technology is expensive and is meant only for the rich.

SELCO has also partnered with the community-based organizations, which has increased its reach to different sections of society. It not just increases SELCO’s outreach, but also gives them recognition and increases their goodwill among the users. Some of the prominent community-based organizations with which it has collaborated are Bharatiya Vikas Trust, Bangalore Rural Educational and Development Society (BREADS), and Shree Kshethra Dharmasthala Rural Development Project (SKDRDP).

This aspect explains the business structure of SELCO, as per the analysis of the lines of the framework provided by Hamel (2002). This analysis helped in bringing out the components of a
business model, categorically demonstrating that social entrepreneurship is a business model in itself. The analysis also explains that social entrepreneurship has an orientation towards meeting the needs of goods and services, laying direct impact on the wellbeing and development of the people.

Another important aspect emerging from the analysis of SELCO’s business model is that the elements discussed help SELCO meet its sustainability goals. The different components of the business model together ensure that profit is generated by mutually enforcing the different elements of the business. It also ensures that its solar products positively affect the quality of life of its customers, which meet the developmental goals of the organization. That is also the way SELCO creates social value.

SELCO’s example explains how Hamel’s (2000) business model framework can help achieve the goals of social entrepreneurship, which are guided by its characteristic features. The example of SELCO demonstrates how social entrepreneurship business model can function, and hence be used for achieving sustainable development. SELCO’s example also demonstrates that social innovation is crucial in the process of social entrepreneurship, an important feature of the social entrepreneurship business model that can help it to bring development to the people. That is the reason SELCO has innovated both at its level of product/service and its financing strategies. It is associated with multiple partners, such as banks, microfinance organizations and other financing agencies. Social innovation is involved as an integral part of its business model.

Conclusion

The discussion brought out the theoretical underpinnings to explicate the characteristics of social entrepreneurship, which integrates with objectives of social entrepreneurship. The knowledge of the objectives of social entrepreneurship makes it evident that these objectives are closely linked with the goal of sustainable development. The successful achievement of the objectives of social entrepreneurship is dependent on how efficiently these objectives are achieved through the strategies and the implementation. The idea of developing a business model for social entrepreneurship gets reflected through the analysis of the strategies used in social entrepreneurship. And it becomes evident that through a business model for social entrepreneurship, the sustainable development objectives can be achieved efficiently.

Hamel’s framework of business model helps in suggesting how a business model for social entrepreneurship can be developed, considering the key objectives of social entrepreneurship. SELCO’s case is analyzed, and studied as a business model that recognizes opportunities to improve the system and find new solutions to the problems. And it explains how a business model for providing products and services pertaining to social needs that underlie sustainable development goals gets created.

The case of SELCO also shows that social entrepreneurship as a business model reaches out to the poor by overcoming the obstacles that prevent businesses from reaching them. And it is achieved by social entrepreneurship by utilizing and combining the key relational, cultural and institutional resources. Thus social entrepreneurship shows ‘new paths and solutions, basing their designs on local needs rather than on the centralized assumptions of large institutions about what needs to be done’
(Seelos & Mair, 2005:243), which is also the key reflection from the analysis of the business model of SELCO.

End Notes

I. SELCO Solar Pvt. Ltd is a social enterprise established in 1995, providing sustainable energy solutions and services to under-served households (having grid electricity without adequate supply, or not having any electricity at all) and businesses. SELCO aims to empower its customers by providing a complete package of product, service, and consumer financing through grameen banks, cooperative societies, commercial banks and micro-finance institutions. They create channels for end users to afford systems based on their cash flow. (Case study on SELCO by Yale School of Management: available at http://nexus.som.yale.edu/design-selco; http://www.selco-india.com/impact.html)

II. ‘The process of inventing, securing support for, and implementing novel solutions to social needs and problems’ (Deiglmeier & Miller, 2008: 36)

III. In Europe, the term ‘social economy’ is identified with the third sector comprising non-profit organizations and organizations in which ‘the material interest of capital investors is subject to limits and in which creating a common patrimony is given priority over a return on individual investment’ (Laville & Nyssens, 2001).

IV. Social entrepreneurship is identified with socially responsible investments that are achieved through social, environmental, and financial performance or ‘triple bottom line,’ a term coined by John Elkington, which refers to social, environmental, and financial performance (Bornstein & Davis, 2010).

V. It was formed as National Gathering for Social Entrepreneurs in 1998, and later the name was changed to the Social Enterprise Alliance (SEA). It’s been the champion and key catalyst for the development of the social enterprise sector in the United States (https://socialenterprise.us).

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