

Social Business Models: When Profits and Impacts Are Not at Odds

Elisa Pautasso, Matteo Castagno, Michele Osella

Abstract—In the last decade the emergence of new social needs as an effect of the economic crisis has stimulated the flourishing of business endeavours characterised by explicit social goals. Social start-ups, social enterprises or Corporate Social Responsibility operations carried out by traditional companies are quintessential examples in this regard. This paper analyses these kinds of initiatives in order to discover the main characteristics of social business models and to provide insights to social entrepreneurs for developing or improving their strategies. The research is conducted through the integration of literature review and case study analysis and, thanks to the recognition of the importance of both profits and social impacts as the key success factors for a social business model, proposes a framework for identifying indicators suitable for measuring the social impacts generated.

Keywords—Business model, case study, impacts, social business.

I. INTRODUCTION

IN recent years many organisations have focused their activities and investments on initiatives with explicit social purposes. This phenomenon arose as a consequence of the economic crisis started in 2008 [1], [2] and of the related emergency caused by increasing social needs to be satisfied [3].

When it came to such downturn, people's attitude has been diversified: on the one hand, some individuals have preferred to isolate themselves while, on the other hand, different individuals have adopted a more proactive approach aimed at coming to grips with solutions (often in a collaborative / participatory way) in order to tackle this new breed of tough challenges. This proactive approach in some cases has led to the birth of entrepreneurial initiatives. Despite the crisis, those emerging enterprises have created new jobs and sometimes also new forms of work contributing to social inclusion and innovation. Currently, according to the European Commission, one out of four companies in the European Union falls into the social economy category [2].

The resulting diffusion of social enterprises in Europe has been multifaceted and different in each country. For example, the advent of this new form of enterprise has required normative regulation that has been handled differently by each national Government [4]. Furthermore, the contours of a social initiative or enterprise still remain fuzzy at definitional level

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because it is not easy, and probably correct, to state whether a business venture is social and, if so, to determine “how much” social it is [5].

The absence of a unique, consensual view of social enterprise definition can be thus considered a motivation that determines the necessity of creating a transversal framework of analysis that could be applied to every social business venture notwithstanding local regulations and laws.

In addition, even traditional companies have understood the importance of introducing social objectives in their strategies. This approach can be associated to Corporate Social Responsibility (CSR) initiatives, regulated by some standards as the so-called international standard SA8000 – elaborated by the American entity Social Accountability International (SAI), which includes nine social accountability requirements to be met by organisations – and the ISO 26000, which was approved in 2010 by the International Organization for Standardization (ISO) with the primary goal of sensitising every kind of ventures about their generated impacts on society and on environment. Reporting the specific definition of such standard, the ISO 26000:2010 “[...] provides guidance on how businesses and organizations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of society.”

Initially, many companies took advantage of CSR simply as a marketing tool in order to boost their brand image to the eyes of the public opinion. Subsequently, enterprises have gradually started to set social or environmental goals as a key part of their core strategies for improving internal processes or for the creation of a “shared value” as stated by Porter and Kramer in their acclaimed article “Creating Shared Value” [6].

It is certainly true that relevant CSR examples might generate stronger impacts than other initiatives because they can get the advantage of large amount of money generated by the for-profit branch of the company at their back. Probably, in such a situation, an analysis as the one that will be proposed in this document is highly needed for understanding if a company undertakes CSR initiatives for increasing its brand image or if it is really able to reach notable social impacts and improvements.

As a consequence of this phenomenon, social entrepreneurs and, in general, managers interested in developing social activities within their company need to understand how to design a business model in which profit and social impacts are not dichotomous.

Drawing on the previous considerations, this work attempts to answer the following research questions:

1. What are the differences between a traditional business model and a social one?
2. What are the main elements that a social business model should include?
3. What common features characterise successful social business models?
4. How could social impacts be taken into account (and measured) in the design of a social business model?

In order to appropriately answer these questions, in this paper we carry out a case study analysis considering a selected set of pertinent ventures involved in social activities. In particular, through the analysis of the distinctive traits of their business models, we are going to lay bare key success factors for developing a social initiative that aims to be, above all, self-sustainable and, if possible, scalable .

The main objective of this paper is thereby to analyse successful social business models in order to provide useful insights to entrepreneurs interested in developing scalable solutions or in improving their initiatives.

This paper is structured as follows. After the introduction, the research methodology is illustrated in Section II. Section III offers an in-depth literature review on the role of business modelling for enterprises undertaking social initiatives. Furthermore, chapter IV provides findings gleaned from the case studies that have been conducted. Finally, the paper gives details on the evaluation of social impacts in Section V and provides some conclusive considerations in chapter VI.

II. METHODOLOGY

The methodology that is adopted in this paper consists in a mixture of desk research aimed at rigorously reviewing and systematising the state-of-the-art (i.e., multi-disciplinary literature review) and empirical inquiry (based on case study analysis).

The overall objective of the paper, in fact, should be achieved through the following steps:

1. Literature review on business modelling for social initiatives, which lets us to identify the main theories on how to describe a social business model and thus to discover an appropriate representation of the “social business model canvas”.
2. Case study analysis, in order to identify key success factors of a social business model and categorise the most relevant initiatives.
3. Further literature review on the different approaches for measuring and describing social impacts, since a common thread running through the analyses conducted at step 1 and step 2 is the relevance of social impacts in the design of a social business model.
4. Final recommendations emerging from the indications discussed in the previous steps.

Fig 1 portrays the methodology adopted: whilst the boxes contain the applied methods of analysis, outcomes resulting from each method are indicated along the arrows.

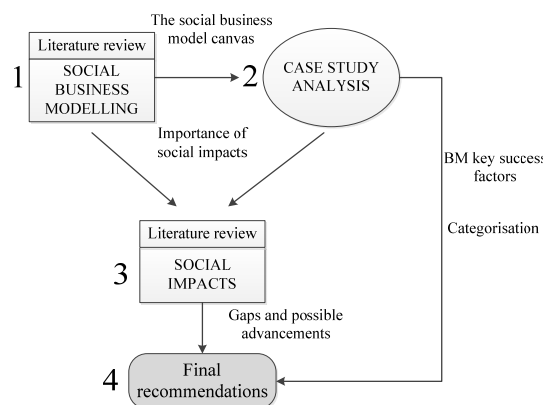


Fig. 1 Research methodology

III. LITERATURE REVIEW – SOCIAL BUSINESS MODELS

In the last two decades business analysts have focused so much their attention on the concept of business model innovation, that it is becoming even more important for determining an enterprise success than product or service innovation [7]. Thus, the definition of a clear, sustainable and precise business model might be considered a fundamental topic that every entrepreneur interested in developing a new solution or in reinventing his/her core business has to take in consideration.

Consequently, even entrepreneurs and managers willing to focus their business initiative on social aspects should define and understand the business model underpinning their actions, in order to develop a solution that:

- helps to achieve the social goal (mission);
- is sustainable and, possibility, scalable in the mid/long-term.

Even if the two above-mentioned objectives seem to be mutually exclusive at first glance, relevant examples of successful social endeavours launched by private entities exist. For this reason, many practitioners and scholars have ventured into the investigation of the so-called “social business models”.

Alex Osterwalder, the creator of the well-known management tool “business model canvas” considers the so-called “beyond-profit” business models at the same level of the profit-oriented ones related to big corporations [8]. However, he emphasises two peculiar aspects:

- the different role between customers and beneficiaries;
- the necessity to declare somehow the social / environmental benefits generated by the initiative.

The important role of social issues in the design of the social business model is, indeed, declared by Yunus [9] and furtherly recapped by Micheline [10]. In those visions the “social profit equation” should integrate the “value proposition”, “value constellation” and “economic profit equation”, which are pivotal building blocks of a traditional business model.

Starting from these analyses, many practitioners have proposed alternative versions of the “business model canvas” designed by Osterwalder [8] with the aim to provide a tool,

similar to the original one but suitable for bringing to the fore social specificities, which should be used by a social entrepreneur or by any manager interested in introducing social activities in its company's strategies. The most relevant examples are given by the social business model canvases proposed by Ingrid Burkett (Knode) [11], by the Young Foundation [12] and by the Social Innovation Lab [13].

TABLE I I proposes a critical scrutiny of the three canvas versions that will help us to set out the main principles for the business models analysis be carried out in Section IV.

TABLE I
THE SOCIAL BUSINESS MODEL CANVASES, COMPARISON

Source	Pros	Cons
Knode [11]	Canvas blocks are the same as the standard	Difficulties in clearly distinguishing between what is "social" and "no social" in all the blocks
Young Foundation [12]	Surplus box Social value proposition Role of beneficiaries Macro-economic environment Competitors	The standard structure is not maintained
Social Innovation Lab [13]	The standard boxes are maintained, with some additions: - Surplus box - Value proposition box divided in 2 (social, customer) - Impact measures box - Beneficiaries box	Even if the standard structure is maintained, the boxes disposition is confused (e.g., value proposition has not a central role; right and left sides are inverted)

Coalescing the considerations resulting from the comparison made so far and the body of knowledge resulting from the literature review, we believe that the most appropriate way to analyse a social business model is to adopt an approach that is consistent with the traditional business model canvas [8] as much as possible. However, social entrepreneurs should integrate this vision with all the elements that could fall under the banner of "social value equation" and in particular:

- surplus: it represents an indication on how profits are intended to be reinvested;
- impacts measurement: it allows to clearly understand if the action is going to generate social changes;
- beneficiaries: it is fundamentally important to include this segment, which can be made-up of "non-paying" customers;
- social value proposition: it discerns the value proposition perceived by beneficiaries from the one addressed to customers.

IV. CASE STUDY ANALYSIS

A. Case Study Analysis: Methodology

Case studies are considered most appropriate as tools in the critical, early phases of a new theory, when key variables and their relationships are being explored [14], [15]. In the wide-ranging realm examined by the present paper, in particular, little consensus exists in the literary landscape about neither

business model structures behind purpose-driven entrepreneurship nor the evaluation of the yearned-for impacts. In addition, this paucity of rich and consolidated theories in the field calls for the use of exploratory case studies [16].

Such a methodology adopted for the case study analysis consists in three major steps:

1. identification of a long-list of cases suitable for the analysis as instances of categories such as social enterprises, social start-ups and Corporate Social Responsibilities (CSR);
2. selection of a short-list of cases to be examined according to specific criteria;
3. analysis of each case according to a pre-defined template and subsequent harmonisation of the results.

Regarding afore-mentioned fieldwork conduction, each unit of analysis examined through case study methodology is a company centred on "social business model". The case design is based on a "multiple case design" logic [15] in which the presence of several contexts under examination is oriented towards heterogeneity rather than replication. In terms of distribution of units of analysis, the embraced approach is "holistic" [15], thus a single unit of analysis exists per each case. Selected companies are the result of a logic that follows a mixed approach combining empirical sampling with theoretical sampling: whilst the empirical sampling allows to concentrate on exceptional cases of success or popularity, the theoretical sampling is geared towards the collection of a "structured" sample in light of prearranged *a priori* research purposes. Theoretical sampling, in particular, has been framed around a cohort of dimensions as follows:

- relevance of the initiative (i.e., worldwide recognition as best practice, high capacity to achieve scalability, etc.);
- geographical location;
- typology of entrepreneurial activity (e.g., CSR operation, start-up, social enterprise);
- satisfied need.

The aim of this composite approach is to offer a fine-grained set of different social business models for bringing up every peculiarity of the social ventures through a rationalisation of the cases studied, as the reader will see in the next sections.

In the Table II it is possible to find the resulting thirteen selected cases, which are composed by 9 enterprises (both for-profit and not-for-profit), 1 CSR operation, 1 start-up, 1 joint venture and 1 microfinance organisation and development bank.

After the cases selection, the structure of the analysis has been framed around four relevant aspects, pinpointed and briefly described in the list below:

- Scenario: description and relevance of the initiative;
- Value Proposition: the elements characterising the value offered to customers and beneficiaries;
- Economic profit equation: revenue sources, cost structure, pricing model and (if any) investments made;
- Scalability and replicability: strategic developments for growth and sustainability in the medium and long term.

TABLE II
SELECTED CASES LIST

Name – (Link to the website)	
Connected Care Project (http://www.turning-point.co.uk)	Lumni (www.lumni.net)
Vitaever (http://www.vitaever.com/)	BrightBytes (www.brightbytes.net)
PuR (https://www.csdw.org/csdw/index.shtml)	My Ways (www.myways.com)
Grameen Bank (http://www.grameen.com)	Taskrabit (www.taskrabit.com)
Shokti Doi (www.danonecommunities.com)	Unjani “clinics in a box” (www.ihs.za.com/content/clinic-in-a-box-0)
Kiva (www.kiva.org)	BigBelly Solar (www.bigbelly.com)
Peepoople (www.peepoople.com)	

The application of the afore-mentioned elements of analysis to the selected thirteen cases follows the outputs emerging from the analysis carried out in Section III. In this way, it has been possible to draw the lines of the business model analysis applied to the social sphere of entrepreneurship for better recognising, understanding and enhancing social initiatives.

B. Case Study Analysis Results: Distinctive Features

The common and relevant traits arisen from the cases inquired have led us to define some dimensions helpful for rationalising the characteristics of social initiatives. The logic behind this process draws on the previously cited tool “business model canvas” ideated by Alex Osterwalder [8]. Then, considering both the literature review about the proposed social business model canvases and the analysis of the case studies, it has been possible to set the main features at the back of the overall evaluation logic of social endeavours’ prominent aspects.

After the investigation of the thirteen cases, three main features for evaluating social business enterprises have been pointed out in Fig. 2, and described below.

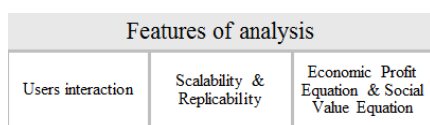


Fig 2 The three pillars of the analysis

Before diving into the description, it has to be remarked that, as for traditional business models, the first step when an entrepreneur runs a social activity (or when s/he is evaluating an existing one) consists in the definition of the value proposition taking into account both the customers and the beneficiaries. The first feature of analysis considers, in fact, the relationships existing between these two different users of the social initiative. Making reference to the case study analysis, it comes to light that meaningful value exchange is often achieved through a platform that enables the interaction between subjects who benefit from the value proposition offered and individuals willing to pay for taking advantage of it. Reasoning by analogy, this kind of platforms resembles the

well-known economic platforms known with the moniker of “Multi Sided Platforms” (MSP) [17], which connect two (or more) distinct but interdependent groups of customers and try to get the two sides “on board” by appropriately charging each side (frequently only one side is charged, as it happens in this circumstance) in light of indirect network externalities. The recognition of this recurring pattern is essential for defining the mission of the social initiative considered and for grasping needs and necessities of the specific market served. And in fact, the latter are usually niche markets involving business ventures pursuing social goals; consequently, the definition of an intent addressing a miscellaneous mass of customers would be completely misleading if the interaction mechanisms and the delivering channels are not precisely depicted.

The second characteristic under the lens refers to the tenets of scalability and replicability; these notions appear crucial and they allow to shed light on the relationships between every relevant stakeholder and on the strategic partnerships with NGOs, local administrations, associations and credit institutes; these partnerships could be extremely important for having the access to credit easier. In this phase, making a strategic positioning analysis, and understanding the potential interconnection with the stakeholders and partners networks, is needed for emphasising strengths and dealing with weaknesses in order to widen the scaling opportunities and reach a critical mass of beneficiaries. If a social business does not scale, it will not generate significant impacts. And this concept is also related with the peculiarities of a MSP: in fact, due to the network externalities, the value perceived by the actors of one side of the platform increases if the number of actors on the other side of the platform grows.

The last dimension considers the correlation between the economic profit equation (i.e., it includes the revenue stream and the costs structure) and the social value equation (i.e., it reports how a company generates social gains and benefits, and consequently it is a proxy for managing the surplus which is useful to the development of a company’s portfolio coherently with its mission). The interesting aspect regards the revenue streams, which can be split in two different areas:

- Revenues strictly related to the social impact: the value generated by the product and/or service cannot be sold to the customers. In this circumstance, it is likely to raise money by donors, charity operations and, for CSR actions, by the practice of cross subsidisation.
- Revenues related both to the social impact and to the commercial one: the companies are able to autonomously generate revenues without distinctions between customers and beneficiaries. In unison with this concept, the typical forms of sales are, *inter alia*, licencing, intermediation fee and servitisation fee.

Finally, it seems essential for any social oriented company to acquire the capabilities for measuring the social impacts generated by its actions. This fundamental point is particularly discussed today among social enterprises analysts and it will be analysed in section V.

In conclusion, in our vision, the key success factors for a social business model are summarised in the following image

(Fig 3).

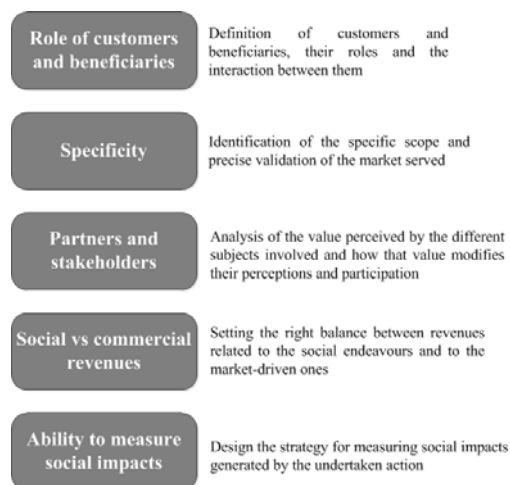


Fig. 3 Key success factors for a social business model

C. Case Study Analysis Results: Market Segments and Related Needs

As a consequence of the intention to make the comprehension of specific social initiatives easier, we devised the Fig. 4, resulting from the case analysis conducted but also firmly grounded on some findings presents in literature. The figure proposes an elaboration and a synthesis between target market segments – rows of the table – and the related needs – columns of the table.

The market segments can be split into four different categories:

1. Bottom of the Pyramid (BOP): it is the largest but poorest socio-economic group; in global terms, this is made up of 3 billion people who live with less than US\$2.50 per day [18]. This market segment is dominated by informal economies, often inefficient, and it is characterised by a very high potential growth.
2. People with Special Needs (SN): the term was introduced by the World Health Organization (WHO) [19] and it refers to people who have medical and social dysfunctions, representing the 15% of the global population, 80% of which belong to developed countries.
3. Prosumers: the term was coined by Toffler [20] by hinting at “proactive consumers”. This kind of market is based on dynamic relationships between subjects cooperating for reaching the same objective which can be economical, societal or environmental focused. The term has been chosen in line with the concept of peer economy [21], for giving the idea of active and operating subjects exchanging activities for activities and not only money for services rendered.
4. Traditional customers: this segment represents the remaining part of the population.
5. The intersection between the needs and the target market segments moulds a hierarchical qualitative scale identifying the degree of every single relation. The needs have thus been differentiated into 6 different categories,

coherently with the results of the cross case analysis:

1. Emergency (EM): it is related to natural disasters, marginalisation and religious conflicts.
2. Health & Wellbeing (H&W): these needs are referred to the primary ones (i.e., food, security, shelter, etc.) and also to bad pathologies.
3. Social (SOC): it is enclosed in the sphere of social assistance and services addressed to elder people and deprived subjects.
4. Financial (FIN): it regards financial aids for improving and promoting entrepreneurial initiatives in developing countries aiming at the autonomous and independent financial position of the subjects involved.
5. Environmental (ENV): it concerns the preservation of the environment in terms, for instance, of pollution reduction and garbage disposal.
6. Logistic (LOG): it indicates, referring also to redistribution markets, the possibility of extracting value from second hand goods and new ways of organizing logistic in underdeveloped countries.

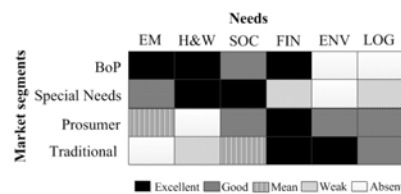


Fig. 4 Market Segments and Needs Matrix

The hierarchical qualitative scale, indicating the level of interrelation between the two macro categories of the table, sheds light on some peculiarities associated to the case study analysis. For instance, it can be observed that the economic and financial area is the most recurring one, just followed by the area referred to the health needs and the one referred to the social insufficiencies. Within these three areas, in fact, the possibility to develop self-sustainable and scalable solutions is higher as a consequence of the magnitude of the generated engagement with beneficiaries.

In addition, another peculiarity emerging from the case study analysis is that all the actions addressed to the BOP market were undertaken by multi-national corporations; in fact, as for instance the case of Shokti Doi, such big companies have the economic resources and solidity for investing money and building the needed structure for running the operations.

Furthermore, in order to collocate in the global ecosystem of all business activities the social initiatives, we created a visual tool for identifying the types of business initiatives, based on two relevant dimensions which distinguish four separate areas. The two dimensions take into account both the importance of profits and their relevance according to the overall vision of the company, and the main focus of the company’s mission that could either pursue social goals or be strictly focus on the pure market dynamics.

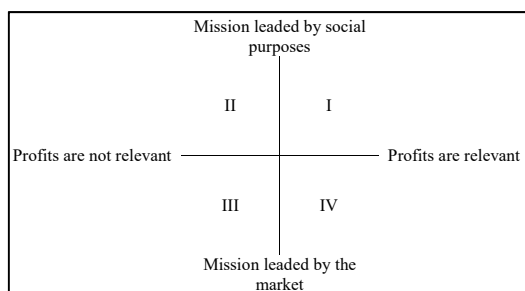


Fig. 5 Clusters of business initiatives

The quadrant I is crucial because it contains the organisations with a social mission but that consider profits as vital for their operations. This is probably the most relevant (for our analysis) of the four spheres identified. Within this area there should be positioned those companies which operate for creating positive externalities and benefits for the society; in addition, those companies envision profits as an instrument for verifying their growth and their efficiency, for having, even without external funding, the necessary amount of money to invest in the core activities. The initiatives associated to this area are the most promising ones in terms of creation of a transformative successful ecosystem through the so-called triple bottom line [22] approach.

The quadrant II involves non-profit companies operating in the third sector with philanthropist targets; charity associations, religious organisations and foundations are part of this area and they operate with the “minimum” economic purpose of recovering costs with the generated revenues. Furthermore, they are conceived both for receiving donations by members or by third parties and for offering their services and/or products under the payment of fees necessary for facing the unavoidable expenses.

The quadrant III identifies those actions driven by marketing, visibility and presence within the society for those business initiatives which do not care about making profits and undertake such social activities even if the core mission of the company is different; in this case it is possible to find many examples of CSR operations.

The quadrant IV reflects the “classical” approach of traditional businesses characterised by a market driven mission with the aim of profits maximisation and the remuneration of the shareholders.

So far, it should be unambiguous – having a clear classification of business ventures in mind – that the enterprises analysed in the current paper belong to the I and to the III quadrant.

V. CONSIDERATIONS ABOUT SOCIAL IMPACTS

The bird’s-eye view of the cross-case analysis has cast light on the necessity to better investigate how evaluating social impacts. As it is stated in Section IV, the expected impacts, related to each single business initiative of the cross-case analysis, are harmonised with the triple-bottom line approach. Thus, the aim of this section is to offer some useful hints to a potential analyst for carrying out a duly impact assessment.

The concept of analyst is referred to a general subject involved in the process of social impacts evaluation (e.g., social entrepreneurs, manager, researcher or other external subject willing to assess impacts generated by social endeavours).

However, despite the importance of identifying social impacts, in literature there is not a unique consensus on “how” to and “if” measure them. In fact, many approaches for gauging social impacts have been used hitherto but no one of them has been recognised as a standard yet. Moreover, the idea that social impacts might be summarised into a single effective measure can draw criticism [23].

All the methodologies for measuring social impacts are well recapped by Ebrahim and Rangan [24]. Among all the proposed methodologies, the SROI (Social Return on Investment) method seems to be the most used techniques in practice [25], [26]. This approach consists in a set of “stages” to be followed for assessing social impacts. In this process, the phase of identifying measurable outcome indicators is particularly awkward: they should be relevant to the stakeholders and to the scope, and the analyst should be able to measure them with the resources and data s/he has. Moreover, in order to identify a monetary value, in some cases some proxies of such indicators are needed.

For some aspects SROI technique could be associated to the classical cost-benefit analysis [27], because in both cases the main objective of the evaluator is to measure impacts using a monetary point of view. The main differences between SROI and cost-benefit analysis rely especially on three points [28]:

1. In the SROI approach there is the explicit reference to the stakeholders;
2. SROI method does not recommend the concept of comparability;
3. The presence of proxies and assumptions is fundamental in the SROI approach.

Finally, another well-known tool used to measure social impacts, for some aspects similar to SROI, is the social accounting approach, developed by the Social Audit Network (<http://www.socialauditnetwork.org.uk/>). Through this method the social value of an intervention can be estimated. However, while SROI focuses on the perspective of change expected by different stakeholders as a result of an activity, social accounting starts from an organisation’s stated social objectives. Moreover, social accounting does not advocate the use of financial proxies and a “return” ratio.

Despite analysts do not agree on how to measure social impacts, their opinions on the different approaches regarding the main steps that should be followed for the measurement of social impacts are converging on the same framework [29]. The social impact measurement is, thus, an iterative process that involves 5 steps:

1. Setting the objectives, in order to clearly identify the social impact sought;
2. Analysing stakeholders, which helps to understand the role of external parties involved in the intervention;
3. Measuring results, identifying a “theory of change” [30] for social impact, putting in place a precise and transparent procedure for measuring and reporting on

inputs and outputs;

4. Verifying and valuing impact, for analysing if the targeted outcomes are achieved in practice, if they are apparent to the beneficiary stakeholder, and if they are valuable to that stakeholder;
5. Monitoring and reporting, for improving impacts and refining the process.

This vision is followed and recalled in many seminal guides to social impacts evaluation, such as [31]-[34].

The literature review that has been conducted reveals the presence of some issues that need to be tackled in order to support social entrepreneurs in the delicate phase of assessing the impacts generated by their initiative.

One of the most challenging questions emerging from the discussion is connected to the identification of acceptable indicators for the measurement of the impacts. In order to overcome such difficulty, we have distilled a framework meant to drive the selection of indicators for measuring social impacts (Fig 7). An approach in this vein will overcome the hurdles having to do with proxies and assumption and this will reflect the possibility for the evaluator to define measurements reflect as best as possible the outcome sought.

Such framework should be described after having focused our attention on the fact that a number of trade-offs are likely to occur while delving into KPI selection.

For instance, at a first glance analysts are willing to measure – following the principle of “completeness” – all possible phenomena but this occurs only before they realise the labour-intensity and the costs which are required: a principle of “sustainability” tends inevitably to counterbalance the inherent tendency to be exhaustive. As a supplement, the relevance of the indicator for the specific case/initiative seems physiological to be pursued in order to put under the spotlight phenomena which are very significant for the observer. However, once ascertained that an analysis does not take place in a vacuum, the coherence with indicators considered in literature becomes pivotal to guarantee comparability with similar cases.

Taking stock of such trade-offs, which are accompanied by several others, value for the analyst is sought by striking the right balance between extremes of the continuums representing trade-offs (Fig. 6).

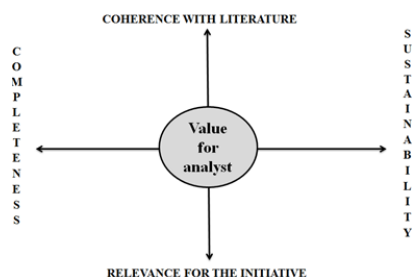


Fig. 6 Trade-offs in KPIs selection process

Therefore, for the purpose of mitigating trade-offs in KPI selection, it is possible to conceive a set of indicators suitable for representing the social impacts of an initiative. Such

indicators are the fruit of a bottom-up approach analysing the whole characteristics of the single initiative and then filtering them according to a “funnel” crafted as follows (Fig. 7).

- Relevance of the indicator with the objective of the analysis and for stakeholders involved.
- Adaptability to be expressed in monetary terms: in fact, for some measurement methodologies (e.g., SROI) the indicator should have a monetary value and, in these cases, a monetisable indicator is preferred, thus further proxies can be avoided.
- Availability of the data.
- Magnitude of the time and cost needed for calculating the indicator(s).
- Frequency of data update: as intuitive, fresh data should be preferred.

In this way evaluators will be able to identify most useful indicators for measuring social impacts, avoiding imprecisions and proxies.

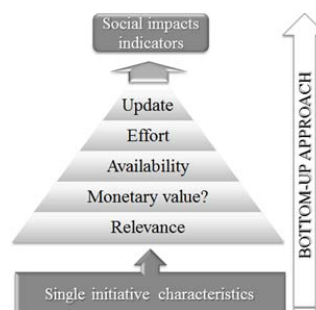


Fig. 7 Social impact KPIs selection framework

VI. CONCLUSIONS

This paper has investigated social business models in order to identify key elements that should be taken into consideration by any entrepreneur aiming at developing or improving his/her company’s social attitude. The integration of literature review findings and case study analysis results lets us to discover the main specificities of social business models and finally to schematise them. Moreover, we have been able to analyse social business models in terms of market segments and needs satisfied, underlying the most frequent interrelations between these two categories. Finally, we have focused our attention on the evaluation of social impacts, as both literature review and case study analysis have revealed the importance, but also the complexity, of this step for determining the success and the scalability of a social business initiative.

The main findings of this research might be summarised in the following three points.

First, the importance of designing a business model is crucial for social initiatives as well as for traditional companies. Consequently social entrepreneurs and, more in general, managers interested in introducing social activities in their business should consider to undertake this core activity before launching their idea and progressively check and update it with the development of the project.

Second, social business models differ from the traditional

ones for some peculiarities having to do with the duality existing between profits and impacts: if on one hand the social goal is the main mission of every social initiative, on the other hand profits are needed to guarantee, first of all, the project sustainability and, later, its scalability. Therefore social business models, for instance, should explicit the different role between customers and beneficiaries, distinguish the social from the economic value proposition and consider the important phase of monitoring the social impacts generated.

Third, the evaluation of social impacts has a central role in any social business model. Even if this stage could be particularly complex and debatable, we believe that social entrepreneurs should learn to identify the most useful and suitable impact indicators using a framework that envisages the collection of all possible measures for social impacts and then their selection using specific criteria (i.e., relevance, monetabilisation, availability, effort and update). This approach will enable them, in a first time, to adopt a global vision and, then, to select the most useful information avoiding controversial proxies and approximations.

In the conclusive remarks it is crucial to discuss also some of the limitations that characterise the presented work, as they may represent an interesting starting point for future research. In spite of the methodological rigor, external validity may represent the Achilles' heel of every empirical inquiry profoundly related to the context. External validity (or generalizability) is grounded in the intuitive belief that theories must be shown to account for phenomena not only in the setting in which they are studied, but also in other settings [35],[36]. Transposing this general principle to the present paper, the limited gamut of companies considered as units of analysis, coupled with the remarkable influence of some contextual variables, could have led us to partially lose sight of some other relevant aspects of social businesses. However, to mitigate this "menace", the selection of cases has been painstakingly conducted by considering a range of criteria which allowed us to opt for a set of cases that, in our opinion, is sufficiently differentiated and representative.

Besides these issues, the research presents stimuli for further studies. Trying to envisage future works based on this research endeavor, next step may be about expanding the spectrum of fieldwork activities by adding, for instance, interviews with social entrepreneurs. The voices of such key informants will provide us with more precise, first-hand information and their feedback will be an unparalleled "litmus test" for the validation of the framework devised for social impact evaluation. In addition, this involvement of informants will guarantee the presence of multiple sources of evidence in data collection, known as data "triangulation" [37], which will notably contribute to ensure a high degree of trustworthiness.

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