Social entrepreneurship and the creation of shared value

- Mechanisms for handling the tensions of having both social and economic goals

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Executive Summary

**Background** Even with the continuous development of the world economy some regions are still lagging behind. In such regions, regulations and bureaucracy often makes it difficult for larger corporations to thrive, and to further make things difficult, these regions are often faced with problems that require novel solutions bigger corporations sometimes are unable to provide. Instead, entrepreneurs, with their flexibility and innovative tendencies are presented with huge opportunities. Both in literature and in reality a new type of entrepreneur, the social entrepreneur, have been given increasingly more attention. Although the definitions of such entrepreneurs are as many as the forms they take on, what sets them apart from other entrepreneurs is their social mission, which they pursue though the means of entrepreneurship and business. However, these are still poorly understood and literature on the subject is scarce. Literature revolves heavily around the problem of defining these entrepreneurs, although some have moved on and are looking into the business model configurations of social entrepreneurs. Further, one common problem such entrepreneurs seem to face is the inherent difficulties in pursuing dual goals and their need to deal with stakeholders who might have other interests at heart than social value creation. Although many scholars highlight these tensions, none have presented strategies for dealing with it.

**Purpose** Therefore, the purpose of the study is to explore how social entrepreneurs through their business models handle the balance of creating social value and capturing economic value.

**Method** The study was done as a case study looking into seven different social entrepreneurs all residing in South Africa, specifically in Pretoria and Cape Town. The study was done in collaboration with mLab, a non-profit incubator for IT-entrepreneurs, which contributed with introductions and help in the selection of cases.

**Findings** The study was divided into three parts, the how, the who and the why elements. Under the how element, which contains the business logic that explains how the business will create social value and capture economic value, three mechanisms were found that the entrepreneurs used to handle their balancing of dual goals. First, it was found that the entrepreneurs showcased a really tight intertwining between their social and economic value creation, here called the Integration of social and economic value creation. This means that the social and economic value creation in many cases were inseparable, and were mutually reinforcing. Second, it was observed that many of the entrepreneurs were dependent on a high number of revenue streams, and in many cases quite complex mechanisms. This mechanism is here called Diversifying of revenue streams, and highlights the fact that to combat the difficulties in capturing value for social entrepreneurs, many of the revenue models were geared towards capturing value from other stakeholders than the underprivileged groups the business were serving. The third, and final, mechanism under the how element, was the leveraging of strategic partnerships. This show how many of the entrepreneurs try to create and leverage partnerships with external stakeholders in order to either create social value or to capture economic value.

Under the who element, which contains the different stakeholders that are involved in the business as well as their interests and motives, one mechanism was found. The mechanism, called Selection of aligned stakeholders, observes that many of the entrepreneurs in order to lessen the tensions and balancing of stakeholder with conflicting motives, try to select stakeholder already aligned with their social missions.

Lastly, under the why element, which aims to relate the goals of the several entrepreneurs to the mechanisms found, a categorization showed the entrepreneurs were
different from each other, in terms of their driving forces and dividends policies. However, four of the cases showed similarities and were categorised as socially driven commercial ventures. An observation of particular interest was that these socially driven commercial ventures was closely linked to the second mechanism under the how element, namely the diversifying of revenue streams; the socially driven commercial ventures seem to have both more, and seemingly more complex, ways of capturing economic value from their solutions, than the other entrepreneurs.
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1. Introduction

This chapter contains a shorter background, followed by the purpose of the study.

1.1 Background

In a global economy still very much exposed to, as well as vulnerable to, economic shocks, the African continent have been showing promise as an emerging market. Over the last decade, Africa has been one of the fastest growing continents, with annual growth rates averaging over 5 percent (“The twilight of the resource curse?,” 2015; World Economic Forum, 2015). Though much of this growth has been resource-driven and can be accredited to high commodity prices it only tells part of the story. As with all other economies, Africa was affected by the Great Recession, but despite falling commodity prices the continent managed to maintain a positive growth throughout the crisis; the continent’s GDP grew 2 percent in 2009, which can be compared with a downturn of 4 percent in the US, 2.8 percent in Europe and 1.5 percent in Latin America (Aré et al., 2010). The recent decline in oil prices have again shown that the economic growth in the Sub-Saharan region is not exclusively tied to natural resources. Although slowing down growth marginally, the fast growing manufacturing and service sectors contribute to an expected expansion of 4.2 percent this year (“The twilight of the resource curse?,” 2015; World Bank Group, 2015). However, the sectors that have grown the most are not in the manufacturing industry, which in past experience have been the driving force in economic development, but rather within the service sectors – mainly telecommunications, construction, transportation and finance – making up over 50 percent of the continent’s GDP. Having been largely dependent on the agricultural sector in the past – the sector still employs over half of the continent’s population – the sector’s share of GDP is steadily declining in favour of the other sectors (World Economic Forum, 2015). This recent development, together with an emerging consumer market and growing workforce, can prove a great opportunity for the continent (World Economic Forum, 2015).

Notwithstanding this fairly favourable development, Africa faces a lot of challenges. The continent is very much a divided continent, both between nations and within them. The five greatest countries account for 60 percent of the continent’s GDP (Aré et al., 2010), and almost half of the continent’s population continue to live in extreme poverty with many countries in the region having among the highest income inequality in the world (World Economic Forum, 2015). Furthermore, the productivity across the agriculture, manufacturing and service sectors remain low, limiting the potential for sustainable growth. Other posing challenges that limit the economic development are the disparities in education, healthcare, and infrastructure as well as a high degree of corruption in many of the continent’s nations (World Economic Forum, 2015).

South Africa – for a long time the continent’s largest economy but overtaken by Nigeria in 2014 (“Africa’s new Number One,” 2014) – showcases a lot of the social challenges the continent is facing. Despite being one of the largest economies on the continent, South Africa is having big problems with un- and underemployment, having an unemployment rate of around 25 percent (Ikdal et al., 2015), 3.3 times higher than the average of its Sub-Saharan Africa peers (Herrington, Kew, & Kew, 2014). That figure is even higher amongst the youth, where the unemployment is estimated to be as high as 65% (Herrington et al., 2014). A big part of the problem is stemming from low quality or even lack of education and skills development which renders a majority of the youth

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1 Below $1.25 per day
unemployable with lack of skills or skills that are not matching the demand of the market (Kotze, 2015). South Africa ranks 140th of 144 countries in terms of overall quality of education and 144th when it comes to maths and science education (World Economic Forum, 2015). Even though enrolment to secondary education is among the highest in the region – 86 percent of 16- to 18 year-olds are in school – South Africa suffers from high dropout rates, only 5 percent of the students graduate by age 18 (Ikdal et al., 2015).

Another big social issue in South Africa concerns the health care system. The life expectancy in South Africa took a huge bump as a result of the HIV/AIDS epidemic, and although it has been recovering – rising by four years since 2007 – at 56 years (World Economic Forum, 2015) it is still below that of its peers (Ikdal et al., 2015). The problem is that a large part of the population, especially in rural areas, do not have access to primary health care facilities, which prevents early diagnosis and treatment (Ikdal et al., 2015). Furthermore, low access to and lacking disbursement of medicine affects many of the rural communities (Kotze, 2015). For children the main causes of death relates to poor hygiene and infectious diseases, and although vaccinations are available, the country has a low degree of immunisation (Ikdal et al., 2015).

Many of the social problems are intertwined and interdependent and also very much connected to the economic development of the country. The poor level of education results in high unemployment rates, which in turn fuels the economic inequalities and decreases affordable access to and funding of education, as well as health care (Ikdal et al., 2015). Furthermore, an undereducated workforce decreases the efficiency in many sectors, leading to hampered economic growth (World Economic Forum, 2015). Increasing the quality of education is therefore seen as essential in breaking the vicious circle (Ikdal et al., 2015), and would likely result in a higher productivity across all sectors in the long term (World Economic Forum, 2015).

Unfortunately, the problem, as with many developing countries, is that the government have limited resources and ability to tackle these issues in an effective manner. In 2013, 29% of the population were registered income taxpayers, although only about 12% were expected to submit returns (National Treasury & South African Revenue Service, 2014; The World Bank, 2015), resulting in a small proportion of the population carrying a proportionately large fiscal burden. Indeed, according to a recent BCG report “the 80,000 wealthiest people contribute about R90 billion [about 29% of total income tax revenue] in income tax annually” (Ikdal et al., 2015, p. 20; National Treasury & South African Revenue Service, 2014). Furthermore, high levels of corruption make looking solely to the government to solve all social problems a less than ideal solution, while there at the same time are concern that the tax money is not always used to contribute to the public good (Alexander & Laing, 2015; Eddie, 2012; Hampton, 2013; Louw, 2013). Another issue regarding public spending is that many South Africans are depending on governmental welfare; R120 billion are spent on welfare payments to the poorest 17 million people (Ikdal et al., 2015). Keeping this is vital for the poorer population in the short term, but there is the risk of creating long term dependencies on welfare and a long term goal should be to strengthen the economy in order to create other ways of supporting the population’s lives (Ikdal et al., 2015).

Where governments are unable to intervene and solve pressing social problems, scholars argue that this role should be taken by companies (e.g. Hart, 2012; Porter & Kramer, 2011; Visser, 2011). Porter and Kramer (2011) go as far so to say that “capitalism is an unparalleled vehicle for meeting humans needs, improving efficiency, creating jobs and building wealth” (p. 4) and Hart (2012) says that “corporations may be even better positioned than governments to understand – and respond to – many emerging societal needs.” However, these same scholars argue that current (capitalist) system is flawed and
that change is badly needed. Corporations are said to be the root of many of the current social, economic and environmental problems and because of an outdated mind-set to the creation of value, society and business have now become two opposing force. This mind-set includes the idea that social improvement imposes a constraint on corporations, thus taking them further from profit maximization. To overcome this dilemma, peripheral efforts and incremental changes by these companies are not enough, and what is really needed is disruptive change (Porter & Kramer, 2011). For example, the long popular concept of CSR, where companies act outside of their core business model to solve social problems through charity or incremental interventions for the sake of “doing good”, is being criticised, at least in its traditional sense (e.g. Porter & Kramer, 2011; Visser, 2013). Visser (2011) is blunt and writes “CSR - as a business, governance and ethics system - has failed” (p. 25) and that in spite of countless of CSR efforts and programmes, the social, environmental and ethical trend is in decline. The fault lies in that the majority of the current CSR efforts are incremental, peripheral and uneconomical. Visser instead calls for something called CSR 2.0, or systemic CSR, in which focus lies on tackling root causes of the problems through innovative business models or thoroughly changing their processes. Porter and Kramer (2011), in similar spirit, blames CSR efforts to focus on reputation and having a limited connection to companies’ core businesses which makes them unsustainable and difficult to justify. Instead, companies should start “creating shared value”, which means that companies should focus on economic value creation in a fashion such that social value is created as a part of the process, by following certain mechanisms (this will be explained in detail in the coming chapter).

However, these papers and their suggestions are mainly addressing larger companies, and in developing countries the vast majority of larger corporations are yet to find their place in solving social issues. The concept “The bottom of the pyramid” divides the world’s economy into four tiers. Most multinational companies target the upper tiers, representing the developed world with a significantly higher purchasing power parity, leaving the bottom tier, the bottom of the pyramid, unserved (Prahalad & Hammond, 2002). Prahalad and Hart (2002) identify six orthodoxies as an explanation for why the large multinational companies are not serving the bottom tier, and that must be overcome for these companies to realise the potential of this huge market.

- The poor are not our target consumers because with our current cost structures, we cannot profitable compete for that market.
- The poor cannot afford and have no use for the products and services sold in developed markets.
- Only developed markets appreciate and will pay for new technology. The poor can use the previous generation of technology.
- The bottom of the pyramid is not important to the long-term viability of our business. We can leave Tier 4 to governments and non-profits.
- Managers are not excited by business challenges that have a humanitarian dimension.
- Intellectual excitement is in developed markets. It is hard to find talented managers who want to work at the bottom of the pyramid.

However, for companies to both overcome these orthodoxies and start to serve the bottom tier on a large scale, while at the same time fundamentally changing their perspective of value creation as suggested by Porter and Kramer (2011) and Visser (2011; 2013) above, is not an easy task and is not going to happen overnight; organizational change is never easy, and takes time (Hannan & Freeman, 1984). To further complicate
things, government regulations and corruption is usually not favourable for the companies that actually do seek to make it to these markets. For example, South Africa ranks 120 out of 144 countries regarding their government regulations and 73 out of 144 on corruption according to World Economic Forum (Ikdal et al., 2015). Hence, for mature companies to completely revise their business models to accommodate the needs of these societies in a sustainable might seem far away.

Enter entrepreneurs; to date, we have seen numerous examples of entrepreneurs seeing these societal issues as opportunities and taking advantage of them, and prospering whilst doing so (e.g. Grameen Bank, Better World Books, Barefoot College, Sekem) and this is hopefully something we will see more of in the future. Moreover, local entrepreneurs have a deeper understanding of local needs (Michelini & Fiorentino, 2012) and as they are not bound by “current thinking” they are more apt to trying new and innovative solutions; something these markets are very much in need of (Michelini, 2012; Porter & Kramer, 2011). Hence, entrepreneurs might be a viable option to solving immediate problems in developing countries.

Entrepreneurs solving societal problems or creating social value is commonly referred to as social entrepreneurs. In literature, these are numerous definitions of social entrepreneurship and a consensus is yet to be formed, but some scholars has taken upon themselves to find commonalities between the wide range of definitions (Michelini, 2012; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). The definitions range from being of a broader nature to a narrower nature. The narrow interpretations limit social entrepreneurs to being non-for-profit initiatives, not paying dividends to their shareholders while the broader interpretation includes in social entrepreneurship all entrepreneurs with some sort of a social mission, which also can include commercial entrepreneur (Michelini, 2012).

However, the literature on social entrepreneurship is still growing, and there are numerous of areas in need of exploring. Some discuss the need for finding innovative solutions and business models that can combine social and business advantage, especially in developing and low income markets (Michelini & Fiorentino, 2012), but literature specifically addressing business models in the social entrepreneurship sphere is scarce (Michelini, 2012). On the other hand, literature on business models in general is extensive (e.g. Amit & Zott, 2001; Chesbrough, 2007; Magretta, 2002; Osterwalder, 2004). Hence, there exists a broad range of academic definitions of the business model, and also many different ways to break down business models into components (Chesbrough, 2007; Osterwalder, Pigneur, & Tucci, 2005; Shafer, Smith, & Linder, 2005; Teece, 2010). Osterwalder et al. (2005), for example, divides his model into four categories with nine components. Some authors have drawn on this extensive literature to develop business model typologies more suited for social business (Michelini, 2012), while others have built typologies from experience (Yunus, Moingeon, & Lehmann-Ortega, 2010), but as mentioned, this type of literature is still scarce.

Other discuss the increased importance for these entrepreneurs to handle stakeholders with different agendas. Porter and Kramer (2011) mention the need collaborations that speak to the needs and goals of all stakeholders involved. Further, Freeman and McVea (2001), within the concept of stakeholder management, suggest that for a company to be competitive, strategies have to be set to serve the interests of all stakeholders’ interests. For social entrepreneurs, this would include the interests of both social and commercial stakeholders alike. However, Mort, Weerawardena, and Carnegie (2003) suggest that the entrepreneurial nature allows these social entrepreneurs to manage the balancing of these stakeholders with various interests.
The fact that these kind of entrepreneurs not only have to manage stakeholders with various interest, but also have to deal with having a dual objective, one social and one commercial, is also something discussed by several authors (e.g. Michelini, 2012; Pirson, 2012; Porter & Kramer, 2011). For example, Pirson (2012) found that social entrepreneurs have a difficult time balancing between the social and financial aspects of their business, and that a tendency of leaning towards one or the other usually would appear over time. Yunus et al. (2010) have a similar viewpoint and write that “inherent and ongoing conflicts between the demands of economic and social profit objectives are ‘facts of life’ for social businesses” (p. 318). Seelos and Mair (2004) link this dual value creation to the ultimate goal of the business. They argue that there are two motivational extremes for social entrepreneurs, one being a profit motive, where the motivation of capture economic value is high, and the other being a social motive, where the motivation for financial return is low. Michelini (2012) also offers a similar categorisation, but adds the dimension of dividends to shareholders on top of the entrepreneur being either on a social-based mission or more of a traditional mission.

However, what is still unclear is how these entrepreneurs through their business models deal with the balancing of their duality, both in terms of dealing with stakeholder interests and in terms of seeking to create social value at the same time as economic value is to be captured, and how this in turn correlates to the ultimate goal of the business (i.e. first and foremost creating social or economic value).

1.2 Purpose

Therefore, the purpose of the study is to explore how social entrepreneurs through their business models handle the balance of creating social value and capturing economic value.

1.3 Limitations

The study has been limited to the South African market, and although many of the identified tendencies may be representative of social entrepreneurship in other parts of the world, it cannot be assumed. Furthermore, due to time restrictions the study has been limited to an internal view of the companies studied without interviews with external sources or stakeholders; however, a study that incorporates the external view would be interesting.
2. Theoretical Framework

In the following chapter the theoretical framework and the subsequently formed analysis model is presented.

2.1 Social Entrepreneurship

2.1.1 The definition(s) of social entrepreneurship

While social entrepreneurship as an area of research is relatively new, the phenomena of entrepreneurs or businesses setting out to solving social issues is not (Mair, Robinson, & Hockerts, 2006). Mair and Martí (2006) point out the cases of Ashoka, which provides funding for social entrepreneurs, founded in 1980; Muhammad Yunus’ now famous Grameen Bank, founded in 1976; and the Manchester Craftsmen's Guild efforts to develop community programs, founded in 1968, as early examples of social entrepreneurial endeavours. However, the academic literature is now catching up and there are vast amounts of research covering the area of social entrepreneurship and the topic has also found its way into popular books and (business) school curriculums (Mair et al., 2006; Peredo & McLean, 2006). However, despite the large amount of literature on the topic, there is no consensus of what social entrepreneurship really is (e.g. Austin, Stevenson, & Wei-Skillern, 2006; Mair & Marti, 2006; Mair et al., 2006; Michelini, 2012; Peredo & McLean, 2006; Pirson, 2012; Seelos & Mair, 2004; Zahra et al., 2009). Seelos and Mair (2004) for example, says that “Social entrepreneurship is a phenomenon that has resisted attempts to establish a clear definition…” (p. 0). One of the reasons behind this could be that both the word “social” and “entrepreneur” lack clarity. Hence, the definitions of social entrepreneurship are almost as many as the authors that has covered the topic, and some authors even distinguish social entrepreneurship and the social entrepreneur, making the topic even more fuzzy (Seelos & Mair, 2004). Michelini (2012) points out the complexity of a common definition of social entrepreneurship by citing authors that have looked into different definitions, and gives, among others, the following two examples: Dacin, Dacin and Matear (2010) looked into 37 definitions of social entrepreneurship, all between 1991 and 2010, and OECD (2010) 29 definitions from between 2000 and 2010. Below is a much shorter list containing some of the different definitions of social entrepreneurship/entrepreneur:
• Social entrepreneurs play the role of change agents in the social sector by:
• Adopting a mission to create and sustain social value (not just private value);
• Recognizing and relentlessly pursuing new opportunities and serve that mission
• Engaging in a process of continuous innovation, adaptation, and learning;
• Acting boldly without being limited by resources currently in hand
• Exhibiting a heightened sense of accountability to the constituencies serves for the outcomes created.

| (Dees, 1998, p. 4) | Social entrepreneurship (...) could be defined as the construction, evaluation and pursuit of opportunities for social change |
| (Roberts & Woods, 2005, p. 49) | Social entrepreneurship is innovative, social value creating activity that can occur within or across the non-profit, business, and government sectors. |
| (Austin et al., 2006, p. 2) | Social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value(…); (3) employ(s) innovation, ranging from outright invention to adapting someone else’s novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture. |

Table 1. Definitions of social entrepreneurship

The definitions and interpretations of social entrepreneurship ranges from narrow to broad (Michelini, 2012). A narrow interpretation could, for example, be that social entrepreneurship is “a not-for-profit initiative in search for alternative funding strategies or management schemes to create social value” (Michelini, 2012, p. 21). Other examples would be definitions that prohibits social entrepreneurs to distribute profits, through for example certain legal forms or other structures. A broader interpretation of social entrepreneurship would include in the term all entrepreneurs that have a primary social goal.

2.1.2 Social mission

Many researchers, regardless of whether they stand by a narrow or broad definition, do claim that a central social mission is the common characteristic of social entrepreneurs, and that it is a mean to improving well-being and alleviating social problems (Michelini,
To illustrate this, below is a list borrowed from Michelini (2012):

- Social entrepreneurship is a process that aims to
- address significant/alleviate social problems/needs (Light 2006; Mair and Marti 2006; Korosec and Berman 2006);
- catalyse social change (Mair and Marti 2006);
- alleviate the suffering of the target group (Martin and Osberg 2007);
- benefit society with an emphasis on marginalized people and the poor (Schwab Foundation 2011) and;
- create and distribute new social value (Peredo and Mclean 2006; Perrini and Vurro 2006).

The social mission sets social entrepreneurs apart from traditional business entrepreneurs, and serve as a purpose for the entrepreneur (Mort et al., 2003). In the very well cited paper written by Dees, “The meaning of social entrepreneurship” (1998), he writes “For social entrepreneurs, the social mission is explicit and central (…) Mission-related impact becomes the central criterion, not wealth creation. Wealth is just means to an end for social entrepreneurs” (p. 3). He also claims that the mission-related social impact is the gauge for value creation, not profits, and that they aim for a “long-term social return on investment” with sustainable improvements. Mair et al. (2006) write that the mission, vision statement and company value are direct and explicit indicators of the beliefs of an organization. Therefore, these are the first and most direct indicators telling us whether or not an endeavour should be included as a social entrepreneurship effort.

### 2.1.3 Balancing tensions

The very central social mission of social entrepreneurs does not come without its challenges (Dees, 1998; Yunus et al., 2010; Zahra et al., 2009). Social entrepreneurship, depending on definition, can include entrepreneurs with a wide range and combinations of missions and motivations (Seelos & Mair, 2004). When a venture with some kind of balance between having a social mission while also having a desire to create economic value, as is the case with many social entrepreneurs, tension between these two will likely arise (Pirson, 2012). Yunus et al. (2010) have a similar viewpoint and write that “inherent and ongoing conflicts between the demands of economic and social profit objectives are ‘facts of life’ for social businesses” (p. 318). The social and economic missions can align such that in the long term, they depend on and enable one another, however, within a more immediate horizon, decisions may still have to be made that prioritise one objective (Smith, Gonin, & Besharov, 2013). Pirson (2012) found in a study investigating three cases of social entrepreneurship that striking a balance between social value creation and financial value creation was difficult; all three cases started with a balance but ended up with one objective, either financial or social, taking priority. He argues that, due to shareholder and stakeholder management, among other factors, made it difficult to balance these two objectives, and that social entrepreneurial ventures seem to sooner or later be pushed into traditional structures. On the other hand, Mort et al., (2003) argue that social entrepreneurs have socially entrepreneurially virtues, and therefore are able to operationalise the social mission and managing a balance between the interests of different stakeholders, differentiating them from commercial entrepreneurs. They claim that social entrepreneurs “exhibit a balanced judgment, a coherent unity of purpose and action in the face of complexity” (p. 82) (however this might be a question of defining social entrepreneurs).
Yet, most social entrepreneurs need to attend to divergent goals and values (Dees, 1998; Pirson, 2012; Seelos & Mair, 2004; Smith et al., 2013), and maintain their legitimacy both as a social and business venture (Moizer & Tracey, 2010; Smith et al., 2013). Moizer and Tracey (2010) address the strategic challenges that social enterprises face in terms of allocating limited amount of resources within the company to meet both social and economic objectives. They suggest three different approaches to handling the tensions: (1) separating social and commercial missions, (2) integrating social and commercial missions or (3) building alliances with for-profit businesses. Similarly, (Smith et al., 2013) suggest separating the competing objectives, either temporally or spatially, or seeking to identify and realise potential synergies through integration of the two. Examples of separation of the two parts include detaching the social elements from the business activity; having a social part that is solely focused on social impact without its own revenue streams, and a business part that is focused on generating revenue, transferring all or parts of the surplus to the social function in order to sustain it (Moizer & Tracey, 2010). However, this strategy is highly dependent on the revenue generating part (Moizer & Tracey, 2010) and it makes the venture vulnerable to the risk of gradually shifting the overall effort towards one objective that Pirson (2012) has identified. Other examples include alternating between the social and the commercial aspect over time, thereby maintaining focus on one objective at a time (Smith et al., 2013). Integrating the social and commercial missions avoids the dilemma of allocating resources to separate parts, but is in itself more complex due to the different components being intertwined (Moizer & Tracey, 2010). Examples are businesses that employ or integrate underprivileged or marginalised groups of society in their value chains (Moizer & Tracey, 2010; Porter & Kramer, 2011), or businesses that deliver a product or service that in itself achieves the social mission (Moizer & Tracey, 2010). Moizer and Tracey (2010) argue that while it is possible to find solutions wherein the social and commercial aspects align and are mutually beneficial, the organisation runs the risk of losing focus and of making decisions with ambiguous effects; the decisions can lead to unintended consequences as the social and commercial activities are intertwined and the link to a specific outcome is less apparent. The strategy of partnering up with for-profit organisations is mainly addressed to non-profits, where the social entrepreneur can generate revenue by selling goods or services to or in collaboration with other corporations (Moizer & Tracey, 2010); such partnerships or joint ventures are aimed at creating solutions that are mutually beneficial for both parties (Dees & Anderson, 2003; Yunus et al., 2010). In this scenario, the partnership with another corporation contributes with resources, leaving the social entrepreneur in less need of generating resources on their own, allowing for more focused efforts on producing social impact (Moizer & Tracey, 2010). However, such a strategy is dependent on the partner corporation. Such a partner need to be willing to devote parts of their profit to the social mission (Peredo & McLean, 2006), and furthermore, the legitimacy and reputation of the partnering corporation may impact the end result and success of the venture (Moizer & Tracey, 2010). Indeed, Yunus et al. (2010) suggest that finding complementary partners is one of the keys to building a successful social business, allowing organisations to gain access to resources, knowledge or capabilities they would have otherwise (costly) had to develop on their own.

### 2.1.4 Categorization of social entrepreneurship

Apart from a vast array of different definitions of social entrepreneurship, there are also several models of how to categorise different types of social (sometimes including non-social) undertakings (e.g. Peredo & McLean, 2006; Seelos & Mair, 2004; Zahra et al., 2009). Seelos and Mair (2004) claims that “people with a wide range of combinations of
profit and social motives can become social entrepreneurs” (p. 9) (thus embracing a broad interpretation of social entrepreneurship), and illustrate the spectra of these entrepreneurs with the model below, see figure 1. They offer two motivational extremes for their classification of social entrepreneurs: in the one extreme the goal is to maximise social value creation with no urge to capture economic value for themselves, and in the other extreme maximizing capture of financial return is the driver, while the social need is seen as the business opportunity. However, all along the spectra, significant social value can be created regardless of the main motivation for doing so.

Michelini (2012) developed a taxonomy, called the social business model taxonomy, based on the work and classifications of Dacin et al. (2010), Yunus el al. (2010), Massetti (2008) and WBCSD (2008), where different types of businesses, both social and traditional, are illustrated and contrasted to each other, see figure 2. In this model, two variables are considered: the type of mission the business has (vertical axis), and the management of the surplus (horizontal axis). The type of mission, which ranges from a traditional (economic) mission to a social-based mission, are based on the social and economic profit equation (which will be introduced later) and depends on the social impact created. The surplus can be managed in three different ways: (1) Profit not required, which means that the organization may be funded by external funds, (2) No dividends for shareholders, which means that profits are required but they are to be re-invested in the venture, and lastly (3) Dividends for shareholders, which means that any surplus profits are to be distributed among the shareholders of a company. Figure 2 also illustrates where a narrow and a broad definition would place social entrepreneurship in the taxonomy.
2.1.5 Difficulties in assessing social ventures

Dees (1998) argues that markets (in the sense of Adam Smith’s invisible hand) work well for testing the value creating efficacy of traditional entrepreneurs by weeding out the less successful ones, the one’s not complying with the laws of supply and demand. However, as for the social entrepreneurs, this does not work. The measurement of social value creation is not as straightforward as with economic value creation. Even though there might be compelling evidence for social improvement, how is it measured? For example, how much is feeding 10,000 starving children worth? Saving an endangered species? Improving illiteracy in an underdeveloped community? While all these can be argued to be improvements to society, there are difficult to measure or compare to each other. Another problem is contributing and isolating certain social improvements to a specific effort, making measurement even more troublesome.

2.2 Business Models

There exists quite a lot academic definitions of the business model, but at its core it describes the core logic of how a company creates and captures value (Chesbrough, 2007; Osterwalder et al., 2005; Shafer et al., 2005; Teece, 2010). Before we go deeper into the definition, purpose or contents of the business model, let us examine its history. (This will help in understanding the different roles a business model can play, depending on the perspective.)

2.2.1 Origin

The origin of the concept of the business model is not entirely clear and agreed upon in the scholarly community. In an effort to find the origin Osterwalder et al. (2005) found
that the term “appeared for the first time in an academic article in 1957 (Bellman, Clark, Malcolm, Craft, & Ricciardi, 1957) and in the title and abstract of a paper in 1960 (Jones, 1960)” (p. 4) but did not get traction either in academia or the business sector until the 1990s with the emergence of the Internet and other technological advancement. Others (e.g. Mair & Schoen, 2005; Michelini & Fiorentino, 2012; Michelini, 2012) refer to Konczal (1975) as the first time the concept of the business model was put to use, but in the context of data and process modelling in IT systems. During the second half of the 1990s the term started to frequently appear in business journals (Osterwalder et al., 2005) and “dot-com” firms started using “business models” in order to attract funding (Shafer et al., 2005). By 2001, the term showed up in about 27% of the Fortune 500 firms annual reports and occurred three times or more in over 500 magazines and journal articles, a contrast to only one article in 1990 (Shafer et al., 2005). The problem was that different authors did not necessarily use the term to refer to the same thing (Linder & Cantrell, 2000); a clear definition did not exist.

Both Shafer et al. (2005) and Osterwalder et al. (2005) review academic literature from the 1990s to the early 2000s on the subject of business models and it is obvious that there almost are as many definitions of the concept as there are articles, both when it comes to context and contents as well as what concept they actually describe. This, in part, might be due to the fact that different authors approach the concept from different perspectives, be it a strategic, technological or information system perspective (Shafer et al., 2005). Osterwalder et al. (2005) argue the authors writing about business models can be classified into three hierarchically linked categories, from abstract representation to real world instances:

• “Authors that describe the business model concept as an abstract overarching concept that can describe all real world businesses.
• Authors that describe a number of different abstract types of business models (i.e. a classification scheme), each one describing a set of businesses with common characteristics.
• Authors presenting aspects of or a conceptualisation of a particular real world business model.” (p. 5)

Osterwalder et al. (2005) further explain that although the degree to which authors relied on and expanded previous research was limited during the period (1990-2003), some theoretical progression was noted. The theories evolved from general definitions and classifications of the concept to more complex descriptions of the business model, including model taxonomies, and its different components and internal dependencies. However, a consensus regarding the definition of the business model does not exist, bringing problems of terminology, inconsistencies among scholars, confusion regarding its relation to strategy and its place in business to name a few (Morris, Schindehutte, & Allen, 2005).

2.2.2 Purpose and definition

Teece (2010) and Chesbrough (2007, 2010) argue that technological innovation alone does not guarantee business success, and that the choice of business model greatly can affect whether or not the business will be successful. For example, two products resulting from the same technological innovation but offered to the market through two different business models, can have widely different economical results (Chesbrough, 2010). The business model used can both affect the value created for the customer and other
stakeholders, but – more importantly for the business – it also defines how much of that value the company can capture (Chesbrough, 2010; Teece, 2010). Thereby, a company offering a newly discovered technology with an ill-suited business model not only risk to capture less of the value created than they might be able to, but they also risk having competitors uncover business models better suited for commercialising the technology. Therefore, the authors argue that innovating business models can be as important as innovating technology (Chesbrough, 2007, 2010; Teece, 2010).

In coherence with this view, many of the definitions of the business model includes the creation and capturing of value. After their review of the (then current) literature, Shafer et al. (2005) define the business model as “a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network” (p. 202). Furthermore, Morris et al.’s (2005) studies show that the most frequently mentioned component of the business model is the value offering, followed by economic model and customer interface/relationship. They define the business model as follows: “A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets” (p. 727). Table 2 summarises some other widely cited definitions and components of the business model.

Amit and Zott (2001) pursues a different definition. They define the business model as a concept that “depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (p. 511), where transaction content is the product or service exchanged in the transaction, the transaction structure refers to the parties involved as well as how they are linked and in what order the exchanges take place, and the transaction governance describes the ways that the flows of information, resources and goods are controlled by the involved parties.

2.2.3 Theoretical background/underpinnings

Because of the different perspectives, the contents of the business model vary greatly (Morris et al., 2005; Osterwalder et al., 2005; Shafer et al., 2005), but some common theoretical underpinnings from business strategy can be noted in the value creation aspect of the business model (Amit & Zott, 2001). They first highlight that the concept is consistent with Schumpeter’s (1942) idea of innovation as “creative destruction” and that value creation not only comes out of innovation in products, processes, distribution channels and markets, but also in exchange mechanisms and transaction architectures. Second, the business model concept builds on Porter’s (1985) concept of the value chain of a firm, specifically the importance of the linked processes in the chain and that value can be created in each link throughout it (Amit & Zott, 2001). Third, they see the business model concept as consistent with the concept of the resource-based view of the firm (Barney, 1991), highlighting the importance of resources and capabilities for value creation within the firm (Amit & Zott, 2001). Fourth, Amit and Zott (2001) argue that the concept takes into consideration the network in which the business operates – as well as the network’s configuration – and its role in the value creation, in coherence with the strategic network theory (e.g. Burt, 1992). Lastly, they connect it with the concept of transaction cost economics (Williamson, 1975), which identifies transaction efficiency as a source of value, and they argue that value can be created through any combination of transactions within or outside of a firm (Amit & Zott, 2001).
<table>
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<th>Author</th>
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| (Hamel, 2000, p. 83)          | “Business concepts and business models consist of the same elements; a business model is nothing more than a business concept put into practice. A really innovative development in this field includes the ability to imagine completely new concepts or completely new ways of differentiating existing business models. Therefore, renewing business concepts is the key to developing new possibilities of value creation.” | • Core strategy  
• Strategic Resources  
• Value Network  
• Customer Interface |
| (Amit & Zott, 2001, p. 511)  | “A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.”                                                                 | • Transaction Content  
• Transaction Structure  
• Transaction Governance |
| (Chesbrough & Rosenbloom, 2002, pp. 533-534) | “The functions of a business model are to:  
• articulate the *value proposition*, i.e. the value created for users by the offering based on the technology;  
• identify a *market segment*, i.e. the users to whom the technology is useful and for what purpose, and specify the revenue generation mechanism(s) for the firm;  
• define the structure of the *value chain* within the firm required to create and distribute the offering, and determine the complementary assets needed to support the firm’s position in this chain;  
• estimate the *cost structure* and *profit potential* of producing the offering, given the value proposition and value chain structure chosen;  
• describe the position of the firm within the *value network* linking suppliers and customers, including identification of potential complementors and competitors;  
• formulate the competitive strategy by which the innovating firm will gain and hold advantage over rivals.” | • Value Proposition  
• Market Segment  
• Value Chain  
• Cost Structure & Profit Potential  
• Value Network  
• Competitive Strategy |
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| (Osterwalder et al., 2005, p. 10) | “A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams.” | • Value Proposition  
• Target Customer  
• Distribution Channel  
• Relationship  
• Value Configuration  
• Core Competency  
• Partner Network  
• Cost Structure  
• Revenue Model |
| (Osterwalder & Pigneur, 2010, p. 14) | “A business model describes the rationale of how an organization creates, delivers, and captures value.” | • Value Propositions  
• Customer Segments  
• Key Resources  
• Key Activities  
• Channels  
• Customer Relationships  
• Key Partnerships  
• Cost Structure  
• Revenue Streams |
| (Teece, 2010, p. 173) | “A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profit associated with the business enterprise delivering that value.” | • Select technologies and features to be embedded in the product/service  
• Determine benefit to the customer from consuming/using the product/service  
• Identify market segments to be targeted  
• Confirm available revenue streams  
• Design mechanisms to capture value |

Table 2. Definitions of the business model and its components
2.2.4 Business Model Components

Many of the proposed configurations of the business model have similarities, overlap each other, or have components that can be seen as sub-components of other definitions’ components. Approaches to synthesise models from commonly occurring components in previous research have been made (e.g. Morris et al., 2005; Osterwalder et al., 2005; Shafer et al., 2005) and usually arrive at similar resulting classifications., also see table 2. The nine components Osterwalder et al. (2005) propose can be classified into the four categories: Product, Customer Interface, Infrastructure Management and Financial Aspects, which Osterwalder (2004) suggest can be compared to Kaplan and Norton’s (1992) four categories in the Balanced Scorecard. However, Osterwalder et al.’s (2005) classification leave out elements related to competition and implementation, as well as capital structure, as they see these as related to, but not an internal part of, the business model.

Product

The first category the Product. It is what the company has to offer is represented by the Value Propositions.

Value Propositions

The value proposition is what the company offers that create value for a customer segment (Osterwalder & Pigneur, 2010), and covers all aspects of what is offered to the customer (Osterwalder, 2004). This can include a range of products as well as value-added services and constitutes what makes a customer choose one company’s offering over another’s (Osterwalder, 2004), i.e. a source of competitive advantage. For an offering to be enticing for the customer, the perceived utility for the customer needs to be higher than the cost of said offering (Teece, 2010). The major part of the value normally comes from the actual use of the product (Osterwalder 2004) as the product solves a problem or fills a need of the customer. However, the perceived value of a product can also be derived from other factors, such as the design, convenience, brand or customisation opportunities (Osterwalder & Pigneur, 2010), which can allow companies to take out a higher price for their offering. The price itself can also be a source of competitive advantage; by finding and utilising other sources of revenue a company can offer a value proposition at no cost for the intended customer (Osterwalder, 2004), e.g. free newspapers like Metro. Furthermore, value can be created across the life cycle of the value proposition, including the moment of the value creation, purchase, use, renewal, and transfer (Osterwalder, 2004). Adding value in the value creation could for example be letting customers customise their products. By facilitating and improving the buying experience and delivery value can be added in the value purchase step. As previously stated, the most value often derives from the value use, but even then value can be renewed, e.g. by adding features or through continuous updates. Lastly, even when a product has lost its value for its user, some value may be captured by transferring the value to someone else, i.e. selling a used car back to a dealership. In other cases, a company might facilitate the disposal of a product, if its seen as a burden for the customer. (Osterwalder, 2004) Analysing the value proposition helps a company better understand what it is the company actually offers the customers in terms of value, and allows it to compare its value proposition to that of competitors (Osterwalder, 2004).

Customer Interface
The Customer Interface category includes for whom the company creates value, as well as how the company interacts with and maintains a relationship with said customer. It contains the components Customer Segments, Channels, Customer Relationships.

**Customer Segments**
A business would not be a business without its customers, after all, the business purpose is to satisfy one or several needs of a target customer, preferably making a profit in the process. It is both a question of for whom you are creating value, as well as which segments to ignore (Osterwalder & Pigneur, 2010); making customer segmentation an important part of this component (Osterwalder, 2004). Segmentation can be everything from a broad, more general segmentation like distinguishing between B2B (Business-to-Business) or B2C (Business-to-Consumer), through deciding between mass market or finding and targeting specific niche markets, down to specific individual segmentation made possible through data mining and other IT solutions (Osterwalder, 2004).

**Channels**
The Channels component explains how the company delivers the value proposition to its intended customer segment. This includes both the actual distribution of the value proposition, as well as the communication and awareness raising among its customers (Osterwalder & Pigneur, 2010). A company has to decide through which channels it wants to reach its customers, which channels are more cost effective, and which channels serve what kind of communication purpose. Osterwalder and Pigneur (2010) suggest that there are five distinct channel phases, each serving a specific purpose in the customer’s buying cycle (Osterwalder, 2004). First off, you need to create awareness among the customers, i.e. answer the question of how you inform the customer of your value proposition? In this phase, the customer identifies a value proposition that matches his needs, and this includes various types of advertisement, promotions, or partnerships (Osterwalder, 2004). Secondly, you need to help the customer evaluate your value proposition, which includes providing the customer with the necessary information for him to properly evaluate the value of the offering, as well as compare it to that of competitors (Osterwalder, 2004). This can for example be through informing the customer face-to-face, or letting the customer try to product ahead of the purchase. The customer can also seek out information through channels that are not under the company’s direct control, such as consumer communities (Osterwalder, 2004). The next phase is the purchase, during which the actual transaction takes place (Osterwalder, 2004) at which the company can offer different ways for the customer to gain access to the offering, including directly owned stores, websites, wholesalers, retailers or other partner channels (Osterwalder & Pigneur, 2010). After the purchase comes the delivery phase, which concerns the delivery of the value proposition to the customer (Osterwalder & Pigneur, 2010). Lastly, the channels component contains the after-sales phase, which includes post-purchase support and services (Osterwalder & Pigneur, 2010). This phase posits many possibilities of retaining a loyal customer through ensuring that the customer can get as much value as possible from the value proposition, and can include a wide variety of services such as implementation, training, maintenance and disposal (Osterwalder, 2004).

**Customer Relationships**
The next part of the Customer Interface is the Customer Relationships component, which describes the relationships a company has with its different Customer Segments and the main motivators for the component is customer acquisition, retention and boosting sales (Osterwalder & Pigneur, 2010). The interaction with the different customer segments come at a cost, and therefore it is important for a company to decide what type
of relationship they want with each specific segment, i.e. evaluate the profitability of maintaining that type of relationship (Osterwalder, 2004). The relationship can range from personal assistance to self-service or automated services.

**Infrastructure Management**

The Infrastructure Management category explains how a company supplies their product or service. It contains the components Key Resources, Key Activities and Key Partnerships.

**Key Resources**

The Key Resources component describes the assets needed for the company to create and offer its Value Proposition, make it available and maintain a relationship with the Customer Segment, and earn revenue (Osterwalder & Pigneur, 2010). There are several types of resources, and they can include both physical resources and capabilities (Osterwalder, 2004). Different configurations of resources and capabilities are required for different business models, and they can either be internal or outsourced through Key Partnerships (Osterwalder, 2004). Osterwalder and Pigneur (2010) sorts the Key Resources of a company into four different categories: Physical (tangible), Intellectual (intangible), Human and Financial. The physical resources – called tangible resources by Osterwalder (2004) – are physical assets such as machines, equipment, systems and distribution networks, and are usually capital intensive (Osterwalder 2004). The intellectual – or intangible – resources are getting increasingly important and consist of resources such as patents and copyrights, brands, proprietary knowledge, and similar resources that do not necessarily show up in the balance report, but still constitute great value for a company (Osterwalder & Pigneur, 2010). These resources are usually more difficult to develop or acquire, but can offer a significant competitive advantage when successfully integrated in the business model (Osterwalder & Pigneur, 2010). Correspondingly, the human resources are often integral in developing these intellectual resources, and are especially valuable in knowledge-intensive industries (Osterwalder & Pigneur, 2010). Companies which rely heavily on innovation and R&D are also more dependent on these resources (Osterwalder, 2004). The final category is the financial resources or financial guarantees that may be of need in some business models, especially in capital intensive markets.

**Key Activities**

Key Activities are the activities and processes the company have to perform in order to deliver the Value Proposition to its targeted Customer Segment. Furthermore, these activities usually leverage the Key Resources of the company (Osterwalder, 2004). The activities are linked into a value chain of primary activities that are involved in the value creation and can be categorised as:

- *inbound logistics* are activities that have to do with receiving and storing of inbound materials or other input from suppliers to the production,
- *operations* are the activities involved in transforming the input into the final product
- *outbound logistics* are activities related to storage and distribution of the final product to the customer segments,
- *marketing and sales* are activities associated with selling the product to the customer, as well as communicating the company’s offerings,
- *service* are activities that enhance value of the product or activities that keep the product working for the customer (Porter, 1985).
There are also supporting activities that allow the company to perform the primary activities, such as firm infrastructure, human resources management, technological development and procurement (Porter, 1985).

**Key Partnerships**

The Key Partnerships component describes the partnership network in which the company exists, with suppliers and partners amongst which different resources and activities are distributed (Osterwalder, 2004). Reasons for creating alliances includes optimisation of the business model, e.g. through outsourcing, reduction of risk or the acquisition of resources or activities (Osterwalder & Pigneur, 2010). For a company, it is not reasonable to pursue internalising all resources, capabilities and activities needed in order to perform their business, and some of these are more suitably accessed through partnerships, alliances or collaborations (Osterwalder, 2004). Partnerships can allow companies to focus on the development of their core competencies and optimising their allocation of resources and activities, out-sourcing non-core activities to partners better suited for performing them, for example partners that can achieve economies of scale (Osterwalder, 2004). It can also be a way of getting access to resources, capabilities, knowledge or infrastructure that would otherwise be outside of the company’s reach (Osterwalder, 2004). Furthermore, Partnerships can be a way for a company to gain access to new markets, either by entering foreign markets through joint ventures, or by collaboration with competitors in order to achieve common standards in the development of new markets, so called co-opetition to reduce risk in markets with high uncertainty (Osterwalder, 2004). Shafer et al. (2005) argue “the role a firm chooses to play within its value network is an important element of its business model” (p. 202).

**Financial Aspects**

Financial Aspects is the last category and is the economic outcome of the rest of the business model. It constitutes the company’s financial result logic and contains the Revenue Streams and Cost Structure.

**Revenue Streams**

The Revenue Streams are what translates the value that the company creates and offers the customers into money, and a company can have one or several Revenue Streams, all of which can contain one or several different pricing mechanisms (Osterwalder & Pigneur, 2010). The ability of not only creating value, but capturing the value the company creates and transforming it into revenue is essential for a company’s long-term survival (Osterwalder, 2004).

There are several different types of streams available for the company; these include:

- **selling** is the activity of giving up part of or the whole ownership rights of a product or service in exchange for economic compensation, i.e. a company can give up physical ownership of a product without giving up the intellectual ownership,
- **lending** is the activity of giving up something for a limited period of time, i.e. granting someone the right to use a product or service, in exchange for a fee. As opposed to licensing, the owner of the asset cannot use it during the time it is lent out,
- **licensing** is the activity of giving someone official permission to use or do something in exchange for a licensing fee, e.g. create and sell a product protected by property
rights. This can give the owner an intellectual property access to a revenue stream without having to manufacture or commercialise the product or service itself. The owner can issue usage licenses to several customers at the same time, while retaining the ownership rights.

- **transaction cut** is the activity of taking out a transaction fee for facilitating a transaction between two or more other parties.
- **advertising** is the activity of communicating a message, usually of praise, for a particular product, service or brand, in order to influence the one addressed. It is an increasingly popular source of revenue for companies.

(Osterwalder & Pigneur, 2010; Osterwalder, 2004)

In addition to different types of streams, the choice of pricing mechanisms is also an important part of the Revenue Streams component (Osterwalder, 2004). There can be several different pricing mechanisms applied to the same Revenue Stream for one specific Customer Segment, allowing the customer to choose what fits his needs best (Osterwalder, 2004). Osterwalder differentiates between three types of pricing: fixed, differential or dynamic pricing. Fixed pricing is a pricing mechanism that does not differentiate depending on customer characteristics, is not volume based or a function of real time market conditions (Osterwalder, 2004). Examples are menu pricing, flat subscription fees or pay-per-use. Differential pricing is pricing that is either based on customer characteristics or preferences, product features, volume dependent but not a function of real-time market conditions. This can for example be variable costs that change with added features or customisation, bundling or volume rebate (Osterwalder, 2004). Dynamic pricing, or market pricing, is real-time calculated prices based on market conditions. This include negotiated pricing, pricing based on supply and demand (such as hotels and airlines), auctions and real-time markets such as the stock market (Osterwalder, 2004).

### Cost Structure

The Cost Structure component contains all the costs that are involved in operating the business model (Osterwalder & Pigneur, 2010). It is the costs of creating, delivering, and capturing value, as well as maintaining the other components of the business model. Osterwalder and Pigneur (2010) distinguish between business models using two different Cost Structures: cost-driven and value-driven. The former focuses on reducing costs wherever possible, usually competes on price and tries to maintain lean and cost-effective operations, while the latter is less concerned with cost reductions and rather focus on value creation, usually entails premium priced products and customised solutions. By analysing which Key Resources, Key Activities or other components in the business model are the most expensive and which components contribute the most to value creation, business managers can decide whether a resource or activity is worth keeping within the organisation or if it rather should be out-sourced through partnerships; that way the company can focus on its core competencies (Osterwalder, 2004).

#### 2.2.5 Relationship to strategy

Apart from the definition and contents of the business model, there are also a wide variety of differing opinions regarding the business model’s relationship to strategy. According to Magretta (2002) the two terms sometimes have been used interchangeably, but she maintains that they do not explain the same thing. She argues that the business model explains how the different components of the business fit together, but that the critical factor of competition is omitted, and that it is through strategy you deal with
reality. She continues: “When a new model changes the economics of an industry and is difficult to replicate, it can by itself create a strong competitive advantage” (Magretta, 2002, p. 7), but that having a good business model is not enough to protect this competitive advantage. Shafer et al. (2005) agree that the business model in itself is not a strategy, but rather that the business model reflect the strategic choices made in a venture and their operating implications. They compare it to the construction of a custom house; the initial vision that the future homeowners have is the strategy, and the detailed blueprint suggested by the architect is the business model. Shafer et al. (2005) also claim that one of the usages of business models is that they “facilitate the analysis, testing, and validation of the cause-and-effect relationships that flow from the strategic choices that have been made” (p. 203). Similarly, Casadesus-Masanell and Ricart (2010) argue that the business model is the business logic of the firm and that it reflects the realised strategy of the firm; i.e. the strategy is the choice of how the firm chooses to compete in the marketplace and the resulting business model is a consequence of this choice, which subsequently results in a set of operational tactics being available to the firm. They liken the business with a car, where different designs of the car are the different strategies available – specifying the different logics of the business that could be put to use depending on the competition and the needs of the market – the business model is the car the firm chooses to use/build – describing the business logic, components of the business and the way it operates – and the driving of the car is the tactics – the set of choices made available by the implemented business model. They further argue that while the chosen strategy and the current business model coincide when seen from the outside, they maintain that “the substantive difference arises when the firm’s contingent strategy calls for business model modifications” (Casadesus-Masanell & Ricart, 2010, p. 205). In contrast, Chesbrough (2007, 2010) argue that competitive strategy is one of the components of the business model, which is what specifies what it is that give the company a competitive advantage over its competitors.

Teece (2010) sees the business model as more generic than business strategy, in that a business model in itself is quite easily imitated and replicated, and that a novel business model alone cannot assure competitive advantage in the long-term. He claims that strategy is needed in order to protect a competitive advantage that results from an implemented new business model, by identifying various ‘isolating mechanisms’ that can help in preventing the business model from being undermined.

For Osterwalder et al. (2005), another difference between strategy and business models is that “…strategy includes execution and implementation, while the business model is more about how a business works as a system” (p. 8). They argue that the business model – a conceptual business design – needs to be distinguished from the implementation – the form it takes in reality – and maintain that a ‘strong’ business model can be managed improperly and fail, and vice versa. In order to implement a business model, you first need to translate it into more concrete elements, such as business structures, business processes, and infrastructure, and find a way to finance it through funding, either internal or external (Osterwalder et al., 2005), i.e. as previously mentioned, Osterwalder et al. see the financing of the business model as an external factor that enables the implementation of it.

Furthermore, the business model can be connected to Porter’s (1980) three proposed generic competitive strategies: differentiation, cost leadership and scope. The different strategies require widely different things from the company and its business model. For example, to successfully accomplish cost leadership, the different components of the business model will have to be adapted to this strategy, e.g. achieving economies of scale,
offering a low cost product, and overall having a cost minimising focus in all the components and seeing to that the pieces fit together.

Chesbrough and Rosenbloom (2002) see the business model as construct that “…mediates the value creation process” (p. 550) between the technological and economic domains. With the uncertainty involved in both domains, they argue that a heuristic approach is needed to find an appropriate business model, as it is not always foreseeable in advance. They therefore differentiate the business model concept from the strategies they see as ‘conventional’, e.g. Porter (1980), as they do not see it as a carefully calculated choice but rather a continuous adaptation to new information and circumstances.

2.2.6 Create and capture value

As previously stated, the business model concerns both how the business creates and captures value, and a business needs to successfully manage both (Chesbrough, 2007; Osterwalder et al., 2005; Shafer et al., 2005; Teece, 2010). Teece (2010) argues that capturing the value of an innovation is a key element of the business model, and both he and Chesbrough (2007, 2010) agrees that capturing value may be just as important for a business as creating and delivering value to its customers. Chesbrough and Rosenbloom (2002) argue that value creation is necessary, but not sufficient, for making a business model profitable. They continue: “Once the firm has identified the value chain needed to deliver its offering, it must then address how it will appropriate some portion of that value for itself.” (p. 534) Teece (2010) continues:

“The capacity of a firm (or nation) to capture value will be deeply compromised unless the capacity exists to create new business models. … History shows that, unless they can offer compelling value propositions to consumers/users and set up (profitable) business systems to satisfy them with the requisite quality at acceptable price points, the innovator will fail, even if the innovation itself is remarkable, and goes on to be widely adopted by society.” (p. 186)

The business model takes part in defining both how much value the business creates as well as how much of that value it subsequently can capture. Zott and Amit (2010) describe the creation and capturing of value as well as the relationship between them:

“A business model is geared toward total value creation for all parties involved. It lays the foundations for the focal firm’s value capture by co-defining (along with the firm’s products and services) the overall size of the value pie, or the total value created in transactions, which can be considered the upper limit of the firm’s value capture potential. Again we have noted in previous work that the business model also co-determines the focal firm’s bargaining power: the greater the total value created, and the greater the focal firm’s bargaining power, the greater the amount of value that the focal firm can appropriate. How much of the total value the firm actually captures, however, depends on its pricing strategy, or revenue model.” (p. 218)

The last part is essential, maybe even more so for social entrepreneurs. One of the big challenges that many social entrepreneurs face is the problem of capturing economic returns from the social value which they create (Dees, 1998; Mair & Martí, 2006; Seelos & Mair, 2004, 2005). Social entrepreneurs and the potential value they can capture often are limited by the purchasing power of their customers, which may be willing to, but often unable to, pay for even a small part of the products and services provided (Mair & Martí, 2006; Seelos & Mair, 2005). In some instances, e.g. environmental ventures, there is not even a clear customer whom the entrepreneurs can charge for the resources they have used (Dees, 1998). Consequently, the needs and opportunities in the social sector outweigh the resources available to address them (Austin et al., 2006). This often leads to social entrepreneurs relying on subsidies, donations, grants and volunteers to offset the
value creation/capture problem (Dees, 1998). Furthermore, for a considerable part of social entrepreneurs, the social value creation is seen as the primary objective, and the economic value capture is seen as a secondary, but necessary, goal in order to achieve self-sustainability (Seelos & Mair, 2005). As previously addressed, these – sometimes conflicting – objectives create strategic challenges and tensions that the entrepreneurs have to manage (Moizer & Tracey, 2010; Smith et al., 2013). The value that is captured by the business and its business model is therefore affected by the motivation behind the venture itself and depending on the motivation, they can fall anywhere between the two extremes proposed by Seelos and Mair (2004): “i) either social entrepreneurs are driven to maximise social value creation with little need for capturing economic value for themselves, or ii) they are driven or have a need to maximise their financial return by catering to a social need that they recognise as a business opportunity” (p. 9).

2.2.7 Business Models, entrepreneurship and innovation

In “The Meaning of ‘Social Entrepreneurship’” Dees (1998) mention what he claims are the entrepreneurial aspects of social entrepreneurship. Two of these are: “engaging in a process of continuous innovation, adaptation, and learning”, and “acting boldly without being limited by resources currently in hand” (p. 4). Indeed, entrepreneurs are often seen as more agile and adaptable, not locked into “narrow traditional business thinking” (Porter & Kramer, 2011), existing structures (Mair & Martí, 2006) or existing business models and processes (Bohnsack, Pinkse, & Kolk, 2014). Furthermore, Yunus et al. (2010), as previously mentioned, suggest that social entrepreneurs, and commercial entrepreneurs alike, engage in business model innovation by challenging conventional wisdom and find ways to “create new strategies which modify the rules of the competitive game in an industry” (p. 312). Bohnsack et al. (2014) suggest that larger firms suffer from path-dependencies such as dominant business model logic, that past events guide future actions and cause persistence in decision-making patterns, and that entrepreneurs more often are the drivers of novelty; due to their less constrained position they can design and put more radical business models to use. Furthermore, Seelos and Mair (2005) suggest that social entrepreneurs “creates novel business models, organizational structures, and strategies for brokering between very limited resources to create social value” (p. 244), all of which requires continuous innovation. However, the appropriate business model may not be apparent from the start (Teece, 2010) and the business may need to experiment and try out several alternatives models in order to find one that is suitable for its specific context (Chesbrough, 2010); a process which is less constrained for entrepreneurs (Chesbrough & Rosenbloom, 2002). The business model design process is usually iterative in nature (Shafer et al., 2005; Teece, 2010) and even when a suitable model is found, it usually evolves over time (Morris et al., 2005; Teece, 2010) as it is subjected to changes in the environment or as the business’ goals change (Bohnsack et al., 2014).

Business model innovation, according to Osterwalder and Pigneur (2010), results from one of the following objectives: “(1) to satisfy existing unanswered market needs, (2) to bring new technologies, products, or services to market, (3) to improve, disrupt, or transform an existing market with a better business model, or (4) to create an entirely new market.” (p. 244) They continue by saying that the innovation efforts usually occur either if there is a crisis (reactive), if the company has to adjust to changing environment (adaptive), if they want to bring new technologies, products or services to a new or existing market (expansive) or preparing for the future by exploring and testing new models (pro-active/explorative). Business model innovation is increasingly seen as a more important source of future competitive advantage, and compared to product or process innovation, a good product that is embedded in an innovative business model can be harder to imitate.
or replicate, and could therefore be a source of sustainable competitive advantage (Amit & Zott, 2012).

Chesbrough and Rosenbloom (2002) and Chesbrough (2007, 2010) mainly focus on innovating the revenue model in order to profit from new technology, while according to Amit and Zott (2012), business model innovation can be performed in several areas: the content, i.e. by adding new activities, for example through backward or forward integration; the structure, i.e. by linking existing activities in new ways; or the governance, i.e. by changing who performs the activities. Changes can be made in one or several of these areas, and they stress the importance of interdependencies in business models; a business need to choose a set of activities that can satisfy the perceived need in the market, they then need to structure and link these activities into a working system and put governance mechanisms in place to hold the system together. Furthermore, Amit and Zott (2012) highlight the importance of a revenue model that complements the business model, saying that they “may be quite closely related and even inextricably intertwined” (p. 46). Lastly, Amit and Zott (2012) argue that taking a systematic and holistic approach to innovation, rather than looking at individual isolated elements separately, is encourages, stating: “when you innovate, look at the forest, not the trees - and get the overall design of your activity system right before optimizing the details” (p. 49).

One of the challenges with business model innovation is that even with attempts at having a systematic process in place, it is it unpredictable and contains a lot of uncertainty (Osterwalder & Pigneur, 2010). It requires much invested time and resources to explore possibilities until a good solution is found, as well as patience, lest the company too quickly adopts a single solution which later on proves to be ill-suited (Osterwalder & Pigneur, 2010). Osterwalder and Pigneur (2010) suggest the innovation process should not be linear, but rather that it should include exploring and prototyping of multiple possibilities, iterating between market research, analysis, prototyping and idea generation. Similarly, Yunus et al. (2010) claim that analysis seldom is enough and that a company need to engage in experimentation on a smaller scale to maximise the organisation’s learning while still maintaining a relatively low risk. Some of these experiments may end up as failures, but these failures will most likely add knowledge and inform new approaches (Chesbrough, 2010) and it is critical that there is an intent and ability to make changes to redirect the business model when problems are encountered (Yunus et al., 2010). As the world, and most markets, are ambiguous and/or contains uncertainty, an iterative process will most likely be more fruitful and lead to a successful new business model in the end (Osterwalder & Pigneur, 2010).

2.2.8 Social business models

With the growing body of research on social businesses and entrepreneurship, some have started to look into business models for these kinds of businesses (Marquez, Reficco, & Berger, 2010; Michelini & Fiorentino, 2012; Michelini, 2012; Yunus et al., 2010). Yunus et al. (2010) draw on the experiences of the Grameen ventures (namely Grameen Phones, Grameen Veolia and Grameen Danone) to contribute to an extension of the more traditional business model framework and components. They base their model in their understanding of a conventional business model, which according to them consists of three components: the value proposition, the value constellation and the profit equation. However, through analyses of the Grameen ventures they came up with five lessons, which highlight both the similarities and differences between conventional and social business models, especially in regards to business model innovation. Lessons one through three are similar for both types of business. They are as follows: Lesson 1: Challenging
conventional wisdom, which refers to business model innovation, the need for constant new thinking to reinvent the rules of the game and stay competitive; Lesson 2: Finding complementary partners, which refers to the crucial part that different kinds of relationships, and the leveraging their knowledge, play for success and innovation of new types of business models; Lesson 3: Undertaking continuous experimentation, which refers to strategic experimentation and can include small scale testing of new types of business models. The last two lessons are specific for building social business models, and are stated as follows: Lesson 4: Favouring social profit-oriented shareholders; Lesson 5: Specifying social profit objectives clearly, which refers to the fact that economic profit creation is implicit in traditional business models, but social value creation is not, which creates a need to explicitly and clearly stating the social objective for such a business.

Taken together, these lessons lay ground for a social business model framework, see figure 3 below. The three components, as per their understanding of conventional business models, are accompanied by the social profit equation, which highlight the need for clarifying the social value creation (Lesson 5).

![Figure 3. The four components of a social business model (Yunus et al., 2010, p. 319)](image)

Michelini (2012) later used this framework, and together with Osterwalder et al.’s (2005) nine components, developed a more comprehensive framework for social entrepreneurship. Apart from the nine components of Osterwalder et al.’s framework, and the addition of Yunus et al.’s (2010) social value equation, she also introduces dividends management and the governance model. Dividends management, also borrowed from Yunus et al. (2010), is a proxy for degree of social motivation; if dividends are given to shareholders, the business is more commercial than social, while a no-dividends policy often comes hand-in-hand with a more central social objective. Governance model refers to the organizational form and control, and is included to identify and highlight innovation in these areas. Others (e.g. Mair & Schoen, 2005; Marquez et al., 2010) simply use traditional business model frameworks (such as Osterwalder et al. (2005)) to analyse social ventures. However, this approach has been
criticised, with claims that traditional frameworks cannot depict social businesses (Michelini, 2012).

Inclusive business models

Another type of business model within the realm of social entrepreneurship is the inclusive business models. This is related to Prahalad and Hammond's (2002) concept of “serving the poor profitably” in his Bottom of the Pyramid Theory (Michelini, 2012). The concept of inclusive business models was first brought up by United Nations Development Programme in a report 2008, and draw upon the experiences of 50 different cases mostly in developing countries. Businesses employing inclusive business models include the disadvantaged both on the demand side and the supply side. On the supply side they are included in various components of the value chain as employees, business owners and producers and on demand side they are included as customers and clients. (United Nations Development Programme, 2008) Michelini (2012) similarly notes that inclusive business models are distinguishable in three ways:

1. as customers, where the poor are the primary target of the business and companies make products and services available at an affordable price;
2. as suppliers, distributors or business partners, where the poor are involved in their value chain and companies contribute to job creation and knowledge sharing but target the average or high-income local population, traditional/global markets, and non-profit local or international organizations, and;
3. as customers and as suppliers, distributors or business partners, where the poor are both targets and actors involved in the company’s value chain. (Michelini, 2012, p. 24)

Similarly to the concept of CSV the benefit of the businesses and the disadvantaged are intimately intertwined. Through employing an inclusive business model, they can benefit from targeting new customer bases and strengthening supply chains at the same time as the disadvantaged can benefit from higher incomes, empowerment and knowledge acquisition. (Michelini & Fiorentino, 2012; Michelini, 2012; United Nations Development Programme, 2008)

2.3 Stakeholder theory

The “principle of who or what really counts” is the essence of the the stakeholder theory, originally found in the book Strategic Management: A Stakeholder Approach, written by R. Edward Freeman (see Freeman, 1984). Many argue that the stakeholder theory was the first, and still is, one of the most prominent alternatives to the traditional stockholder-based theories, which claim that increasing stockholder value should be the core of any business (e.g. Laplume, Sonpar, & Litz, 2008). Milton Friedman, whom many (more or less correctly) cite when discussing stockholder theories, wrote that social responsibility is a fundamentally subversive doctrine and that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Friedman, 1970, p. 6). Stakeholder theory, on the other hand, takes into account all stakeholders of an organization, not only the stockholders. This idea, however, was not introduced with the birth of the stakeholder theory, and even Friedman (1962) wrote that “it may be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government” (p. 132) and that
this should not be deemed as social responsibility, but is justified because in doing so, the firm is serving its own self-interest by maximizing its own profits. A main difference between stakeholder and stockholder theory then, is that stockholder theory views profit maximization as the key to making a business successful, while stakeholder theory argues that managing different stakeholders in a certain fashion will lead to a successful business and profit maximization (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010). They write:

Business is about making sure that products and services actually do what you say they are going to do, doing business with suppliers who want to make you better, having employees who are engaged in their work, and being good citizens in the community, all of which may well be in the long-run (or even possibly the short-run) interest of a corporation. Stakeholder management is just good management and will lead to maximizing profits. (p. 11)

2.3.1 Defining stakeholders

There is no consensus of a definition of the word stakeholder, and thus in extension who counts as a stakeholder. Some use Freeman’s now classic definition that stakeholders are “any groups or individual who can affect or is affected by the achievements of the organization’s objectives” (Freeman et al., 2010, p. 207), while numerous other definitions still exist (Agel et al., 2008; Laplume et al., 2008). Examples of other definitions include, among many others, Alkhafaji’s (1989) definition “groups to whom the corporation is responsible” (p. 36), and Clarkson’s (1995) definition that stakeholders “have, or claim, ownership, rights, or interests in a corporation and its activities” (p. 106) (as cited in Mitchell, Agle, & Wood, 1997). Similar to the definitions of social entrepreneurs, the stakeholder definitions can also be categorised as narrow or broad (Windsor, 1992, as cited in Mitchell et al., 1997), while Clarkson’s definition would fall into the narrower category. The major difference between the two is that the narrower definitions are based on practical limitations, such as resource limitations, and try to limit stakeholders to the ones that have an impact on the organization’s core economics. The broader definitions, mostly used in theory and not in practice, are based on the fact that in reality an organization can affect, and be affected by, virtually anyone (Mitchell et al., 1997). Freeman et al. (2010), divide stakeholders into primary and secondary stakeholders, which roughly translates into the narrow view definition of stakeholders (primary), and the broad view definition of stakeholders (primary and secondary), figure 4 depicts this.
As the picture shows, Freeman et al. (2010) include in the primary stakeholders: communities, customers, employees, suppliers and financiers. The secondary stakeholders include governments, competitors, consumer advocate groups, special interest groups and the media. However, many other classifications exist (Laplume et al., 2008). Regarding which stakeholders managers should pay attention to, the opinions differ. Some argue that primary stakeholders should be prioritised above secondary stakeholders (Clarkson, 1995) while other suggest that attention should be directed towards stakeholders with resources and networking power (Pajunen, 2006) (as cited in Laplume et al., 2008). Others claim that there are no “magic list of stakeholders” and that the importance of a particular stakeholder will change over time, as should the managers’ attention towards this stakeholder (BSR, 2012).

**2.3.2 Stakeholder theory and strategy**

Freeman et al. (2010) describe businesses as the relationships between the individuals and groups that have a stake in the set of activities that the business is comprised of, and writes that “business is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks, etc.), communities, and managers interact and create value. To understand a business is to know how these relationships work.” (p. 25) The interests of the various stakeholders must be aligned for a business to be competitive. (Freeman & McVea, 2001) also argue that stakeholder management implies an “integrated approach to strategic decision making”, which means that strategies should not be set stakeholder by stakeholder, but rather one common strategy that is aligned with, and satisfies, the needs of all stakeholders, is called for. While managers should strive for win-win situations, where all stakeholders benefit, and strategies should be set in a way that
stakeholder interests don’t “compete” with one another, trade-offs are in many cases inevitable. Where a strategy involves both harms and benefits to different stakeholders, the strategy should be set in such a way that is does not harm the long-term support of any particular stakeholder. On ensuring stakeholder support, and in extension, the success of the business, Freeman & McVea (2001) writes “management should actively explore its relationships with all stakeholders in order to develop business strategies” (p. 3).

2.4 Creating Shared Value

Creating Shared Value (CSV) is business concept developed by Michael Porter and Mark Kramer as a response to the misalignment between business and society. The authors argue that because companies remain in an outdated mind-set to value creation, focusing on maximization of short term financial performance among other things, they are perceived to benefit at the expense of society, and that they cause problems both of social, environmental and economic nature. They blame companies of overlooking both the well-being of customers, the depletion of natural resources and the problems in the communities they serve and exist in. Porter and Kramer also blame CSR (Corporate Social Responsibility) efforts to be peripheral, and not at the core of business, that many companies engage in CSR activities because they hope for a boost in reputation, while the efforts have little relation to the core business and that they thus are hard to justify. (Porter & Kramer, 2011)

The authors instead call for the principle of shared value, by which they mean value creation that does not separate economic and social value creation, but instead focus on the creation of economic value through means that also create social value. This concept takes into account the fact that many forms of social harms created by companies also entails internal costs, energy waste, waste of materials, accidents of compensative training to name a few. Porter and Kramer point out that CSV is not a redistribution approach, but instead is a concept that is about expanding the total economic and social value through certain mechanisms. They use the example of fair-trade to illustrate; fair-trade ensures that poor farmers get a bigger proportion of the revenues and are paid more for their crops. A shared value approach would instead be to improve farming techniques and help to strengthen supporting suppliers to ensure a better yield and sustainability, a scenario which would result in a bigger pool of economic value to be shared, but also a better future for the farmers, which represent the social value created. (Porter & Kramer, 2011)

Porter and Kramer (2011) define CSV as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.” (p. 6). This is possible because there is a close relationship between the competitiveness of a company and the well-being of the communities they operate in. In addition to the old view, where companies strive to make profit and in turn contribute to society with, among other things, employment, wages, and taxes, there are also opportunities for firms to boost revenues and expand markets through tackling social issues and constraints. The authors identify three concrete approaches to creating shared value: by (1) reconceiving products and markets, (2) redefining productivity in the value chain, and (3) building supportive industry clusters at the company’s locations. (Porter & Kramer, 2011)

2.4.1 Reconceiving Products and Markets

The authors argue that many firms no longer consider whether the product they offer really are good for the customers, and that there are huge opportunities for improvement
that companies could benefit from. More nutritious food, better housing and products with less environmental damage are some examples of opportunities that exist. Reconceiving markets are about turning to disadvantaged communities, in the developed world (e.g. poor urban areas in the US) or in developing countries. (Porter & Kramer, 2011) Since many firms overlook these huge markets there are many unexploited opportunities here. Reconceiving products and markets can be thought of as “how targeting unmet needs drives incremental revenue and profits” (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2012, p. 3).

2.4.2 Redefining Productivity in the Value Chain

Porter and Kramer (2011) argue that “opportunities to create shared value arise because societal problems can create economic costs in the firm’s value chain” (p. 8). Accidents at the workplace, unnecessary energy waste, pollution, excessive packaging, and working conditions all affect a company’s value chain, and can create internal costs for the company. These all represent opportunities which could entail both economic and social value creation, that is, shared value creation. (Porter & Kramer, 2011) This shared value approach can be described as “how better management of internal operations increases productivity and reduces risks” (Porter et al., 2012, p. 3).

2.4.3 Enabling Local Cluster Development

“How changing societal conditions outside the company unleashes new growth and productivity gains” (p. 3) is the essence of the last venue through which shared value is created (Porter et al., 2012). All companies are affected by the community and the cluster of companies and infrastructure in which it operates. This include suppliers, service providers, trade associations, training facilities, schools and education and knowledge of the community. Companies can both profit economically by supporting and further developing these clusters and in turn raise productivity, and also create social value by solving gaps of failures present in the cluster. (Porter & Kramer, 2011)

2.4.4 Measuring CSV

In a follow-up article to the original CSV paper, Porter et al. (2012) argue that to ensure the creation of shared value, it is important to measure the value creation process. What needs to be measured is not only the organization's ability to create both economic and social value, but more importantly how social value creation drives economic value creation. It is the interdependency between economic and social value creation that is important to determine the ability and growth opportunities of shared value creation. Examples could be how improved patient care or improved education correlates with improved revenue, market share or profitability. Further, Porter et al. (2012) lay out a four step process to shared value measurement. The first step is to identify a social issue to target, the solving of which results in the creation of social value, and through which economic value is generated. The second step is the making of a business case on how to proceed in order to solve the problem laid out in step one, and how to generate value whilst doing so, that is, how social improvement directly will result in better business performance. The third step is the actual measuring. Here, the organization tracks progress with desired targets in mind, just like ordinary progress measurement. The last step includes the analysis of the correlation between the economic and social progress.
2.4.5 Criticism of CSV

Some authors criticise CSV of being unoriginal and built on strawman logic (Beschorner, 2013; Crane, Palazzo, Spence, & Matten, 2011; Visser, 2013). Visser (2013) highlight the similarities with the CSR movement, and criticise Porter and Kramer of making based their logic and criticism of CSR on a very shallow and immature form of CSR. Visser (2013) also argues that CSV is similar to both Prahalad and Hart’s (2002) bottom of the pyramid approach, stakeholder management, and inclusive business models. Beschorner (2013) similarly blames Porter and Kramer of using a too narrow economic perspective when building the concept of CSV, and also that their understanding of CSR is too shallow, while Crane et al. (2011) criticise the naïve belief that CSV can be accomplished without trade-offs and that such win-win situations are limited. However, Visser (2013) also praise CSV to bring new, and much needed, attention to the issues in society and business, and that CSV “has cleverly changed the language of social responsibility into the language of value creation, which business leaders can better understand and it has challenged the narrow definition of corporate purpose to go beyond profit maximization” (p. 2).

2.5 Research model

The purpose of the study is to explore how social entrepreneurs through their business models handle the balance of creating social value and capturing economic value. Though the research and construction of the theoretical framework, the investigated literature can be categorised into three distinct areas: the first being the balance of the dual goals (e.g. Pirson, 2012; Yunus et al., 2010; Smith et al., 2013) the second being the balance of stakeholder interests (e.g. Mort et al., 2003; Freeman et al., 2010) and the third being the relationship between these two balances and the goal of the businesses (e.g. Seelos & Mair, 2004; Michelini, 2012). Therefore, the framework for this analysis will be built on three legs, each representing one of these different aspects of the social entrepreneurs, and also acts as a basis for the three separate research questions. The three aspects will henceforth be called the how element, the who element and the why element, representing the different areas of literature initially presented in the introduction which have been further developed in the theoretical framework. Taken together, this basis aims to coherently answer the research questions and in extension help fulfil the purpose of this study. Figure 5 depicts the motivation behind the business (the why), the business model that will make it work (the how) and the stakeholders that are affected and have interest in it (the who), as well as their interrelated connections. The arrows between components signify internal effects and influences, as well as potential tensions, trade-offs and mutual reinforcements. The underlying thought and the research questions for these three legs are presented hereunder.
Research question 1 - How do social entrepreneurs, through their business models, handle the balance between creating social value and capturing economic value?

The increasingly popular business concept CSV stresses the importance of businesses taking responsibility and realigning with society through the solving societal issues. The concept advocates creating social value in a way that also generates economic value. However, as the literature show, social entrepreneurs face challenges doing just this; how to manage the creating of social value while still generating economic value to have a sustainable business, be it through commercial revenue streams or grants. The business model literature argues that any business need to be able to both create value for its stakeholders, as well as capture at least some portion of the value in economic returns. On the other hand, social entrepreneurs can adopt approaches that may not be viable for larger businesses, and pursue novel solutions and exploit emerging opportunities. Taken together, these represent the how element.

- The how element contains the business model and explains how the business will create social value and capture economic value.
In order to answer the research question under the *how* element, this study aims to find common features between the different cases investigated. These commonalities will henceforth be called mechanisms, and are the operationalisation of how the entrepreneurs handle the balancing. To coherently answer the first research question, the study aims to find mechanisms that collectively cover all parts of the business model, i.e. all of the four categories of Osterwalder et al.’s (2005) framework: Product, Customer Interface, Infrastructure Management and Financial Aspects.

To answer this first research question, it will be simplified into finding mechanisms:

- What mechanisms, through which social entrepreneurs handle the balance between creating social value and capturing economic value, can be observed?

---

**Research question 2 - How do social entrepreneurs strategically handle stakeholder and their interests to fit the balance between creating social value and capturing economic value?**

As social entrepreneurship often involves the bringing together of a wide range of stakeholders in order to offer a product or service, the entrepreneurs will need to manage these stakeholders and their potentially conflicting interests or motives. According to the theory of stakeholder management, interests of the various stakeholders should be aligned for a business to be competitive. Further strategies should not be set stakeholder by stakeholder, but rather one common strategy that is aligned with the needs of all stakeholders is called for. This is the *who* element.

The *who* element contains the different stakeholders that are involved in the business as well as their interests and motives.

In order to answer the research question under the *who* element, much like for the *how* element, this study aims to find common features – mechanisms – that can be identified within the different cases, and therefore, this research question will also be simplified into finding mechanisms:

- What mechanisms, through which social entrepreneurs handle stakeholder and their interests to fit the balance between creating social value and capturing economic value, can be observed?

---

**Research question 3 - Which similarities or differences can be found between entrepreneurs with different motivations?**

Lastly, as has been previously addressed, adopting the wide definition of social entrepreneurs, they can range from wanting to maximise social value without expecting any substantial financial compensation, to addressing a social problem they have identified as a business opportunity while maximising profit. Can any similarities or differences be found between how social entrepreneurs handle the balancing of social and economic value creation in their business model, or how they choose and manage their stakeholders and their interests, depending on their motivation? This constitutes the *why* element.
In order to answer the research question under the *why* element this study aims to investigate the relationship between the mechanisms identified in the two previous elements and the various motivations behind the businesses. Therefore, this research question will be limited to answering the following question:

- What similarities or differences in the identified mechanisms can be found between social entrepreneurs with different motivations?

The *why* element contains the motivation behind the business and how this is manifested in the business model and the management of stakeholders.
3. Methodology

The following chapter covers the methodology of the study.

3.1 Research Methodology

According to Lekvall and Wahlbin (2001) the research methodology utilised should reflect the desired outcome of the research. They make the distinction between exploratory, descriptive, explanatory and predictive research. An exploratory study is aimed at obtaining basic knowledge in an area where the existing knowledge is not sufficient to stipulate specific research questions. When the situation or area of research is better understood the exploratory research usually is followed by a more in-depth research building off of the acquired knowledge. While there is a sufficient amount of theory regarding social entrepreneurship, business models, and the stakeholder theory available, not as much thought have been given the intersection between them. Moreover, the existing literature on social entrepreneurship is predominantly theoretical (Short, Moss, & Lumpkin, 2009), and more empirically founded studies would be beneficial for the field (Brunner, Danko, & Kraus, 2011; Mort et al., 2003). The concept of creating shared value could be seen as a contribution to this intersection, but with a corporate focus rather than a focus on social entrepreneurs. This research therefore sets out to fill the void, giving it an exploratory orientation.

3.2 Research Approach

While the research methodology should be reflecting what the desired conclusions of the research are, the research approach is the technical procedure that will be employed in order to be able to arrive at these conclusions (Lekvall & Wahlbin, 2001). The research approach can be divided into two different dimensions.

The first dimension describes the focal point of the research, e.g. if it is going to be a deeper analysis performed on one or a few cases (case study), or a more general analysis performed on a wider set of cases (cross-sectional study). The case study and cross-sectional study differ in the way the data can be analysed. In a cross-sectional study, a variable is analysed across several cases, and if data is missing or omitted for a specific case, that can upend the analysis (Lekvall & Wahlbin, 2001). In comparison, a case study initially looks at the data case by case, and it is not uncommon to have missing data; you might focus on one attribute in one case, and another attribute in another case, and only delve into the details of the parts that are relevant or interesting for that individual case (Lekvall & Wahlbin, 2001). The case study is applicable when looking into a few variables that affect what is intended to be researched, and where the relationships between different factors are complex (Lekvall & Wahlbin, 2001). Furthermore, a case study approach may be deemed more suitable when looking into contemporary events with low or no behavioural control of events (Yin, 2009). While the case analysis is useful for getting detailed information and analysing specific cases, as well as exploring areas with little previous knowledge and building theory (Eisenhardt, 1989), it is more limited in terms of inferring conclusions to a target population; i.e. it has lower generalizability (Lekvall & Wahlbin, 2001; Yin, 2009). Cross-sectional studies are usually better suited for research involving more variables with less complex relationships, and are also more suitable for confirming existing theory (Eisenhardt, 1989). The cross-sectional approach can be divided into a survey and experiment approach, where the former passively monitor real-world occurrence or behaviour, while the latter actively manipulates the situation or the investigated variables (Lekvall & Wahlbin, 2001).
The second dimension describes what kind of data will be used, i.e. how the collected information will be encoded, as well as how the initial analysis will be performed (Lekvall & Wahlbin, 2001). For the quantitative approach the data is encoded with numeric values and the analysis includes utilisation of statistical tools, while the qualitative approach usually has data collected in non-numeric form and the analysis more often is performed through logical reasoning and argumentation (Lekvall & Wahlbin, 2001). While the distinction between the quantitative and qualitative approach more commonly is made by looking at how data is encoded, Lekvall and Wahlbin (2001) argue that the way the analysis is performed is more critical for the outcome of the research.

<table>
<thead>
<tr>
<th>Case study</th>
<th>Cross-sectional study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantitative approach</strong></td>
<td><strong>Survey</strong></td>
</tr>
<tr>
<td>Metrics analysis of competitors</td>
<td>Opinion survey of 200 consumers</td>
</tr>
<tr>
<td><strong>Qualitative approach</strong></td>
<td>In-depth analysis of the purchasing process of four key customers</td>
</tr>
</tbody>
</table>

Table 3. Overview of research approaches (Lekvall & Wahlbin, 2001, p. 211)

Table 3 shows some examples Lekvall and Wahlbin (2001) give of the different approaches. Worth noting is that while the dimensions can be combined in various ways, some combinations are more prevalent than others; case studies commonly use a more qualitative approach due to its focus on more detailed descriptions, while cross-sectional studies normally rely on a quantitative approach with the use of statistical calculations (Lekvall & Wahlbin, 2001). Furthermore, as mentioned before, some approaches are preferable to others depending on what kind of conclusions you want to be able to draw. For example, a qualitative case study approach may be better suited when looking into situations where the concept being investigated and its context is not clearly understood as it gives the researcher both more flexibility in how and what kind of data is collected, as well as an opportunity to uncover relationships not previously considered (Lekvall & Wahlbin, 2001). A case study approach emphasises the rich context of an occurrence, rather than trying to separate it from it (Eisenhardt & Graebner, 2007). A quantitative survey approach on the other hand, may be better suited for describing or proving relationships that already have theoretical support. Eisenhardt and Graebner (2007) make the distinction between inductive and deductive research, saying that “inductive and deductive logics are mirrors of one another, with inductive theory building from cases producing new theory from data and deductive theory testing completing the cycle by using data to test theory” (p. 25).

For this research, a multiple-case study approach of the qualitative nature has been selected (Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Yin, 2009). This decision is based on a handful of different factors. First, bearing the explorative nature of the research in mind, a case study approach was deemed more appropriate in its ability to uncover previously unknown relationships (Lekvall & Wahlbin, 2001) and build new theory (Eisenhardt, 1989). Second, the examined businesses may differ quite a bit in their
configuration, and this can make it hard to make relevant comparisons across the different cases on predetermined variables, which a more quantitative survey study might suggest.

Third, the concepts and the relationships between different actors form a complex context, and as the context of the business is seen as highly relevant, a case study is appropriate to ensure that this information can be included in the analysis (Eisenhardt & Graebner, 2007). Finally, the entrepreneurial businesses being examined are all in their start-up phase, leading to low availability of quantitative data, making a qualitative approach more or less necessary.

With an exploratory study that aims to build new theory with inductive logic it is important to identify and choose relevant and sufficiently broad theory to build the new theory from. Lekvall and Wahlbin (2001) state that it is important to learn as much as possible about the research subject in order to manage to perform a fruitful analysis. Similarly, Eisenhardt and Graebner (2007) suggest a broadly scoped research question. To do this, the theoretical framework needs to be comprehensive and facilitate the formulation of the more specific research questions (Lekvall & Wahlbin, 2001). Therefore, this study’s theoretical framework is deliberately broad in order to ensure that many different bases are covered and that the framework as a whole manages to explain the phenomenon specified in the purpose and constitute a foundation for the building of new theory.

3.3 Case Selection

Eisenhardt and Graebner (2007) argue that as opposed to a study aimed at drawing conclusions for a target population, which needs to adhere to strict sample selections criteria to maintain validity, e.g. random sampling, the case study approach is more flexible. Here, the researcher actually should select specific cases rather than picking them at random, so called theoretical sampling, meaning cases are chosen because they may illuminate unusual phenomenon or offer insight into specific relationships and logic constructs (Eisenhardt & Graebner, 2007; Yin 2009). This could for example mean selecting extreme cases, selection to fill different theoretical categories or to highlight differences of polar cases. By employing a multiple-case approach these insights can be better grounded in a wider array of empirical evidence, thus enhancing the robustness of the research and its findings (Eisenhardt, 2007).

It is also quite common that the selection of cases is somewhat convenience-based, meaning for example personal or geographical access matter (Lekvall & Wahlbin, 2001; Yin, 2009). Similarly to Eisenhardt and Graebner (2007), Lekvall and Wahlbin (2001) explain that the selection of cases in an exploratory study usually is done by what they call judgement sampling, i.e. picking cases that are deemed to be give interesting insight that are in line with the purpose of the study, and that the criteria by which these are picked should be thoroughly thought through. Furthermore, they suggest the use of the convergence principle, which states that cases are added gradually until the results converge and the addition of another case is believed to no longer add substantial value to the research. A similar concept is what Eisenhardt (1989) name theoretical saturation, which is the point where incremental learning as a result of the addition of another case is minimal, due to observations just reiterating previously observed phenomena.

The cases were provided through recommendations and introduction from either the supervisor at mLab or other contacts working in the vicinity; therefore, the case selection falls under the convenience-based sampling (Lekvall & Wahlbin, 2001; Yin, 2009). Nevertheless, after shorter introductory chats with an agent of the specific business (almost exclusively the CEO or founder), the proposed cases were selected based on
judgement of whether that specific case was deemed as adding value within the frame of the research. The following criteria were taken into consideration:

- The business should, at least partly, be driven by a social mission and intend to solve a social problem or create social value
- The business should have a business model, either implemented or planned for future implementation, which they work with strategically
- The business should have been in development for at least one (1) year, giving the project maturity, allowing for more insight, and a higher chance of more developed or thought through models and processes
- The business should primarily be active in South Africa, giving the research a geographical limitation
- When selecting cases, the goal has been to include cases that are situated at different points of the spectrum of social entrepreneurs, i.e. with different motivation and balances of social and economic value creation
- The intention has also been to include businesses that target and provide solutions to different social needs in several sectors

The selection process, although helping in screening potential cases, still is limited by the convenience-based sample the cases are a subset of, thereby somewhat limiting the research and the conclusions that can be drawn from it, as there may be more appropriate cases that could be included. The convergence principle has therefore been taken into consideration, leaving room for inclusion of additional cases if these are deemed needed and thought to add substantial value to the analysis.

3.4 Research Process

The research process has followed the framework suggested by Eisenhardt (1989), consisting of the following steps:

1. Selecting cases
2. Crafting instruments and Protocols
3. Entering the field
4. Analysing within-case data
5. Searching for cross-case patterns
6. Shaping hypotheses
7. Enfolding theory
8. Reaching closure

For the first step, case selection was done through a combination of convenience and judgement selection, as described in the previous section.

In the second step, an interview guide was constructed, based on the previously performed theoretical review and the resulting analysis model. The interview guide was in a semi-constructed way such that it would allow the interviewee to freely answer broader questions, but allowing the interviewer to probe deeper or ask for more detailed descriptions if need be (Lekvall & Wahlbin, 2001).

Third is the data collection phase. All data was collected through interviews, either in person or via Skype depending on the business’ office location, with two interviewers present. According to Eisenhardt (1989) having several investigators is beneficial as “convergence of observations from multiple investigators enhances the confidence in the findings” (p. 538). Furthermore, it can allow the interviewers to focus on and pick up
different things (Eisenhardt, 1989). The interviewee was always someone with substantial insight and knowledge about the business, either the CEO or the founder. The interviews were recorded in order to relieve the interviewers of judging what is important and writing it down, rather allowing them to focus on the interview and interviewee. By having an introductory chat ahead of the formal interview, the interviewee was better informed on the purpose of the study. This might also have helped in building trust, which can lead to the interviewee opening up and answering questions more sincerely (Lekvall & Wahlbin, 2001).

One advantage of the theory building from cases is that it allows for overlap between data collection and data analysis, allowing for adjustments to be made throughout the collection phase, such as addition of questions, or adjustment of focus depending on collected data (Eisenhardt, 1989). While the alteration of questions may be critiqued, Eisenhardt (1989) argue that the purpose is to understand each and every case individually, not compile comprehensive statistical observations, and that if the opportunity to gain more insight arises, it should be taken.

Next is the analysis phase, consisting of both within and cross-case analysis. Eisenhardt (1989) emphasise the importance of understanding the specific cases and their unique contexts before trying to identify general patterns between them, as this familiarity will be helpful both in generating insight and in the subsequent the cross-case analysis.

For the within-case analysis the empirical data collected was encoded and categorised with help from the analysis model, using the topical headings how, who and why, and made into detailed descriptions of the cases. In an iterative process and discussion between the authors, occurring elements were further divided into subcategories that were prevalent or often recurring in several cases, to make for a more structured analysis, and help for the subsequent cross-case analysis. This part of the analysis was chosen to be implicitly presented in the way the empirical data chapter was designed, as well as a little bit more explicit, although brief, in the snapshots at the beginning of the analysis chapter, the reason for which was to structure the information and also to to limit the repetitiveness. As Eisenhardt (1989) argues, the within-case analysis often help the researcher handle vast amounts of data, and also allow the researcher to get familiar with the case’s specific context before generalization begins, which can then allow for easier and more efficient cross-case analysis. Concurrently with the forming of case descriptions, the authors discussed the individual cases, their interpretations and identified themes, in order to not overlook details that may be of importance, as well as compared their own image of the case to the answers from the interviewee.

The second part of the analysis step, which takes up the major part of the analysis chapter, is the cross-case analysis where recurring patterns over several cases are sought. According to Eisenhardt (1989), it is critical that the researchers do not jump to conclusions too soon, or are subjected to biases which can affect the result of the study. One way of doing this it to have clear dimensions on which to compare the different cases, either grouping them by similarities or comparing differences between groups (Eisenhardt, 1989), which is done through the analysis model; the how, who and why headings, as well recurring elements, previously mentioned, taken from existing literature on, and related to, the subject. With the help of the existing literature within different areas the subject of the study was studied from different angles, and with the help of the different data points from the cases, it was possible to triangulate and identify common tendencies that were supported by evidence amongst several of the cases.

As the analysis progresses, some themes, concepts and relationships start to emerge. In the shaping of hypotheses step, the cases are compared to the emerging theory, making
adjustments to the theory where there is a poor fit (Eisenhardt, 1989). This is an iterative process, where the researchers try to refine the construct as well as build evidence for it in each case, constantly increasing the fit between the two (Eisenhardt, 1989). The hypotheses are then examined for each case, either confirming or disconfirming the hypothesis; where a disconfirming case can be seen as an opportunity to further refine the theory (Eisenhardt, 1989). Similarly, Yin (2009) suggest that a replication approach is used in order to develop and confirm or disconfirm the theory, thereby forcing the researcher to account for outliers or cases that does not match the hypothesis. In this study some clear tendencies emerged when studying some of the cases. These themes were then investigated with the rest of the cases, testing if they were replicable. In some cases, modifications had to be made to the emerging theory to account for conflicting empirical data. Comparison with existing literature followed, finding similarities or contradictions, as well as trying to identify the reasons for said inconsistencies (Eisenhardt, 1989). Last is the reaching closure step, knowing when to stop adding cases and iterating between theory and data. As previously described, theory saturation applied, i.e. when the incremental improvement to theory is minimal (Eisenhardt, 1989).

3.5 Academic quality

In order to determine the quality of a case study, or of empirical research in the positivist field in general, there are four criteria that are commonly evaluated: construct validity, internal validity, external validity and reliability (Eisenhardt, 1989; Gibbert, Ruigrok, & Wicki, 2008; Yin, 2009). The three validity criteria concern the credibility of the logical relations and conclusions drawn from the study, i.e. if the research really studies what it sets out to study, while the reliability concerns repeatability of the results, i.e. if the research would have the same result if performed again (Wahlbin & Lekvall, 2001; Yin, 2009). By collectively evaluating the validity and reliability the research quality, although subjectively, can be determined (Wahlbin & Lekvall, 2001). Below follows a brief description of each of these criteria:

- **Construct validity**: identifying correct operational measures for the concepts being studied
- **Internal validity** (for explanatory or causal studies only and not for descriptive or exploratory studies): seeking to establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships
- **External validity**: defining the domain to which a study's findings can be generalised
- **Reliability**: demonstrating that the operations of a study - such as the data collection procedures - can be repeated, with the same results (Yin, 2009, p. 40)

3.5.1 Construct validity

The construct validity “refers to the extent to which a study investigates what it claims to investigate” (Gibbert et al., 2008, p. 1466). According to Yin (2009), construct validity has to do with the operationalisation of the construct being investigated, and that criticism often raised against the case study approach is its sometimes underdeveloped set of measures and that it draws on “subjective” judgements. However, Wahlbin and Lekvall (2001) point out that a case study can lead to higher validity, as the qualitative approach often is better suited to get valid data on more complex phenomena. To enhance the construct validity, researchers are encouraged to base their conclusions on evidence
collected from multiple sources of evidence (Yin, 2009) and using data to triangulate and look at a phenomenon from different perspectives (Gibbert et al., 2008). The sources of information in this study is a particularly weak link, as a major part of the information for each case has been derived from interviews with one person and it is hard to determine whether the image depicted in this study equates to reality. However, the person has in each case been picked specifically because they have great insight in the business, and have a deep understanding for the business’ challenges. This information has also been complemented with information from other sources such as company websites and news articles. However, the problem still remain that the information is limited to the business’ perspective, as no other stakeholders have been interviewed. Yin (2009) and Gibbert et al. (2008) also argue that a strong chain of evidence and structure enhances the construct validity, as it shows and allows for reconstruction of the reasoning from the initial research questions to the final conclusion of the study, and this structure has been maintained throughout the study. The study has also been reviewed by a group of peers in a number of seminars, something that Gibbert et al. (2008) suggest also can enhance the validity.

3.5.2 Internal validity

Internal validity relates to the the causal relationships between variables investigated, and whether or not these links follow logical reasoning and are based on causal arguments (Gibbert et al., 2008). According to Yin (2009), internal validity is mainly a concern in studies with a more explanatory nature, and that it is not as important a criterion for exploratory studies. However, it is important that there actually is a causal relationship between the concepts being investigated, and both Yin (2009) and Gibbert et al. (2008) highlight the importance of a rigorous theoretical framework, derived from the literature and preferably from several authors and from different theoretical perspectives. This study, being exploratory in nature, tries to incorporate several different perspectives of social entrepreneurship and the creation of economic and social value, building on literature on business models, stakeholder theory and the creation of shared value, in order to explore the subject. It is also important that alternative explanations of a phenomena are considered (Yin, 2009), and that researchers should try to find patterns and compare them to previous theory or other empirical data (Eisenhardt, 1989; Gibbert et al., 2008; Yin, 2009), something that is done by comparing the results with the conclusions of previous research on social entrepreneurship. As previously discussed, however, while some conclusions can be drawn, the case-study approach in this research is rather trying to explore the concepts in their specific contexts, building theory rather than testing it (Eisenhardt & Graebner, 2007). Consequently, rather than trying to inferring the results to a target group, it focuses on drawing conclusions for the specific cases but, that being said, it hopefully uncovers some tendencies or patterns in the process.

3.5.3 External validity

The third validity criterion is external validity, also referred to as generalizability, which concerns whether or not the findings are generalizable beyond the specific cases studied (Gibbert et al., 2008; Yin, 2009). Gibbert et al. (2008) argue that all the validity criteria are interdependent, specifically they claim that “without a clear theoretical and causal logic (internal validity), and without a careful link between the theoretical conjecture and the empirical observations (construct validity), there can be no external validity in the first place” (p. 1468), thus they argue that enhancing internal and construct validity will result in enhanced external validity, which this study has tried to do. A common critique against
case studies is that the conclusions cannot statistically be inferred to a general population (Eisenhardt, 1989; Gibbert et al., 2008) but a case study does not rely on, nor does it try to infer, statistical generalization; rather, it relies on analytical generalization (Yin, 2009). Analytical generalization, rather than inferring to a general population, draws conclusions and generalises from empirical findings and builds theory (Gibbert et al., 2008; Yin, 2009). Furthermore, Yin (2009) argues that while case study findings may not be generalizable to a population, they still can have theoretical generalizability and that with a case study, “your goal will be to expand and generalise theories (analytical generalization) and not to enumerate frequencies (statistical generalization)” (p. 15). However, in order to build useful theory, the phenomena studied still needs to at least be generalised over several instances, which is why cross-case analysis is used and several separate cases are studied (Eisenhardt, 1989), thus hopefully replicating the results and enhancing the external validity (Yin, 2009). As previously stated, the tendencies and themes that in some cases emerged during the analysis phase were compared with the remaining cases in order to test its replicability. Furthermore, Gibbert et al. (2008) argue that rigorous case selection and detailed descriptions of the case study context can enhance the external validity, which has been done to as great of an extent as possible, as described in the case selection section above. Using detailed descriptions of the cases may be an especially apparent mitigating action for the external validity, as is clear by the extensive empirical data chapter.

3.5.4 Reliability

Reliability concerns the minimisation of random error and biases in the study, and a high reliability means that the same results will be produced if the study is performed again in the same way (Yin, 2009). To ensure high reliability, the researcher should be as transparent and open as possible, ensuring that the undertaken steps can be replicated, for example by writing case study protocols and establishing case study databases (Gibbert et al., 2008; Yin, 2009), which is one of the reasons the methodology of the study is described in this chapter. However, Lekvall and Wahlbin (2001) argue that case studies, and qualitative studies in general, normally have a weaker reliability than quantitative studies such as surveys. For example, when conducting repeated interviews, even when performed with the same interviewee, you cannot expect to receive the exact same answers. There are of course always problems with reliability in replicating answers, but they tend to be more frequent in qualitative studies (Lekvall & Wahlbin, 2001). They also claim that the interview situation and external factors can affect the answers received, and a specific problem in this study is that some of the interviews have been conducted via Skype, and as longer Skype sessions can be exhausting, it may lead to it being harder to remain focused for the duration of the interview, both for interviewers and the interviewee; therefore all interviews followed an interview guide, following a clear line of questioning and trying to limit its length. Another issue may be how questions, as well as answers, are interpreted, and to prevent misinterpretations all interviews were recorded and transcribed and followed a structured guide. Furthermore, all interviews were conducted by two interviewers, thus making it easier to clear up misunderstandings. However, as many of the questions allowed the interviewee to elaborate, it is not certain that the same information would be obtained if the interview was conducted a second time. This was mitigated by having some follow-up questions if the interviewee was vague in their answers or did not immediately reply with answers in sought after areas. This has however affected which areas the interviewee chooses to put more emphasis on, and thereby that some cases are more focused on some parts, while other cases are focused on others, which naturally affects what conclusions can be drawn.
3.6 Research Ethics

Every interview has been preceded by a brief introduction as to the purpose of the study and how their answers may be used. All interviews performed have been recorded with the consent of the respondent and the data obtained from the interviews has been handled with care, as it might contain sensitive information. No names or information has been presented without the consent of the concerned respondent. Furthermore, each respondent, as well as the company he or she represents, have been offered complete anonymity, should they want it.
4. Empirical Data

In the following chapter the empirical data for each case, which were obtained through the interviews, are presented.

4.1 Tour 2.0

Tour 2.0 is a tech start-up focused on revolutionising the tourism industry, opening up new avenues for tourism and exposing tourists to another side of South Africa. They aim to show how diverse the African continent is, offering tourists the opportunity to go out to different communities to “hear the real stories of South Africa and experience the generosity, hospitality and resourcefulness of its people”. Their goal is also to contrast the common international perceptions of the country and the continent that is highlighting crime, poverty and corruption. They offer a wide variety of community experiences, ranging from shorter day trips to tours with itineraries spread out over several days. In the majority of the tours, the community locals act as tour guides, making stops with different guides contributing with different activities, local food or stories to make the tour unique and personal. They put a lot of focus on the storytelling, showcasing the local stories and heritage of the community, sharing historical and cultural knowledge. While they say they do not have any immediate competitors in their niche, they still compete with all kinds of tourism attractions, since they compete for the same share of tourism, the tourists’ time and money.

The company was established in 2013 and the service itself was launched in July of 2014. The business is still to break even, but as of the end of 2015, they have already performed around 900 tours, mostly with tourists from European countries such as Germany, Sweden and the UK, with more than that many tours confirmed for next year. They are continuously working with a variety of community organisations, such as church groups, NGOs and transport operators, to identify new communities, attractions and local ambassadors to enlist for new tours in order to expand within South Africa, but also have the ambition to engage communities in other parts of Africa later on. At the moment Tour 2.0 employ seven people, four full-time employees and three part-time, with roles ranging from developers and UX designers to product analysts, marketers and writers.

4.1.1 Why

According to Daniel Adidwa, CEO of Tour 2.0, the business originally grew out of the often heard misconceptions of Africa being one monotonous continent, and that many tourists never is exposed to how diverse the continent really is. He wanted to change this, and help in creating new African perceptions. While it started out as an idea where anyone could post tours, they quickly realised that there was a need for more structure, quality control, safety and streamlining of the user experience, so they set out to create the Tour 2.0 platform. They wanted to disrupt the existing tourism industry, and really look at tourism and its content from the tourism side. While much of this content involves showcasing stories from more underdeveloped communities, they want it to be a profitable business; it has never been a purely social thing, “if it would have been, I would’ve made it an NGO”, says Daniel. However, the social aspect is important to them, and Daniel sees it as interlinked with the business aspect, rather than separate. If they are successful on the commercial side, attracting tourists to the communities, the social aspect will follow.

“The social aspect would be, if you’re able to showcase what makes Africa unique, or really just something that challenges the negative preconceptions, a lot more people would start
speaking of the continent positively, and then that will mean a lot more people will want to come and experience the continent. We view that more as the social aspect of it. And the great thing is, once that is done, you’re able to start creating entrepreneurial communities within communities, and get them sustainable because the tourists will come there.”

Getting the locals involved is a way of engaging the communities, thereby contributing to their development and welfare. The local ambassadors are entrepreneurs, and involving them makes for a more authentic and personal experience, taking advantage of the locals’ expertise and knowledge. Enabling these local entrepreneurs can contribute with a source of income for individuals that may have otherwise gone unemployed, and thereby it also contributes to the community. Furthermore, Tour 2.0 provides training and support for the locals, ensuring that the quality of the tours is on par with the expectations of international tourists, thereby increasing the overall appeal of the service offering. A majority of the income is channelled into the communities and to the entrepreneurs, while Tour 2.0 takes a commission on the bookings.

Daniel defines success for the company as being able to spread across the African continent and create a more positive perception of the continent and its diversity. As the platform grows and attracts more tourists, he hopes that they will also be able to see the social impact they have in the communities, seeing local ambassadors starting micro-tourism businesses, becoming sustainable and being able to employ more people within the community. He adds that becoming financially profitable and able to start paying dividends and increase the employee base would also be seen as success. In the short term, it is however all about growing the business, which is apparent when looking at some of their metrics:

- number of tourists,
- number of communities they are involved in,
- number of tours booked,
- and lastly, financial gains from tours.

4.1.2 How

While many tourists may be interested in authentic community or culturally-based experiences, most of them do not know where or how to find them, claims Daniel. Through their website platform, Tour 2.0 give tourists access to a wide variety of experiences that they might have otherwise never heard of, and facilitating this connection adds value. On the website clients can plan their trips, make enquiries, place bookings and process payments. Furthermore, Tour 2.0 have put effort into streamlining the booking service, focusing on user experience throughout the process and making it as user-friendly as possible. To make the experience even more convenient, they are planning to launch a mobile app, that will not only improve the availability to clients, but also enable Tour 2.0 to work more closely with its tour guides and community ambassadors.

Apart from independent tourists, who mainly do bookings through the website and constitute a one-time booking, Tour 2.0 also sell to other segments. The large majority of clients come from trade organisations, such as international travel agents or tour operators, but they also have partnerships with hotels, who can recommend a tour to a guest with a couple of hours free. These other two segments are more continuous and relationship based, depending on understanding and on being mutually beneficial, and Daniel thinks they manage to create value by offering them interesting and unique products that they in turn can offer their clients or trade partners.
On the other side of the platform there are the community ambassadors and local partners. By involving them Tour 2.0 is giving them access to a greater market than they would have otherwise reached, which in extension can provide the community with job opportunities. Furthermore, involving the locals and their expertise adds to the value and authenticity of the tours. Apart from the direct revenue community ambassadors gain from the tours, tourists can also donate money to communities they visit through the platform. Daniel also believes that the changing of the perceptions of the African continent is added social value, contributing knowledge and awareness of the communities, their culture and heritage.

Balance

As previously stated, Daniel does not see the social and commercial aspects of their business as separate. Rather, they work in tandem, achieving their social goals by being commercially successful. As Daniel puts it: “We implicate local entrepreneurs within the community, by them participating, and ensuring that, the more successful we are, the more successful they are, and the better experience the tourist gets. So the whole value chain, in itself, makes sense as an enterprise.” The local partners benefit from the revenue that is generated through the platform, and they in turn contribute value to the service.

Revenue streams

The business relies on one revenue stream, the payments for the tours, and that is the same for all customer segments. To reach the revenue model and pricing strategy they have at the moment, they have iterated several times. They started out pricing the service as a niche product as there were no immediate competitors and the product they sold was unique, but they realised that while this might be true, they are still competing for the same segment of customers as many other types of tours or the leisure and entertainment industry as a whole and therefore they would need a more competitive pricing; “if a potential customer that has a couple of hours free, they look for what they can do, and even though they might be interested, if the tour is too pricey, they could just as well go for a movie, a spa or whatever.” In the future, they are looking to extend the platform, offering auxiliary services that will make it easier for the community ambassadors to operate and manage their micro-tourism enterprises, sharing knowledge related to facilitation of bookings and administration, and they see this as a potential alternative revenue stream that would work as a subscription service.

4.1.3 Who

The most important stakeholders for Tour 2.0, according to Daniel are its:

- Customers
- Community Ambassadors/guides
- Employees

He sees investors as important as well, but continues that the investors depend on the customers, and that “the business wouldn’t be validated without the other three”. When designing the platform, these stakeholders of course have been in mind. If the customer experience and the value created for customers is not good, there is no business, as these, at the moment, constitute the only revenue stream. However, it is important that the community ambassadors, and in extension the communities, also are taken into
account; says Daniel: “their products or services need to be promoted and presented in a certain kind of way”. Furthermore, the community ambassadors, apart from being part of the value creation of the service for the customers, are part of the social value that is created by the service, which Tour 2.0 also are aware of.

_We’ve always had the impact in mind. Aside from making the business commercially successful, how best do we ensure that we make other micro-tourism enterprises at the community based level successful as well, that also guides our decisions. If we don’t generate bookings, they’re not getting sustainable. I don’t see them as separate, the social side depends heavily on the commercial side, but it’s always played a big role._

However, Daniel does not think the social aspect is generally something that act as the major motivator for involved stakeholders, except maybe for the communities themselves. In the end, the customer wants to experience a good product. Some employees might to a degree get involved due to the social aspect, but then it is more about the main mission that Tour 2.0 want to achieve: “the main thing that binds us together is that we want to play a role in enabling people to experience the beautiful continent”. He, however, thinks that the social value creation might contribute with added value for involved stakeholders, a “vanity aspect” that makes it an easier sell to customers and potential partners, as they are contributing to the greater good of the communities. Furthermore, it might have helped Tour 2.0 in securing governmental funding, as community based value creation and social value creation using ICT are two areas that are promoted and supported by the government. The social aspect may also be a contributing factor in securing seed investment, as Daniel claim: “the social aspect might have contributed, impact locally has become important from an investor’s perspective, once you’ve got a commercial business that also has impact in the community it operates in, it becomes an easier sell to investors”. He, however, makes it clear that it is rather an added “extra”, and that the commercial aspects are critical for investors.

When it comes to active involvement, employees have most influence over the business. Although customers do not tend to actively try to affect the business, their actions have a passive influence. As Daniel puts it: “When you see how people interact with your platform, the user behaviour tells you where they are struggling, and where we can make their journey easier and more enjoyable”, so they still have great influence on the business. Partners mainly just want a good product that they can offer their clients, and the community ambassadors are mainly after the market reach. They have had investors that have wanted them to become more of a generalist, to start listing shark diving tours etc., and Daniel say: “but then what makes us different? shark diving is the same wherever you are, when it comes to communities, it’s very different, it’s a whole other experience”, and they have had to make the investors understand that their focus is on the community-based experiences and that they want to stay in this niche market.

Apart from above mentioned example, Daniel says that they have not really had to deal with that many tensions between interests of different stakeholders or in terms of maintaining legitimacy. While they in their current business manage to align the different interests, they have to deal with how to prioritise the different parts when proceeding to develop the business. Should they focus on developing a supportive back-end structure and management tools to help the micro-tourism entrepreneurs, or focus on the customer experience? At the moment, Daniel thinks that the customers need to come first, and that prioritising them is more important for them to grow and get to where they want to be: “for us, the most important part is the customer side, the rest you can prioritise later”.
4.2 Geekulcha

Geekulcha is a tech start-up and platform focused on empowering young tech minds, high school and tertiary level students, and unemployed, through ICT skills development and training, while giving them industry exposure. Starting out in 2011 as a Facebook group aimed at connecting students at an educational institution, Geekulcha has grown into a company that is connecting a network of over 4000 individuals across the country, arranging hackathons and other types of events in cooperation with major national and international corporations and governmental institutions, as well as youth development programmes and skills training in the ICT space. One of the main motivations behind the company is expose teens to ICT early on, and to help showcase what young people in the ICT industry are capable of as well as to make sure that they have the skills and are up-to-date with the industry, so that they quickly can adapt if they find a job. Another is to enable these young people to apply their skills on their own, producing locally relevant products and starting their own companies.

The company consists of a core team of three employees and a handful of people participating as part of internship programmes over a 6-month period. While these interns do not get paid by Geekulcha, they are still seen as a crucial part of the team. At the moment, most of their revenue comes from arranging events, trainings and workshops, with the major part coming from the events. Additionally, they engage in a couple of more socially motivated programmes that are not meant to be for profit, like their vacation programme that invites younger students to learn more about the world of technology, allowing them to experiment, learn and participate in projects involving programming and creation of simpler electrical circuits, as well as design and business development in the tech industry. While the knowledge and exposure the students get may be a great social contribution, these programmes are costly, but as some of these students come from poor or underprivileged backgrounds they are not required to pay for it.

4.2.1 Why

The business’ stated mission is expressed as follows: “Geekulcha’s primary focus is on empowering young tech minds, high school, tertiary and unemployed, through ICT skills development and training, while giving them industry exposure.” For Mixo Ngoveni, founder and CEO, the motivation is to build a strong geek community, that can showcase what young people are capable of doing and to also make sure that these people’s skills are put to use, either through them getting employed by companies or by them starting businesses of their own. This is also linked to his view of the entrepreneurial landscape in South Africa: “The South African space is not welcoming for young entrepreneurs, even worse for social entrepreneurs. You end up helping people and trying to provide better lives for people, but you don’t always have the support structure to support you.” and he stresses that more effort should be put into ensuring there are better processes and structures in place to help entrepreneurs. Furthermore, rather than just increasing their reach, he would rather see impact, in terms of achieving the above mentioned ambitions.

“We’re not chasing numbers, we want impact. [A group of members from Geekulcha], they were constantly winning different hackathons, that is showing that something is going right, and now they are thinking about starting a company, that’s success. Impact in the form that people are starting their own businesses, people being parts of Geekulcha, learning and taking something out of it and doing something constructive. People have been called and taken for jobs, and we tell our interns that if an opportunity comes, grab it, use Geekulcha to get closer to opportunities.”
For Mixo personally, another motivator is to see just how far they can take this, and he says that the fact they have started to get recognition from the “big boys” is also a success, referring to companies such as Intel, IBM, Microsoft as well as municipalities, the Council for Scientific and Industrial Research and the Department of Science and Technology. He says: “I never thought they would come and ask for help from Geekulcha. Also, that we can take what they challenge us with and produce results that pleases them is another element of success. We did stuff with the UN, the fact that we took the challenge and produced results is success.”

While Geekulcha does not really have any metrics that they follow up in a structured way, Mixo says that they put up targets and see if they manage to achieve them and how long it took them. Aside from that he also mentions some metrics that they try to measure for their events:

- How many people sign up?
- How many people actually show up?

Mixo sees Geekulcha more as a movement than a regular company. In the short term, they aim to create their own institution and to expand throughout the country, and later on to other parts of the continent. He sees the culture being a big part of it, claiming that the community and the fact that its members buy into the idea is one of their greatest assets. His view is that Geekulcha may never – and is not really supposed to – generate vast amounts of profit, but rather that the platform they create can be the foundation for other profitable businesses that can benefit from the Geekulcha services and its community. In line with that reasoning, the potential profit that Geekulcha will make in the future is planned to be used to further invest in the business rather than paying dividends to shareholders, at least for a foreseeable future. There are also plans to eventually take out the more socially oriented parts of the business, like the youth outreach programmes where they expose high school kids to technology, and rather run them as a foundation and have them funded by donations, sponsorships or governmental grants.

4.2.2 How

Since established, Geekulcha have tried to offer several different products and services. The first year, they mainly focused on growing the community, and later they started testing a whole lot of ideas, experimenting with different kinds of product and service offerings, including events, training sessions, workshops, hackathons, development of apps and software etc. According to Mixo “a lot of companies have new technologies or are looking for skilled people, and they’re willing to put in money to train people, but don’t have the time to do it”, and that is where Geekulcha fits in. They offer their services to a wide variety of customers, ranging from governmental institutions, major companies in the ICT industry, smaller companies and start-ups. However, they realised that they would need to focus their efforts and resources, and they have started to cut away things that does not fit and does not contribute to the business or the social mission. To date, they have started to focus more on the events and the training which is what has proven to be their strongest suite, as well as some of the more socially oriented programmes, many of which does not generate revenue. When they arrange events, they do not only sell the actual event, but what a client often want is to gain access to the network that Geekulcha facilitates.

“If a company looks to reach young people in the ICT space, they either start creating a network and do marketing on their own, or they turn to a third party, like Geekulcha. Geekulcha already have a network, we are connected to universities in different areas, have
relationship with lecturers, we’ve already got a venue sorted, so you don’t have to worry about it and you will pay less for it. All they need to say is what they want delivered, and in what manner, and we take care of it so that they don’t have to start from scratch and finding people. We’ve got the numbers, all over the country, a lot of young people that can do stuff.”

What Geekulcha tries to do is they try to find activities that can generate revenue while also benefiting the community in at least some way.

“For example, we got approached to do activations for Intel, where they wanted to get to the people and share knowledge, but they needed a ‘vehicle’ to take them to the people. We have people that need that information. The people are our value, and if you want to get into our vehicle to get there, you have to provide petrol. We use the community as our carrot, and anyone who wants to tap into that, they can at a cost. It’s like Facebook, you don’t charge the users, but you allow companies to tap into the community if they pay.”

Furthermore, rather than taking on development projects on their own, they have started to forward development projects to the community, where they put together a team of people with the appropriate skills and they build the project. That way, they create value for the community by creating jobs, and the clients gets the product they have paid for. For the corporations they simply provide a service or a product, organisation of an event, training or outreach programme, and it does not really have a social aspect, but Geekulcha, through connecting it with and activating the community, it adds a social dimension.

Balance

Geekulcha have experienced that some of their programmes that started out as more socially oriented has been difficult to then spin off as commercial, having problems of not being able to charge enough, or at all, for it to maintain the social value created. In some cases, says Mixo, they have been lucky to have had organisations come through to support the social programmes, and one of their plans, as mentioned, is to take some of these initiatives and rather arrange them as a non-profit organisation or foundation, to make it easier for external organisations or institutions to support or sponsor them.

As previously mentioned, gaining access to the community is one of Geekulcha’s selling points when arranging events or trainings for clients. The events and the facilitated connection normally is beneficial for both parties as it can give knowledge or opportunity to the involved community members, thereby creating value for both customers and the community, while also generating income for Geekulcha. What they need to make sure, says Mixo, is that these connections always bring value to the community and are not exploitative, because without the community there would be no business.

Revenue model

Geekulcha mainly relies on two different revenue streams at the moment:

- income from arranging events,
- and income and sponsors for doing trainings, hackathons etc.

Out of these two, the events account for the major part of the company’s current revenue, and they are constantly looking for alternative ways to generate income or otherwise finance their activities; eventually doing the social programmes as a foundation run with sponsor or grant money being one example. Another revenue stream that they have already been approached for, and are considering, is recruitment for companies that
are looking for skilled people, and they are currently trying to figure out how they could offer this kind of service and incorporate it within the business.

Apart from experimenting with what kinds of products and services Geekulcha should offer, they have also constantly been changing as they go and as they have learnt more about the space they are active in. For example, they had no idea how to price their offerings, or even to properly send invoices, so they set out to identify the pricing structure within the industry, sending out quote requests to different institutions, mapping out what the pricing structure looked like and which factors affected the price, and proceeded to design their own pricing model, which subsequently has been under continuous redesign to better fit the market demand as well as Geekulcha’s focus and mission. They were, at one point, considering taking out a fee or in other ways charge the community, and they actually performed a smaller survey which showed that at least parts of the community were willing to pay, but they ultimately decided against it, once again referring to the importance of the community to the business and their social mission.

**Financing**

Up until now, Geekulcha have made it on their own without receiving financial support from investors or venture capitalists. They have, however, received some support from institutions such as mLab, where they get to use their facilities for free, and the Innovation Hub, which supports and finances Geekulcha’s interns. Mixo explains that they have decided against investors because they wanted to see how far they can get on their own, and he says that they have reached a point where they would need a financial injection to grow further. However, he thinks that being able to get this far, and to have things they can showcase they have done, will likely make it easier to approach investors, and when financial support does come in, they already know what to focus on and will be able to grow the business faster. Another point he makes is that making it on their own has made them strong in a sense that it inspires the team and shows that they can accomplish things on their own. Mixo also thinks that the independence has been critical to their progress, and that it has helped them find out what makes them different: “If we had investor money, we would most likely not have had anything that makes us different, not have the same connection with the community. People wouldn’t have left their paid jobs to come join us. I wouldn’t be talking to the people on the ground, but in rooms with decision makers, where they make decisions for young people, without them being there”.

There was a point at which they were close to striking a deal with an investor, but ultimately decided against it because, according to Mixo, it was going to change what they are trying to do, and they were concerned with the risk of losing control. When they do receive financial support, there needs to be an understanding between the parties, says Mixo: “When we get financial support, part of the agreement is that they need to understand what we’re doing and where we want to go, without that understanding and control, it can’t really happen”.

**4.2.3 Who**

The following are what Mixo considers Geekulcha’s most important stakeholders:

* The community; the most important stakeholder that always needs to come first, “*without the community Geekulcha wouldn’t exist*”
• The customers; governmental institutions, NGOs, corporations in the tech space and smaller start-ups that provide most of the revenue
• The core team; a very important part of Geekulcha, “when I started I was alone, and I moved as far as I could alone; with the team it’s moving 10 times faster”
• Partners, among which mLab and the Innovation Hub are the most important
  o the Innovation Hub, support and finance their interns, they also create or perform programmes together with them, “we are starting to align our programmes together, and they can come on-board and support us”
  o mLab; providing them with facilities, internet and occasionally interns, “Because we had facilities, we could relax there and focus on other stuff. Other start-ups are more focused on getting an office, need to pay rent, but for us that’s taken care of.”

When Geekulcha communicate with stakeholders the social mission always comes first, and Mixo says he thinks they have been fortunate that people have approached them for business. “[The clients] already have an agenda in mind. They may not understand the social mission we want to work towards, so we explain more of the social element, tell them this is what we do, and what they can do to link with Geekulcha to achieve their own goals.” The reason companies approach Geekulcha differs, says Mixo: “some come because of the social aspect, some want a platform to do their on-the-ground work in order to reach people, some just put in money to gain ‘social scores’, and some really want to have impact, but don’t want to, or are unable to, be on the ground”. He continues: “some are really trying to help, and then there are those that, part of their mandate is to help, but they don’t really help because they want to. There’s a clash, and with Geekulcha, we take advantage of it. If you want to pay us to in order to get a nice report, good for you, we’ll give you a nice report, but we’re going to make sure it has real impact.” For most of these kind of clients, the money come from their marketing budgets or some kind of corporate social investment budget, and that is money that Geekulcha will try to target more in the future.

“If they’ve got CSI money to use, why can’t we tap into that to continue to progress what we’re doing. Apparently there’s a lot of that money available, and it’s going to people that aren’t really doing it the right way, they’re just doing it without producing proper results, so if we could tap into that and produce proper results, why shouldn’t we make good use of that money?”

However, many come for a product or service, and do not really care whether it fits with Geekulcha’s mission. Mixo also claims that some come with ideas for mobile apps or web services that they want Geekulcha to develop, and the reason they approach them specifically is because they think it will be more affordable than hiring a ‘professional’ agency.

When it comes to the team, Mixo is a little overwhelmed by the interest many individuals show for Geekulcha, saying that there are people who are willing to leave their paid jobs to come be part of the team. He claims it is a bit of a problem, because he cannot see a way of including all these people in the team in the short term, but says that it could be an opportunity. “These people are willing to come and do all this stuff, but we don’t want to take advantage of people. Whoever we bring to the team, they need to benefit from it, either from a network point of view, or they can make a profit here and there, when projects come in, we can give it to them.” Part of what they will have to look further into the coming years is how they can grow and empower the community without making everybody part of the Geekulcha team.
As for the partners, Mixo thinks their main reason for getting involved is that they like and trust the character of the people leading the business. They find ways in which the interests of the organisations align, so that they can achieve results that are in line with both the partner organisation’s and Geekulcha’s interests.

“For example, if we want to do skills development for young people (VacWork), why would the Innovation Hub want to be involved? Because part of what they do is skills development for young people, and instead of them hiring a new person or team they can actually go through Geekulcha, they know our credibility, the results we produce, and they can say that as the Innovation Hub, they were able to reach some of their skills development goals by doing this through some our institution. Furthermore, young people have lots of ideas, if we find the next mobile app developer with a cool idea, it only makes sense for mLab to come on-board, because while they might not have found the person, they can start nurturing that person, and they can say that he was part of mLab, mLab was influential in this person’s success.”

This also applies when working together with company clients, they try to find ways in which they can align their interests, to understand what the companies they get involved with want to achieve, and how they fit into that, as well as what they need and are able to obtain from them. Mixo says that something they need to start working more on is go out to companies and offer their services. Up until now, most clients have come to them, already a plan in mind, which he sometimes sees as a disadvantage. “It’s easy for them to cut the project out after we’ve done some planning, it’s easy for them to not give us the flexibility we need … they do come with their own influences and requirements, and changes some of the things we do”. The last year they have had to turn down some requests because they did not fit with Geekulcha’s business, and Mixo thinks they still need to get better at turning down offers, even if they would generate money, if it does not fit with their mission, or if they do not have the resources for it, because “quality gets compromised, and our reputation gets compromised as well”.

There have been moments of tension between the interest of different stakeholders, specifically of companies not being happy that other, often competing companies, have been involved in initiatives, or of different municipalities not being able to cooperate. Mixo says that they need to maintain their neutrality, and continues: “One of the things we say is that we’re not for a specific organisation. We can’t be picky, but we need to maintain and facilitate the relations”. There have also been instances where the interests of a client and the community have been conflicting, and they have had to pull specific sponsors, or had to tell them that they cannot influence the community in a way that is detrimental or exploitative. Says Mixo: “We just have to find a way around it, they can’t really have the mandate to dictate that.”

There have also been some problems in terms of maintaining the legitimacy of the business, not so much as a social value creator, but rather as a business. Mixo explains: “We had two particular clients, they didn’t really trust us, that we could do this stuff. We had to prove we could to earn their trust. they told us, ‘you’re nobodies’, they didn’t trust our credibility as professionals. We asked them to test us and we’ll show you what we can do, and we won the two institutions over.”

4.3 GEM Project

GEM Project is a non-profit organisation that has developed a mobile rewards platform for volunteers. Users earn so called gems by doing community work, e.g. volunteering at children’s homes, community gardens and animal shelters, or by planting trees, cleaning up the streets etc. The user can then spend these gems to buy such things as mobile airtime and data, pre-paid electricity or cinema tickets. The gems are donated
either by public sector or corporate sponsors and are distributed between the social partners that arrange the activities. To ensure maximum availability, the service is offered both for smartphones and legacy devices.

The organisation was established around 2012 and has been fully operational since 2014. In the last year they have had about 50 activities where people could earn gems with a total of over 1 500 participators, both local community members and external volunteers. At the moment they have about 15 organisations they work with regularly, but they are limited to communities in and around Johannesburg. However, they are expanding to Cape Town in early 2016 and are planning to roll out to other parts of South Africa, and later other countries throughout the continent. The organisation does not have any employees, but the core team consists of six people that are contracted to provide different services, including tech development, project coordination, administration and marketing.

4.3.1 Why

The service builds on the idea that rather than waiting for, or relying on, external help, underdeveloped or underprivileged communities with high unemployment should be enabled to grow and develop their own community by applying the talents and manpower that already exists within it. By providing people with incentives to do good, and a means of payment that can circulate within the community, the organisation hopes to activate the community population, as well as external volunteers, to improve the conditions of the community. While GEM has started out as a reward system for doing good deeds, the vision is to incorporate full financial services in the platform, supporting growth, increase employment rate and the community’s output by enabling them to exploit available business opportunities. Furthermore, they see GEM as an organisation that is helping in establishing relationships between society, public sector and private corporations as well as helping them work towards the common goal of social development. As Camilo puts it: “In our case, our primarily motivation is the social motivation, maybe a little bit more social in the sense that we want to improve the human condition, and on top of that we are building a business”.

Their view of success is related to their social mission, says Camilo Ramada, one of two directors at GEM Project, and one of the stated goals is to create these socio-economic development tools. However, they also have more quantifiable goals, among which some are to increase their outreach, increase the amount of community activities, and to grow their revenue in order to achieve financial sustainability.

4.3.2 How

GEM Project creates value for the stakeholders in several ways. It rewards volunteers for doing good, and especially for the community members, it rewards them for increasing the social condition in their own community. Furthermore, the solution helps and motivates people in the community to help themselves, rather than just acting as a charity, and thus may create a more sustainable solution. Apart from social impact, the partners and sponsors gain market exposure. They have plans to allow users to earn gems by answering questions, either for survey or awareness building purposes, that they believe could serve a great contribution for partnering organisations. Furthermore, they have
been looking at using GEM to incentivise schools to recycle PET bottles, paper, glass and other materials in collaboration with Johannesburg’s Waste Management Forum.

**Balancing**

In terms of balancing the social and business part of the organisation, so far GEM has not encountered that many problems or tensions. Camilo thinks that one of the reasons they have been lucky is that they up until now have been financed mainly through grants, specifically grants that have had social goals that have been very well in line with what GEM have wanted to do. However, they do not see this a sustainable model going into the future. As Camilo puts it: “I think we all want to keep playing with Lego during the whole of our lives, but at one point we notice we have to grow up”. He adds that they need to evolve into a viable business and hopes that they are not dependent on grants after 2016. Furthermore, he believes that the social rewards model can be self-sustaining through money coming from socially responsible sponsor corporations. The problem, he states, is that “the social impact is limited, it’s just people going to help at the children’s home, while the financial services model, it really speaks more to our prime social mission, which is to activate human and social capital in these communities, because of course when people have credit, they can start working, they can start working for each other, they can start offering their services, they can maybe start small businesses.” By going into the financial sector they think that tensions between the social and economic goals will become a more immediate discussion. They plan to remain a non-profit and rather offer financial services in partnership or joint venture with other organisations, teaming up with financial service providers to offer their services through the GEM platform. That way, the provider or the joint venture can be profitable, and investors are able to invest in that line of investment and can get profit out of it.

**Revenue model**

At the moment, the revenue streams for GEM Project consist of:

- Grants and donations
- Small percentage of transactions

At the moment, grants and donations are the organisation’s main source of income, which makes them highly dependent on support from partners, sponsors and grant givers. The grants usually have a higher focus on social mission and on delivering impact, either for governmental institutions or for the CSR/CSI budget of corporations. Sponsors may sponsor GEM itself, or specific projects to gain market exposure, in which case GEM takes out a percentage management fee. However, GEM does not want to remain dependent on grants in the long term, and are therefore looking into other sources of revenue. For example, every time a user uses gems to buy airtime, electricity or something else, GEM takes a small percentage of the transaction (details?), which at the moment makes for a small source of revenue but that may have great potential as the platform grows. As the platform gives GEM a lot of direct contact with specific target audiences through cell phones, they also see potential in commercialising this communication channel in the future. But what they see as their most significant revenue stream, apart from grants, in the future are the financial services they are hoping to roll out, offering and getting income from micro loans, insurances, and other kinds of mobile financial solutions.
4.3.3 Who

According to Camilo, GEM’s most important stakeholders are its

- employees,
- users/volunteers,
- communities,
- grant givers,
- partners (NGOs and community organisations),
- and corporate sponsors.

When designing the platform, the need of the communities and the partners has been important, as that is where most of the social impact is delivered. The users have also affected the design significantly, as there would be no business without the volunteers. About half of the users consist of volunteers from within the community, of whom a major part may have the reward as the main motivator, while the other half come from “wealthy suburbs”, of whom many more are interested in participating to do good. While Camilo thinks it’s good that wealthier people want to help out, he thinks that in order for GEM to grow and deliver long lasting impact, most of that growth and activity should come from the poor communities “because the poor communities are the ones who really need to start organising themselves and start solving their own problems”. These different segments have different needs and interests, and Camilo claims that they need to get better at addressing the two segments. For example, they mainly communicate with the general audience through social media, which mainly reaches the suburban target audience, while the communication with the communities is mainly done by NGO partner networks.

Depending on the stakeholder, the reasons for their involvement with GEM Project can be different. The social mission, while not the main motivator for everyone, at least contributes to some added value for the involved stakeholders as they contribute to social development. Nonetheless, many of the stakeholders participate because GEM promises them social outcome.

“...so the NGOs come because we say we’re going to help them improve the way they can reach their community, the suburban people come because we promise them ways in which they can contribute back to society, the community people come because we promise them ways in which they can get some extra income and at the same time be involved in cool and fun activities. The sponsors are coming from the Corporate Social Responsibility (CSR) view, so we are selling them the social outcome. So those kind of stakeholders, they all come on board because we are selling social improvement.”

Stakeholder involvement

The majority of the organisation’s revenue comes from grants, which exposes them to be influenced by the grant givers. According to Camilo, a regular problem for organisations that are dependent on grants is that they end up adapting their projects and the contents of their business to what the grant maker asks for, resulting in an organisation with no clear mission. He thinks GEM have been lucky in a sense, since they have been able to identify grants where they could satisfy or deliver the results that the grant maker is looking for, while still working towards their own mission. In short: “[they] have been able to identify grants that fit [their] mission, rather than adapt [their] mission to fit the grants”. Additionally, they are welcome to being influenced by sponsors or partners, as
long as it falls in line with their own mission. However, they are restrictive about which partners and sponsors they involve, and have turned down offers from corporate sponsors that only wanted to promote their own specific products through the platform, because that would deviate from their mission.

When communicating with different stakeholders GEM Project stress different aspects depending on which stakeholder it is they communicate with. When they communicate with their general audience, the social mission always is prioritised, as the society mainly is interested in their social contribution. For investors, the business model becomes more important, and more focus is put on communicating that GEM Project is a viable business.

**Balancing of stakeholder interests**

The fact that the social mission has come first for many of the involved stakeholders and that they have been financed mainly by grant money has made the balancing of the different needs easier, says Camilo, and he thinks they have been doing a good job so far in addressing the different interests, not running into that many conflicts or tensions. This has also helped them in maintaining their legitimacy as a social business. However, he thinks that as they move forward with the financial services, that will bring other stakeholders, like future investors, financial service suppliers or banks, that may have interests that are not always in line with the primarily social mission, and this may well be a source of tensions in the future and depending on how GEM manage to handle it, their legitimacy as a social business may also be challenged.

**4.4 codeX**

codeX is a tech start-up that train and educate young South Africans to become excellent in the realm of computer programming. However, codeX is not a school per se, and offer no formal education or classes, but instead focus on learn-by-doing in the forms of a combination of coding exercises, projects and productive discussions with professionals and mentors already in the programming industry.

codeX was established 2014 and currently have 7 employees. To date, there are only one group of student that have graduated, but all of them have found a job or paying internship. However, since good programmers are in very high demand, and in short supply in Africa, there are more and more request for codeX programmers.

**4.4.1 Why**

codeX describes themselves as being commercially driven while at the same time having a mission to serve. At the same time, Elizabeth is careful of saying that codeX are primarily commercially or socially driven, that it is a thin line. “We are not motivated by money, as we say, but it is very important to us that codeX becomes a sustainable business” she says. The mission statement of the business is “To tap the vast pool of undeveloped raw talent in Africa, and to train them for the jobs that are here today and tomorrow.” As such, Elizabeth says, the business is market driven, and today that driving force is the huge demand for technical talent in Africa. “But if that changes, we will certainly change with the market, the market dictate where we will go” she continues.

codeX sees success as something that can take many forms. First, being profitable and scaling the business to create impact in other parts of the world are two proxies on the larger scale. On the micro scale, Elizabeth says, they are already successful, because
they know their programme works: “People from the programme are working for paid internships and make more money than they would ever have made otherwise. That is impact.” Graduates know how to solve problems using IT, which is the goal of codeX, and therefore also represents success for the business. Further, Elizabeth hopes that graduates will create start-ups or work for companies that help people in their own communities, which would accelerate codeX’s creation of social impact, and would also represent success on a larger scale.

On the more tangible side, codeX will, for the next few years, reinvest all profits. However, over the long run dividends probably will be paid. Further, the metrics codeX use to measure impact, both social and commercial are:

- How many coders get jobs
- What the coders salaries are after the programme
- How many coders are trained
- How many disadvantaged coders are trained
- How many women coders are trained
- Household income before and after codeX
- The coders’ income over a 5-year period
- Standard financial metrics like profits etc.

4.4.2 How

Value proposition

The people accepted by codeX will receive a full-time apprenticeship and will not only learn languages such as Java, PHP and Python but also other programming concepts such as agile software development, test-driven development and scrum. The students will also work on real projects in conjunction with codeX’s partners. All projects will be tagged with a set of certain skills that the programmer learn while doing the project, and these skills will be saved in a skills portfolio hosted by codeX, who will save it to later present to potential employers. The codeX program runs for a year, and at the end codeX will help the graduates to find a job in accordance with skills learned throughout the year. Before being accepted, the completion of a number of online programming courses is a prerequisite, with continuous tracking, to ensure that only people who are both serious and talented will be accepted.

The cost of the year long programme is R75,000. However, codeX have sponsorships for applicant who both need and deserve them. Furthermore, if the partner companies are interested in the products built by the coders, they may pay for them. codeX stresses the point that the lack of money is not a reason not to apply to the programme, and that they will ensure that the best talents can pay for themselves.

As for the different customer segments, codeX divides them into the following:

- Corporates and key sponsors (google, intel, smaller local firms)
- Smaller companies and start-ups that need development talent
- Customers who come to codeX to get programing jobs done. In these cases codeX hire the coders themselves to do the work
- Governments
• Corporates who just want to do something good around youth development. They do not need the talent, but wants to sponsor codeX's non-profit bursary fund
• Foreign donors
• The coders themselves
  o Poor people which are not able to go to university
  o People that have a university grade but no practical experience
  o Career changers, that has been in the working world for a while, but has little to no coding experience.

Revenue model

As for codeX’s revenue streams, they have several different mechanisms through which they generate revenues. However, these are continuously changing and codeX is continuously exploring new ways of generating economic value. “The right” business model has not yet been found, and will probably change over time with the market, according to Elizabeth. The first revenue stream takes form as loan to coders. Some coders cannot afford to put themselves through the programme, and codeX will in some cases give loan to these, to help them invest in their own education and future. The loans are given with prime interest rates and serves as a conventional loan business. Once the coders get a job, there are two ways for codeX to getting the payments. One is that the payments are directly deducted for the salary. The second is that the company actually will pay the loan in lieu of the coder as a sign of good faith, as they got a good developer at a good price. The second mechanism is revenues from corporations that sponsor development seats. This is companies that pay in advance to take a coder through the programme, which includes tuition, transportation and living costs. The third stream is devshop work, which is in-house development jobs that codeX do for companies, often smaller start-ups, that can’t afford the high price for real developers. This could in the future mean that codeX hire their own graduates to a large extent, in order to do more inbound development work. A fourth revenue stream is recruitment fees for placing coders in jobs after graduation. A fifth stream is bespoke corporate programmes, which is a programme where codeX is training personnel out at companies in a specific programming language. codeX also have introduced a NGO bursary fund for companies that just want to do something good around youth development, but don’t need development talent.

codeX are also in the process of deciding on two new potential streams. First they are currently looking into introducing a subscription model where small devshops hire the developers in their off time, at a certain amount of hours. This way, the coders can pay for their study year, and the devshops get the manpower they need without paying premium prices.

Second, codeX has also been presented with a new opportunity they are thinking of exploiting. More and more people that are not disadvantaged, but can actually pay for the programme themselves, have started to show interest in joining. This could result in a standard programming boot camp. codeX are thinking of this as an opportunity to use this as a way of subsidises the original camp, for disadvantaged youth. If they potentially could charge more from these new customers, they could provide a yet another mean of offering their lower programme for those who can’t afford it.

• Loans to coders
• Corporate sponsor developer seats
• Devshop work
• Recruitment fees for placing people in jobs
• Bespoke corporate programmes - training in specific languages
• NGO bursary fund - for companies that just want to do good
• Subscription model for devshops
• Standard boot camp for subsidising the current camp

codeX are first and foremost a boot strapped start up. However, they currently also have an outside investor. Although they have set up a bursary fund for receiving money from companies wanting to do good, they are not chasing after grant money. Elisabeth elaborates: “I would rather spend my time building the business and building the revenue stream than chasing after grant money. I rather spend the time building something sustainable”

Balancing

There are constant struggles and challenges in maintain the both social and commercial nature of the business, says Elizabeth. For example, codeX has to turn down potential candidates because of their limited resources. “We have a ton of requests and people that want our education and are willing to pay for it. But we don't want to just hire a bunch of people on the spot because we don't know how reliable they would be” she says, and continues “We have a ton of ways we can make revenues, but which are sustainable?” For example, they have considered on the one hand focusing only on training people and preparing them for future jobs, and on the other hand educating coders and then hiring the them themselves to do in house development work. Currently, they have a combination of the both, and are trying out the two options.

Another example is the fact that codeX has hired a personal development expert to offset any negative social impacts the coders might have outside the coding camp. “The reason why, is not because we are a charity or because we are totally altruistic. I mean this is a company, that needs to make a profit in the end of the day. But, for the population that we are serving and the people that we are training, they encounter so many social challenges that are outside the walls of codeX. If we don't deal with those we will lose our investment. It is a risk mitigating strategy to provide one-on-one counselling, and personal development workshops.” For example, the coders are challenged with social pressures in their non-professional life such as family pressures, gangs and crimes.

codeX are currently expanding through growing from within. They have hired two coding camp graduates to work on staff. They can, among other things, function as role models for the graduates, says Elizabeth. Another advantage is that they already know the business and speak the language, she says. They also want to launch something called “train the trainers”, which is a programme for training people to become teachers for new coders, however with the provision that they actually go back and open branches in their own communities, and train more people.

4.4.3 Who

According to Elizabeth, codeX continuously have to manage tensions that arise because of the fact that different stakeholders have different needs and priorities. “You have to figure out how to position yourself in the intersection of these interest, and serve
everybody while serving yourself. That’s the challenge of a start-up.” She describes managing stakeholder interests as a tug of war, constantly having to pull everything towards the same direction, while trying not to alienate anyone. One example is that companies don’t want to pay for the coders until they are ready to start working for them, but as neither codeX nor the coders always have the funds to put the coders through the whole year, codeX have companies paying in advance. “Companies don’t want to pay in advance for the talent, but just pay them when they are done. But they don’t find the talent when it is done. They can hire recent university graduates and just pay salary, but they can’t do the job. So we have to figure out how much they [the companies] are willing to pay now, to get them [the coders] once they are done.” At the same time codeX does not want to alienate companies that are interested in their service, but that they cannot serve right away. Because the coders takes a while to learn fully, and codeX does not want to take on more coders than they are sure they can handle, they have to both turn down people interested in coders, as well as people interested in becoming coders.

When communicating with different stakeholders, codeX bends their message to the stakeholders, depending on what they need and want, according to Elizabeth.

4.5 hearScreen

hearScreen is a tech start-up that is built around a low-cost solution for hear screening to detect hearing disabilities. The company, established 2012, was just privatised from before being a part of University of Pretoria, where their solution was developed by a professor of audiology and a lecturer and researcher in computer software and artificial intelligence. The intellectual property still belongs to the school, which have trademarked the name, and hearScreen have a licensing agreement to commercialise the product.

4.5.1 Why

The official vision statement of HearScreen is to provide “Improved hearing health care access for all South Africans and everyone in the world”, and their mission statement is “To make hearing screening accessible to all South Africans and everyone in the world at all levels of society to ensure optimal outcome of socio economic participation for those suffering from hearing loss”. Another vision is that their solution should be “A low cost hearing health care solution, that provide access to hearing at a grassroots level”.

HearScreen, depending on who you ask, has different driving forces based on personalities, according to Nick. “If you ask the developer, he wants a stable and well-functioning platform, if you ask me as a business person, I want to have good business processes in place, and so on”, he continues “however the real drive of the business as a whole is to see people with hearing loss being able to access the care they need, and our vision is that early detection of hearing loss can be a reality for everyone in South Africa and Africa, and possibly even wider than that”. Since the business is born out of a University, the research and development behind the product also takes a huge place in driving the business forward, and one of the reasons it is so important for HearScreen to quickly build a sustainable business model, is so they can keep on developing the solution.

HearScreen chose to become a private company instead of a NGO because of sustainability. “Without proper funding, it is not possible to scale this to a worldwide solution” says Nick. As a private company, HearScreen can look for, and attract, foreign investors, who can provide the funds needed to really scale the business. The reasons for scaling includes wanting to build an infrastructure in terms of resources, continuing to build more outreach and developing an adequate support system. “There is a big need for
this kind of solution, and therefore there also is a big market and interest in it” says Nick, and adds that a solid business models is needed to achieve this. Future revenue streams will be reinvested in the company, and the discussion of dividends has not yet been held.

HearScreen sees monetizing the business as a way to keep track of the business, not as the main motivator behind the business. This is because sustainability is important, otherwise there would be no screenings, Nick says. However, while it is important to screen as many people as possible, it is equally important to close the loop, through getting people with disabilities to health care professionals, which is one of the proxies for success at HearScreen.

The metrics used to evaluate the business is:

- Number of screenings made with the product
- The screening growth rate
- The referral rate (i.e. referrals to health care professionals)

4.5.2 How

Value proposition

The HearScreen solution includes a smartphone preloaded with the hearScreen software, a pair of calibrated headphones and a cloud-based data management system, which together makes is possible for a layperson to conduct a hearing test and detect if a person has a hearing disability. The test done by the hearScreen app adheres to international calibration standards, and is as such clinically valid, which can be backed up by publications of research papers in various journals. This system cuts the costs of normal testing by as much as eight to nine times.

The screening itself takes about a minute and is done with a smartphone, in contrast to the big and heavy apparatus that has to be operated by trained personnel, that is used today. The data from the screening is then sent to a centralised site for evaluation and recommendations. If a hearing disability is detected, the person in question will receive a text message saying so, but also there is a possibility of being referred to a healthcare practitioner nearby. The data is saved in a statistical database for audiologists and specialists/professionals to use.

Revenue model

Before HearScreen came up with their current revenue model, they went through vast array of different options of monetizing the product. The biggest challenge was to ensure sustainable future revenue streams while at the same time getting the product to a broad range of users as cheap as possible. To do this, they decided on three different ways of monetizing the solution. The first revenue model is that of a partnership with Vodacom, one of the biggest telecom companies in South Africa. They will act as a distributor for bigger organisations and governments and will offer the solution as a Vodacom product. They will offer it on a monthly fee basis, while HearScreen have a licensing fee. The second way is through directly selling the themselves for a once-off or licensing fee. There are also discussions on introducing a pay-per-use offering, to reach people that can’t pay a large once-off fee. Thirdly, HearScreen are offering a cloud based data management portal, through which they are providing text message and data analysis reporting. This is offered through a subscription model and is mostly for health care
professionals and specialists. There are also discussions of trying to figure out a way to introducing two additional revenue streams, so as to be able to drive revenues on devices that they sell to a cost-price, or give away, to people who need but can’t afford the product. As HearScreen gather data on hearing problems and other relevant information, they are planning on finding a way of capitalizing on this data, for example through direct sales. Lastly, there are discussions on trying to monetise the referral network, by for example, have the health care practitioners that the users with hearing problems are referred to, pay a small fee to be included in the referrals.

• Partnership with Vodacom, who act as a distributor for bigger organisations and governments.
• Sell the solution themselves, for a once-off or licensing fee. Also discussing a pay-per-use offering.
• Cloud based data management portal which offer text message and data analysis reporting.
• Data sales. The data gathered from the app will be sold to third parties.
• Fee for being included in the referral network.

Apart from these, HearScreen are also in discussions about alternative ways of monetizing the product. One is a crowdfunding campaign at Indiegogo. This is both to get the technology out to early adopters but also includes the option to let people sponsor people in need. For a fee of 10 dollars, people can pay for a hear screening for one child in need. HearScreen has also taken hands with a number of NGOs to reach people outside schools and other institutions. These often receive a discounted price.

**Balancing**

Nick Klopper, CEO of HearScreen, says that “ideally, the product should be free for people to use, so everybody can be aware of potential hearing disabilities. However, this is not sustainable and to keep our business afloat, reach more people and continuously develop the product, we just can’t do that”. Still the pricing of their product is substantially cheaper than conventional technology for hear screening, while maintaining a sustainable business model. However, sometimes with NGOs asking, they will sell the devices to self-cost, because of the social impact. “...This is the reason we are thinking of vertical revenue streams [referral network and sales of big data], to capitalise on the devices we more or less give away for free” says Nick, and he continues “there is a constant struggle between monetizing the product and building outreach and impact. When designing the value proposition we were thinking ‘what is the lower cost possible while still being scalable’”. He adds that it is hard to commercialise a social product, because people are used to getting it for free, or just can’t afford it.

Nick believes that being a social entrepreneur, there are always two legs to consider. One is monetizing the product and the other is keeping the social side to it. Nick also believes that the balance will change over time; “Right now in the beginning, we are about 70% commercial effort, trying to build outreach and a sustainable model, and 30% social effort, trying to help people, although they both overlap”, he continues “however, in the long term long term, once you have a sustainable business, then we will probably have 70% on the social efforts, and 30% left of our focus on commercial efforts.” Also in the long term, more efforts will have to be made to adapt with the market and its needs. Further, Nick adds that he thinks both the social awareness and impact will go hand in hand, and will continue to improve, with the growth of the commercial side of the business.
Nick states that “I do believe that the social part and the commercial part of our business are mutually reinforcing, with more money comes more outreach and vice versa, as you as you have a sound business model”. Furthermore, he wants to be careful about saying that one takes preference over the other and that it is important to have both in mind:

“Efforts and focus will of course shift between one or the other, but on how we go about doing business, there has to be a good balance. If the social is too strong, you will create a lot of social impact right now but you have something that is not sustainable over a long period of time, or on the other hand you’re gonna have a full corporate company with no social aspect, and people are not going to see the problem you are trying to solve. Without the two working together you are not going to have a successful product that people see the value in”

4.5.3 Who

When communicating with different stakeholders, it is the perceived nature of the stakeholder that determines whether HearScreen mainly tries to push the commercial side of their business, or the social. However, still with more commercial actors, such as investors, HearScreen are clear to convene the message that their motive is mainly that of a social one. “It is always about solving the problem, and how to go about doing that… All different stakeholders, NGOs, people in schools, companies, investors all have different outcomes, but we want them all to get around to solving the problem [making hear screening cheaper and more accessible for everyone].”

HearScreen has altered the design of the value proposition for different customers. The main target customer segments include:

- Schools
- Primary health care clinics
- Community health workers
- Clinics
- Corporate wellness programmes
- General practitioners

These customers are all stakeholders that have different needs, and HearScreen has thus altered the proposition to match each and every one of their needs, says Nick. Schools need the products to do screenings as per law, but often lack the funds or expertise to do so. “To them, we offer the cheapest possible solution, while still being clinically accurate. They can then be referred to the nearest clinic or practitioner if needed. If the schools become aware of hearing problems of a specific child, they might understand why he or she is acting up and can’t concentrate, and can then have their teachers do something about it, for example move him or her to the front.” The clinics and general practitioners were at first afraid that HearScreen’s solution would take customers from them, but as HearScreen introduced the referral system, the data analysis, and the opportunity for clinics to change their obsolete machines for a much easier and cheaper-to-use product, they too saw the value in this, and that they actually can boost their profitability with it, according to Nick. “We are not trying to take away anybody’s job, we are trying to help everybody, and want the best possible care for as many people as possible” he says.

Apart from the customers, HearScreen name the following as their main stakeholders:
Funders are important for scaling since soft money and revenues are not enough to scale HearScreen to a desired degree. Potential customers are important both for expanding and for looking into new ways of getting the solution out there, according to Nick. HearScreen has entered a couple of partnerships to take the strain off themselves and be able to focus on what they do. One partnership is the earlier mentioned collaboration with Vodacom, but they also have partnerships with other logistical companies as well as close relationships with hardware suppliers.

According to Nick, it is important to keep all stakeholders in the loop about what their business is really about - driving impact - but at the same time it is important to understand that the all have different agendas. “We are actively trying to keep different stakeholders from each other, just because HearScreen understands their different agendas, doesn’t mean that they understand each other.” he says. For example, investors might not be too happy about us giving away products for cost-price, and in general, investors and NGOs don’t see toe to toe on all matters. Juggling different and conflicting priorities to keep everybody happy is a fine line, but needs to be handled. “One thing is investors. Finding money is not hard, there are tons of it floating around, especially for innovative and promising tech start-ups, but finding the right money is difficult. We need the shared vision so the vision does not suffer.” he continues. Another problem is NGOs that do school screening with HearScreen products. In most cases, half of profits goes to HearScreen. “The problem is how to justify this with the NGOs, they tend to point out that HearScreen only contribute with the hardware and software and that they themselves do the testing. But they don’t know that we have already spent a ton of money on this, developing the product”, Nick says. He adds that people are used to getting stuff for free when it comes to helping people.

4.6 AftaRobot

AftaRobot is a tech company started in 2012, with the mission to “change the perception of the mini taxi industry through technology”. They currently employ three people in conjunction with some part time employees. Their offering is a suite of mobile applications for the commuters, taxi drivers, taxi owners and other people involved in the industry. On the commuter side, the app help the commuters to plan their journeys and get a better grasp of when the taxis will depart and arrive at a particular location, much like an ordinary trip planning service. On the driver side, the technology helps to determine where customers are, how many are waiting and where they want to go. Combined, the suite of apps can also track user and driver behaviour.

4.6.1 Why

AftaRobot is a private company and is planning on paying dividends when they, in the future, are making profits. Their mission statements is “changing the perception of the mini taxi industry through technology” and Obakeng “Obby” Matlhoko clearly states that they are not a charity case but that their ultimate goal is social impact, nevertheless through the means of business. “We truly believe that this business can be more efficient and safer for people” says Obby. This way it takes more time to get up and running, and AftaRobot has to reach a big critical mass to actually be able to succeed in doing this. AftaRobot sees themselves as successful when they have managed to increase passenger
safety, reduced passenger waiting time and increased revenues for the taxi operators, “because if we do these three things, we know that our business is doing well and we have clients, and probably sustainable revenue streams” says Obby.

The metrics AftaRobot uses to evaluate their business is:

- Number of taxi associations that they have on-board
- Number of devices that are being run on the association side
- Number of commuters that use the application

4.6.2 How

Value proposition

As above mentioned, AftaRobot’s value proposition is a suite of mobile applications for the commuters, taxi drivers, taxi owners and other people involved in the industry. On the commuter side, the app helps the commuters to plan their journeys and get a better grasp of when the taxis will depart and arrive at a particular location, much like an ordinary trip planning service. On the driver side, the technology helps to determine where customers are, how many are waiting and where they want to go. Combined, the suite of apps can also track user and driver behaviour and data is collected throughout the process.

Revenue model

As of today, AftaRobot has a two sided approach to their revenue model. The first is on the corporate side, with a subscription model where they have taxi drivers pay to use their services. They currently also offer a few free test for the drivers, to get the product out there and get over the barrier before the product reaches critical mass. The second one is one the commuter side, with a freemium model with advertisements and value added services available as in-app purchases. They also planning to introduce a third revenue stream, which is to save the driver and user data in a database, which then can be sold to third parties such as governments or advertisers.

- Subscription models for the corporate side (drivers, owners etc.)
- Freemium model with advertisement and in-app purchases for commuters.
- Data sales

Balancing

Obby says that he does not believe that there is a trade-off between solving social problems and making profit: “I don't even think there is a balance, if you are trying to solve a social problem in a smart way, and don't want to make super profits off it, you should be fine.” However, he stresses the fact that it does take time, and that may take a longer time than with conventional means. “Other players looking for a quick fix with limited impact are doing pure payment solutions or driver grading systems that can be up and running and generating profits quickly, but we want to change the whole industry by looking at incentives and connecting everyone in the value chain to our mobile platform”. Obby continues: “We want to create a social impact, and we want to do this through operational efficiency. Because we know that through doing this, we will succeed in making the business safer and efficient, which is impact, and it will also make our business
successful.” He also believes that the social impact won’t be seen until their solution is run in an effective and sustainable way: “Until we impact the efficiency of the business process outcome we might not yet see the social impact”. Five years from now AftaRobot hopes to have a sharper focus on the business process with better income streams and even more services, so as to manifest social impact. Obby also points out that their solution is not aid, and that he doesn’t believe in aid, but that it is a business process, and that they are building a market, and that this is, in their view, a much more sustainable way of creating social change. “If business does what business is supposed to do, it will build a better world and will have an impact. And it will be long lasting and sustainable…”

4.6.3 Who

When asked the question which message comes first, the social or commercial, when talking to different stakeholders, Obby answers that it really comes down to which stakeholder the discussion is held with. When AftaRobot is trying to sell their solution to the taxi industry, or a specific taxi driver, it is about what their solution can drive impact for them, how it specifically can increase their revenues. When talking to investors, the discussion revolves around the sustainability of the solution, and its ability to drive users. However, they always try to involve the social mission in every discussion, and that “it pays to be on a social mission”.

On whether they only work with people who sympathise with social mission, Obby says that they work with people with the right skillset, but the people who are on the same page regarding the mission is the people who tend to stay. “Because this is hard work, what we are trying to do, the people who are not interested in seeing real impact, they don’t stick around” says Obby.

In designing their business model, AftaRobot had two main stakeholder groups in mind: the corporate side and the commuter side. “The solution had to be attractive for the commuters and the drivers and owners, we had to ask ourselves which features they need.” As one of the key goals of the solution is passenger safety and their ability to plan a journey, they also had to take this aspect into account by thinking about how the solution could be attractive for all stakeholders, while simultaneously driving both safety changes for the passengers and revenues for themselves. By also saving the commuter and driver data in a database, AftaRobot are also able to reach other customers such as governments and advertisers, who are interested in where people are waiting for taxis, which routes are popular and such.

As their most important stakeholders, AftaRobot names commuters, manufacturers, mobile network operators, the taxi industry, the department of transport, innovation centres, engineering companies and advertisers. “All of these are important, and we have to align us with the industry, the stakeholders drive our decisions” says Obby.

AftaRobot often has to deal with tensions between different stakeholders. “Everybody expects different stuff, and we have to deal with that. One thing, is that we have to be brave enough to say no when somebody wants something that you don’t. Some want to change the business solution, to maybe just track the drivers for better revenues streams, but that is not what we want to do, we want to change the industry, not just make profits”. AftaRobot try to deal with issues like this by always trying to do good for the users (taxi drivers and commuters) and by staying true to the social mission.

4.7 Afroes
Afroes is a mobile-first tech start-up that was set up in 2007, but didn’t actually start doing their work until 2010. They now employ nine people plus a number of associates, most of which are developers. Afroes focus on empowering African youth through raising their awareness of youth rights and problems but also by working with their skills acquisition. This is mainly done by digitalisation and gamification, that is, taking learning and making it into mobile games, so as to make learning simpler, more engaging and motivating. This is often coupled with offline engagements to deepen the learning and experience. The offline engagements ranges from physical games to more classroom style learning.

4.7.1 Why

The mission statement of Afroes is to “Simplify and fast track learning and engagement”. By doing unique games that are grounded in the local environment, Afroes hopes their work not only inspires the youth their product is aimed at, but also the people they are working with. Anne describes the driving force behind the business to be educating youth, and making sure that the work they do outdates them and will have long lasting impact. This vision is important to her, and it is equally important that every member of the organization shares it.

Afroes defines success for the business through their impact. The number of people Afroes is able to impact is one proxy for success: “If we are able to create and use a platform that will be used by millions, to be able to influence how learning is happening, that is success” says Anne, and continues: “some young people that we have come across and worked with come to me and say they want to start an own business like this, having people saying things like that is also success!” In other words, success for Afroes is closely linked to specific cases where their social impact is evident, such as with the example above, and also when people leave comments in the games to say that they have learnt things in the games they would not have otherwise.

The metrics Afroes uses to measure the business are the following:

- How many users they are able to drive
- How many users are actually engaged in the game.
- Revenues
- Project number growth and size
- What the users are saying about what their learning
- What commitments the users are making and what their position about what they have learnt as a result of the game is.

Afroes are not planning on paying any dividends any time soon. Any profits will be reinvested in the company and as the business grows they are planning on improving salaries, bonuses and other perks for the employees. However, in the long term dividends will probably be paid out. Further, Afroes is a hybrid between a private company and a NGO. The reason is that they don’t want to limit sources for funding, and be able to access both investor and NGO money, since some will only put money in one or the other.

Anne says that Afroes is more driven by the social than the commercial aspect, but if they were to start anew again, Afroes would start more commercial with a very clear revenue model from the beginning, to get the money and have a solid basis for social value creation. “It has been hard for us, and for the team and the economics, that we have to find ways to make money through our mission” Anne says.
4.7.2 How

Value proposition

Afroes is about looking into new ways of educational learning, through other means than formal schools, according to Anne. However, she feels that they are struggling with spending too much time and resources on building new games for each client. To get around that struggle, Afroes is working on building a common platform to serve as a base for all new games. That way, Anne says, they can spend much more time on the actual learning and social impact instead of programming. “We want to build our own gamification learning platform, that takes from all the different cases and the experiences we have, and then use that to be able to drive learning, both in the high school level, and then post high school.” Afroes is also working with the department of education to see whether they can make a default life skills game, for all secondary schools in the country.

Afroes do most work by combining their social mission with a, often commercial, mission of their customers. Most of Afroes customers are businesses that want to target the youth, and hires Afroes to do this by gamification of certain content. Afroes games will then combine this content with other educational content, so as to serve their own social agenda. To exemplify, if a bank hires Afroes to digitalise or gamify some of their content in marketing purposes, Afroes will try to do this by making a learning experience around banking, savings and investments, and market this towards underprivileged communities where services like this are seldom used. This serves both the bank’s purpose as they reach out to new potential customers they not would have been able to reach through their own means, and serves Afroes social mission by raising awareness of banking opportunities that many poorer communities would have been unaware of otherwise.

Furthermore, all mobile products also generate data and reports that both can help clients make decisions about future engagements, but that also raises awareness of potential social issues. One example is their collaboration with Telcom, a big telecom operator in South Africa. Telcom had been targeting girls in school to take up low cost Telcom packages, but with very little success. They hired Afroes to roll out a programme with a game, and wanted them to market and have these girls to sign up for these packages. Anne explains what happened: “But what we found was, that they were losing customers because of social problems, and even more so, through our games, we found that there were a high level of abuse in certain communities, so much that they were dropping out of school, and not being having the will to get their packages.” Through this insight, Telcom took action and built a shelter to put girls through school, which later on would go on and buy their telecom solutions.

Afroes has also set up a fund for helping young people to start their own social businesses.

Revenue model

Afroes’ main revenue stream is the purchase fee that their clients pay when purchasing a service or gamification solution. A second revenue stream, applied to some deals, is that Afroes gets a percentage of the new customers their bring in through their games and marketing. A third, although not continuous, is one of grants, mainly through their NGO set-up. Afroes has also been experimenting with adding advertising into their games. However, some of the advertisements were not appropriate and did not go well
together with their social mission. Since the advertisements were not trackable, they had to give up on this idea. Instead, they are now trying to introduce brand sponsorships and having their logos put into the games. Furthermore, they are trying to find a way to capitalise on the data and reports their games are able to generate. Although it has been a bumpy road, Afroes are converging towards a model that works, with multiple revenue streams, says Anne.

Lastly, Afroes is planning on entering a partnership with another gamification company to take on projects without a social mission. The reason being, that as Afroes is gaining recognition, many companies have started to come to them with projects that has no social aspect to it whatsoever. Afroes have no real interest in these, but still want to seize the opportunity of this other business, which is the reason for them entering this partnership. Afroes will transfer the business to them, but take a fee. Anne points out that it important that this model involves as little time and resources from Afroes as possible, so as no to take focus off of their social mission.

So, Afroes different revenue mechanisms include the following:

- Contract deal with partners
- Percentage of customers brought in
- Grants and funding
- Advertisement/brand sponsorship in the games
- Sales of data
- Fee for transfer of business to partner

**Balancing**

“It is a constant struggle walking in between the social and commercial aspect of our business, there is constant tension” Anne describes. She continues by saying that businesses with more of a social agenda, but still being a commercial business, are poorly understood: “We appear schizophrenic, because most companies are either or”. Even though Afroes try only involving stakeholders that sympathise with their mission, they have had several debates on how to proceed with certain collaborations and solutions. Many companies that are looking to Afroes for gamification or digitalization of their solutions are only doing so in order to reach new customers by having Afroes market their solution; they are solely looking for commercial success. Hence, Afroes has to work hard to find ways to convince some clients to let Afroes have their social impact model put into the products. Anne put it this way: “They [the companies] want to see commercial results, but we have to drive impact, so we have to structure a model so we can also help them make result, otherwise they won’t agree.” Sometimes, Afroes walks away from potential clients because of a fundamental mismatch between their objectives, however sometimes they find middle ground and goes through with the deal even though there might still be some mismatch. The reason they turn away such clients is a matter of opportunity cost. If Afroes would go through with all opportunities they have, there would be too little time to drive impact, which ultimately is the goal of the business.

However, as above mentioned, Afroes is thinking of entering a partnership with another gamification company and still take on those projects without a social mission.

Since they work with both NGOs, who want social impact, and with businesses, who want commercial success, there constant discussions on how to manage this fine line in between the two. What they do, is when talking to social driven stakeholders, they start with social mission and what impact they can deliver, and then tell them about commercial
side to it and how that can benefit the social goal as well. When talking to commercial actors, it is the other way around.

At the same time as the duality of their business causes problems and tensions, the money made through the commercial business helps with creating impact, and the impact helps with further growing the business, says Anne. However, if Afroes could start from scratch again, they would first develop a commercial business with clear and explicit revenue streams and build the money first, and then turn to driving impact. “I think the problem for us is not the social mission, but the fact that we started out so strongly on the social side, that we didn’t have a good revenue model to back us up.” Anne says.

4.7.3 Who

Afroes sees their users as their most important stakeholder, and go to great lengths to make sure their business model and offering are in line with their needs. They collect large amounts of data, both through feedback on their games and engagements but also go to different underprivileged townships to work and do research with them. Then, they go to a middle school class to do comparison: “What do they know their target audience do not, and how can we teach them that...etc.?”. This research then lies as the basis for forming their games and learning solutions.

Another very important stakeholder is their employees. The most important aspect is to make sure all of our employees are aligned with the mission, Anne says. This vision is important to her, and to make sure it permeates the whole organisation, when employing new people she tries to sell the vision to the new employee and make it his or her own. “Many people who come to work here are excited about the mission. They think about people, are concerned for young people and have a desire to do something for or with young people at some time or another.” Anne describes the work at Afroes to be difficult and challenging, without a too competitive financial reward for the employees, so if the employees don’t take the mission to heart and sympathise with it, they move on quickly. “At the same time”, she says, “if you don’t have that mission, you lose your way”.

In their communication with different stakeholders, Afroes tailors the message to fit with the stakeholder in question. If the client is a commercial company, they ask the question “What can we help them do” says Anne. However, at the same time their own social agenda is more important than meeting the client’s specific needs. Afroes tries to make sure that all of their stakeholders understands and sympathises with their social mission. Anne says “We try from the beginning to sell the different stakeholders our mission and story…. We don’t listen to everybody’s needs, but we have our mission and go with that, and as such, we often get stakeholders that already sympathise with our cause.” Hence, when looking for new clients, they try to aim for clients that understand their social vision. For example, when going to a bank, they will go to the citizenship section or corporate responsibility section, rather than just the marketing side.

Because of their very explicit social mission, people sometimes sees Afroes as a NGO: “Usually people are narrow in their definition of social vs commercial, and we have had people say to us ‘no, you sound like a NGO, and that is not what we are looking for’”. At the same time, this help them weed out stakeholders not sympathising with their social vision.
5. Analysis

In the following chapter the empirical data in previous chapter is analysed. First, a short snapshot of each case is presented. Then, the analysis follows as per the structure of the research model, with the how, who and why element analysed respectively.

5.1 Snapshot of the cases

5.1.1 Tour 2.0

Tour 2.0 is arguably the most commercially driven business among the cases investigated and while they still take social value creation seriously, the cause-effect relationship they see between commercial success and creation of social value makes it clear that they believe contribute the most amount of social value through being a successful business; if they create economic value, the social value will follow. The business model they use focuses on providing a platform for the contact between tourists and guides from the local communities and it is by facilitating this link, while maintaining the quality and user experience, they create value. Furthermore, their model includes the communities as part of the product they deliver, which makes the local ambassadors a crucial part of their business model, both in terms of uniqueness and in the actual delivery of the service. Tour 2.0’s revenue stream has undergone several alterations along the way, but is to date limited to the payment for the actual tours, with a major part going to the local guides. There are, however, plans to add auxiliary services that could be offered to the guides, making for a potential source of income. This sole focus on providing one service links back to the motivation of the business and the relationship between the commercial and social goals, which also has resulted in little problems in regards to balancing the goals, efforts, and focus of the business.

5.1.2 Geekulcha

Geekulcha puts a lot of effort into caring for and building its community of “geeks”, and while it is one of the main motivations behind the business to provide its members with the best training and opportunities, it is also part of what they provide to clients, access to its community, either in the form of an audience, participants or prospective recruits. The motivation behind the business can be seen in the different social projects that Geekulcha engages in, some of which are non-profit and of and might be taken out of the business entirely and be run as foundations instead. They have tried on several different kinds of services, and are now trying to cut away what they do not consider fit with the business, trying to narrow down the focus to essential competencies and evolving into the current business. They have a couple of different revenue streams, of which the two most important are events and trainings. An important part of the business is finding external partners to work with, and for Geekulcha it is important that they have both common values and that both parties can profit from a partnership. However, the community is their most important asset and stakeholder, and if there are conflicts of interests, they always come first. So far they have avoided involving external financiers, as they see this may alter what they do and the motivation behind the business, making it more commercially driven by increasing demand for profitability. If they are offered to deliver social impact in order for bigger companies to look good and are able to tap into their CSI budgets and put it to good use, they are not hesitant to do so.
5.1.3 GEM Project

GEM Project is the only non-profit registered company in the study pursuing purely social goals at the moment and relying almost exclusively on grant money for funding. They have however realised that they will have to find other sources of income sooner or later in order to become sustainable, and are to some extent already working with other income streams such as transaction fees. The end goal has always been to activate the existing manpower in underprivileged communities, and provide means of enabling this through financial and transaction services. However, they have seen that in order build these services, they first need to grow a foundation of users and partners. These services will constitute new opportunities for revenue, but may also move them further away from the social non-profit roots, which is why these services will most likely be pursued in joint ventures with external for-profit companies. The fact that they have previously been able to find grants that suit them specifically has given them freedom in terms of pursuing their social motives and helped them steer clear of problems that may erupt as a consequence of the balancing of dual goals and conflicting interests of stakeholders. Furthermore, they have managed to align different stakeholder and user groups’ interests to work towards a common goal, by offering them different types of compensation.

5.1.4 codeX

codeX describes themselves as being commercially driven while at the same time having a mission to serve. The main driver is the huge market demand for IT-talent in South Africa, coupled with the big youth unemployment. The commercial side is seen as very important to make codeX a sustainable business. Nevertheless, the importance of the social aspect is seen not only in their many social metrics for evaluation, but also in their definitions of success, which relates so social impact. As for the communication with stakeholders, codeX bends their message to align themselves with the stakeholders’ agendas. However, they still experience constant struggles in manage tensions that arise because of the fact that different stakeholders have different needs and priorities. In their value proposition, the creation of social and economic value is intimately intertwined and are highly dependent upon each other. The revenue mechanisms are continuously changing and adapting and codeX have currently several different ways to capture economical value.

5.1.5 hearScreen

hearScreen drives their mission of making hear screening widely accessible through an innovative solution and continuous development and improvement of the application is a big part of the business. Although hearScreen slightly leans towards being a more social endeavour, creating a sustainable business with steady revenue streams is a high priority, nevertheless in order to reach wider and improve the product, for a greater social impact. As many others, hearScreen also tailor their message to the specific stakeholder. However, still with more commercial actors, HearScreen are clear to convene the message that their motive is mainly that of a social one, that it is always somehow about solving the problem of widespread hearing disabilities. Further, hearScreen also tailor their solution and offering to the different stakeholders, to maximise social impact. They have also entered a few partnerships to be able to keep focus on their core business. At the same time as hearScreen is clear in stating that their mission is of a social nature, they also recognise that all different stakeholders have different agendas. For that reason, they try
to keep different stakeholders separate. Another solution is to find stakeholders already aligned with the mission, and steer away from stakeholders with a purely economic mindset. As for revenue models, hearScreen has tried a number of options but have now settled for three, but are in discussions of adding two more. The biggest challenge was to ensure sustainable future revenue streams while at the same time getting the product to a broad range of users as cheap as possible. One of the reasons they are considering adding additional revenue mechanisms are to monetise the products the more or less give away for free.

5.1.6 AftaRobot

AftaRobot is characterised by their social and commercial aspects being highly intertwined; their goal is social impact but through the means of business. They see themselves successful when they have managed to increase passenger safety, reduced passenger waiting time and increased revenues for the taxi operators, because in achieving that, they know their business is doing well and have sustainable revenue streams. Their solution have to be attractive for all stakeholders, while simultaneously driving both safety changes for the passengers and revenues for themselves. AftaRobot don’t actively choose stakeholders sympathising with their mission, but the people who are on the same page regarding the mission is the people who tend to stay. However, the message they communicate is highly dependent on the stakeholder in question, though they always try to involve the social mission in every discussion. AftaRobot don’t see any direct tensions in the two sided creation of both social and economic value, but instead face some difficulties in handling different stakeholders. Some stakeholders want to make quick profits while AftaRobot's mission is to create lasting impact, which they try to deal with by always trying to do good for the users when balancing different options. AftaRobot believes that the social impact won't be seen until their solution is run in an effective and sustainable way, and that the commercial and social success have a close relationship. Currently, AftaRobot works with multiple revenue mechanisms, both on the corporate and commuter side. Aside from direct fees from the drivers, they have a freemium model in place for the commuters and experimenting with a big data sales approach.

5.1.7 Afroes

Afroes is a company with a heavy emphasis on the social aspects, in which the social mission is important not only for the founder and other employees, but also for the various stakeholders. Further, the business is a hybrid between a company and a NGO. Afroes tries to only go in business with people already aligned with their social mission and they believe their own social agenda is more important than meeting the client’s specific needs. Afroes defines success for the business through their impact, which is evident by their many social metrics they use for evaluation of the company. Afroes work hard to be close to their most important stakeholder - their users. They continuously collect feedback and work close with their users to be able to effectively create social value for them. Many of Afroes’ customers are solely looking for commercial success; hence they have to work hard to find ways to have their social impact model put into the products so both can gain from it. This struggle has also the biggest tension Afroes have met in their both being a commercial and social actor. However, at the same time as the duality of their business causes problems and tensions, the money made through the commercial business helps with creating impact, and the impact helps with further growing the business. On the commercial side, to stay sustainable and profitable, Afroes
leverages multiple revenue streams, some more conventional and others more original and innovative, such as brand sponsorships, data sales and partnerships with companies without a social mission. Lastly, if Afroes could start from scratch again, they would first develop a commercial business with clear and explicit revenue streams and build the money first, and then turn to driving impact.

5.2 How

The *how* element contains the business logic that explains how the business will create social value and capture economic value, and aims to answer the question:

• What mechanisms, through which social entrepreneurs handle the balance between creating social value and capturing economic value, can be observed?

This first part of the analysis aims to investigate common features found across the cases. As a starting point, Osterwalder’s (2004) business model framework is used to make an exhaustive analysis of the complete business model; the mechanisms identified and chosen cover the four key components of the business model, namely the Customer Interface, Product, Infrastructure Management and Financial Aspects.

Three separate mechanisms were found when investigating commonalities between the cases. These were (1) The integration of social and economic value creation, (2) The diversifying of revenue streams and (3) The leveraging of partnerships. The mechanisms are described and analysed here under:

5.2.1 Integration of social and economic value creation

The first identified mechanism, observed in almost all cases, is the integration of the social and economic value creation. The mechanism relates both to how the business involves its customers or stakeholders in the value creation, as well as what and how the business offers its product or service. It covers the Customer Interface that Osterwalder (2004; 2010) refers to, as well as the Value Proposition itself and in some cases the configuration of the value chain under Infrastructure Management.

As previously covered, social entrepreneurs, or enterprises aiming at fulfilling a social mission alongside generating economic value in general, have to find ways in which their social and economic goals can coexist, a task that has proven to be challenging (Pirson, 2012; Yunus et al., 2010). From reviewing the cases, it is evident that it is something that almost everyone deals with regularly, validating Yunus et al.’s (2010) claim that dealing with conflicting goals and tensions “are ‘facts of life’ for social businesses” (p. 318). Take Geekulcha for example, and the events they arrange. They have to make sure that they find (preferably profitable) arrangements that are beneficial for both the clients and the company itself, and above all, in line with their social mission, that are in the best interest of the community and add value to them, rather than exploiting them, something they always have to have in mind when considering projects. Turning down income because it does not fit with the social mission can be difficult for a smaller company, and maintaining a good balance is hard work, according to Geekulcha head Mixo Ngoveni. Another interesting example is what Nick Klopper of HearScreen say regarding finding money to finance the business. He claim that finding money is not hard, but rather finding the “right” money, financiers that actually share the vision of the company and fit with the social mission, that is harder, and is necessary in order for the mission not to suffer. As is evident from the review of literature (see section 2.1.3) these tensions have to always be taken into consideration (e.g. Smith et al., 2013; Dees, 1998; Seelos & Mair, 2014; Yunus et al., 2010; Moizer & Tracey, 2010), and the social and commercial aspects of the business
can sometime be at odds; when resources are scarce decisions may sometimes have to be made between focusing on keeping the business afloat, which is often on the more immediate horizon, or prioritising the social mission (Smith et al., 2013).

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<tr>
<th></th>
<th>Integrate</th>
<th>Separate</th>
<th>Joint venture</th>
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<tbody>
<tr>
<td><strong>Tour 2.0</strong></td>
<td>Commercial success leads to more business for communities</td>
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</tr>
<tr>
<td><strong>Geekulcha</strong></td>
<td>Make sure that projects add value to the community, either by providing work, education or knowledge</td>
<td>Separate social development programmes</td>
<td></td>
</tr>
<tr>
<td><strong>GEM Project</strong></td>
<td>(Start out with reward system, financed by grants/donations and move on to financial services)</td>
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<td>(Financial services)</td>
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<tr>
<td><strong>codeX</strong></td>
<td>Educate unemployed youth and supply corporations with coders</td>
<td>(Educate non-underprivileged for money to support more social education)</td>
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<tr>
<td><strong>hearScreen</strong></td>
<td>Provide solution to a social problem</td>
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<tr>
<td><strong>AftaRobot</strong></td>
<td>Provide solution to a social problem on an inefficient market</td>
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<tr>
<td><strong>Afroes</strong></td>
<td>Leverage external parties' commercial goals with social impact</td>
<td></td>
<td>(Referring commercial projects for a fee)</td>
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*Table 4. Overview of how the cases relate to Moizer and Tracey’s (2010) and Smith et al.’s (2013) strategies for dealing with tensions*

In section 2.1.3 ways of dealing with these tensions are discussed, and Moizer and Tracey (2010) identify three strategies for handling the conflicting goals of the business: separating the social and commercial missions, integrating them, or building alliances with for-profit companies, further complemented by Smith et al.’s (2013) two different kinds of separation. Table 4 above shows how the different cases relate to these strategies. Out of the three strategies, the integration approach is the most recurring among the cases, and has been identified as a mechanism that is utilised as a way of managing the social and commercial goals of the business. Most of the entrepreneurs in the cases have tried to find ways to configure their business model in order to attend to both social and commercial goals at the same time. In all but one case – namely GEM Project, the only pure non-profit – the social and commercial functions of the business are fully integrated. While the way the different businesses have approached the integration vary greatly depending on what kind of service they deliver, the nature of the social value they create
or for which stakeholders they create value, the social and commercial aspects of the business are intimately intertwined and it is hard to identify and separate them from each other, with some exceptions that are discussed in further detail in the end of section 5.2.1.

A rather illustrative example of this integration is that of Tour 2.0, which may be the most commercially oriented of all the cases. In their case, the social value they create is a direct result of the commercial success of the company; if the company does well, it entails more business for the local ambassadors and more social value created for the communities. Even though the business does not explicitly focus on social value creation, with the way the whole business model is configured, there is no way to pick out the social function without significantly altering the whole business model. This results in a model that relieves the entrepreneur from choosing between the social and commercial efforts, which in Tour 2.0 suits them well as the social value created is more seen as an appreciated by-product than the immediate end-goal. As suggested by both Moizer and Tracey (2010) and Smith et al. (2013), integrating the social and commercial functions can be a way to approach the dilemma of allocating resources between the dual goals.

Interestingly, Tour 2.0 is also one of the only cases that have not expressed that they have experienced conflicts and tension between the social and commercial parts of the business, which may be attributed to the intricate intertwining of the two, and in part to their more commercial orientation which implications are discussed further in section 5.4. According to Pirson (2012), it is natural for a company trying to balance the social and commercial aspects to sooner or later start to prioritise one before the other, but what Tour 2.0 is doing is rather that they have found a way in which they can focus entirely on the commercial aspect, but in doing so they are able to also create social value for external stakeholders.

Another example of this integration is codeX, which through their value proposition create value for both the people they educate as well as the companies that subsequently hire them. In their business model, the social and the commercial side work in tandem, and for the model to work, they need to reinforce and enable each other. If one falters, the other one will as well. If the quality of the training that the coders receive is high, it attracts more customers in the form of paying corporations, which increases the demand and in turn even further increases codeX’s incentive to educate more, thusly increasing both the social and economic value created and forming a virtuous reinforcing cycle.

Integration through inclusive business models and CSV

The ways in which the social and commercial aspects can be integrated are many, and in the literature two significant examples can be found where the benefit for the business and the involved stakeholders are intertwined, one being the inclusive business model that is often being discussed in relation to social entrepreneurship (e.g. UNDP, 2008; Michelini, 2012), and the more recent CSV concept suggested by Porter and Kramer (2011). Table 5 shows how the different cases relate to the inclusive business model. As is suggested by the table, all of the cases include an underprivileged group, either as a customer, as part of the value chain, and in some cases both.
By using an integrated approach and including these stakeholders in the business, examined cases avoid some tensions that may have otherwise surfaced, and through this they also make themselves less susceptible to the risks of slowly prioritising one goal that Pirson (2012) raise as a critical issue, the intertwinement makes the goals inseparable. For example, CodeX have rethought the way education is done and have managed to offer their training to underprivileged groups, including them on the customer side, and still manages to maintain a viable business. This can be compared to Porter and Kramer’s (2011) CSV strategy of reconceiving products and markets, finding new ways to provide a service to a market that hitherto has not been seen as profitable and therefore has not been exploited. Similarly, all other cases showcase tendencies of reconceiving either the product or the market side of the business. At the same time, codeX also incorporate the trained in the value chain itself, as a better training will lead to a better “product”, which will lead to satisfied clients who are willing to pay more and may also attract even more business, but more importantly it adds value to the people gaining the knowledge who subsequently are hired, which may be comparable to the second strategy proposed by Porter and Kramer (2011), redefining productivity in the value chain. Examples of other cases that showcase tendencies of this strategy are GEM Project, incentivising the community members to participate in improving their own living situation, and Geekulcha, by involving and educating the community in their business process. By employing these strategies, codeX offer a product which they can charge for, and that also create social value, thereby leading to the creation of shared value. The last strategy that Porter and Kramer (2011) suggest is less represented among the studied cases, but one may argue that Tour 2.0 is creating local clusters through their business, with local ambassadors creating micro-tourism enterprises that in turn further employs and empowers people in the communities.

<table>
<thead>
<tr>
<th></th>
<th>As customers</th>
<th>As a part of the VC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tour 2.0</strong></td>
<td>Community members act as tour guides and micro-tourism enterprises</td>
<td></td>
</tr>
<tr>
<td><strong>Geekulcha</strong></td>
<td>Members receive training</td>
<td>Members are part of the network that clients gain access to</td>
</tr>
<tr>
<td><strong>GEM Project</strong></td>
<td>Communities enjoy the result of initiatives</td>
<td>Community members are involved in the different initiatives</td>
</tr>
<tr>
<td></td>
<td>(Communities are offered financial services)</td>
<td></td>
</tr>
<tr>
<td><strong>CodeX</strong></td>
<td>Underprivileged youth receives training as students</td>
<td>Trained coders are offered to company clients</td>
</tr>
<tr>
<td><strong>HearScreen</strong></td>
<td>Underprivileged are users of the service</td>
<td></td>
</tr>
<tr>
<td><strong>AftaRobot</strong></td>
<td>Underprivileged are users of the service</td>
<td></td>
</tr>
<tr>
<td><strong>Afroes</strong></td>
<td>Underprivileged receives education</td>
<td>Underprivileged are used to attract customers (banks etc.)</td>
</tr>
</tbody>
</table>

Table 5. Overview of how the cases relates to the inclusive business model

By using an integrated approach and including these stakeholders in the business, examined cases avoid some tensions that may have otherwise surfaced, and through this they also make themselves less susceptible to the risks of slowly prioritising one goal that Pirson (2012) raise as a critical issue, the intertwinement makes the goals inseparable. For example, CodeX have rethought the way education is done and have managed to offer their training to underprivileged groups, including them on the customer side, and still manages to maintain a viable business. This can be compared to Porter and Kramer’s (2011) CSV strategy of reconceiving products and markets, finding new ways to provide a service to a market that hitherto has not been seen as profitable and therefore has not been exploited. Similarly, all other cases showcase tendencies of reconceiving either the product or the market side of the business. At the same time, codeX also incorporate the trained in the value chain itself, as a better training will lead to a better “product”, which will lead to satisfied clients who are willing to pay more and may also attract even more business, but more importantly it adds value to the people gaining the knowledge who subsequently are hired, which may be comparable to the second strategy proposed by Porter and Kramer (2011), redefining productivity in the value chain. Examples of other cases that showcase tendencies of this strategy are GEM Project, incentivising the community members to participate in improving their own living situation, and Geekulcha, by involving and educating the community in their business process. By employing these strategies, codeX offer a product which they can charge for, and that also create social value, thereby leading to the creation of shared value. The last strategy that Porter and Kramer (2011) suggest is less represented among the studied cases, but one may argue that Tour 2.0 is creating local clusters through their business, with local ambassadors creating micro-tourism enterprises that in turn further employs and empowers people in the communities.
Changing tensions

Nevertheless, almost all of the entrepreneurs point out that there are tensions between the social and commercial goals, which the literature also underline (e.g. Dees, 1998; Pirson, 2012; Seelos & Mair, 2004; Smith et al., 2013). By integrating the social and the commercial functions the entrepreneurs supposedly should counteract these tensions, but they somehow remain and keep being an everyday nuisance for the entrepreneurs. However, the tensions that remain may not be of the same character. While many of the interviewees claim that there are always tensions, few of them can give concrete examples, and fall back on answers like “there’s something every day” or “it’s all kinds of everyday problems”. What the integration does is that it intertwines the two separate goals such that they can reinforce each other, but on a longer time horizon. The social and economic missions can align such that in the long term, they depend on and enable one another; take the example of codeX, where more well-trained coders leads to more interest from corporations, but at the same time it creates more social value and helps more people get out of unemployment. However, just like Smith et al. (2013) suggest, within a more immediate horizon, decisions may still have to be made that prioritise one objective, and as such, there may still be tensions, an example being hearScreen and their struggles of balancing income with reach. The difference is that because of the integration, the tensions that have to be dealt with are on a “lower” level, they are not as much strategic choices as they are tactical or even operational choices. Just as Casadesus-Masanell and Ricart’s (2010) theory of the business model and its relationship to strategy argues, the entrepreneur’s choice of a model that intertwines the social and commercial aspects dictates which tactics are available to them, so does the strategic decisions made regarding the business model affect what kind of tensions and problems may occur. Anne Shongwe of Afroes claim that if they were to start over, they might pursue a more commercial approach, and that the social road they have set out on in some ways limit what they can do, the strategic choices affect which tactics are available. The choice of an integrated approach does not eliminate all tensions, but might bring them down to a more manageable level that can be dealt with on a day-to-day basis, and in the long term the social and economic goals can form synergies and thrive. Within the concept of CSV, what Porter and Kramer (2011) suggest is that businesses need to look beyond the current view of a company, that only works for short term profitability, and think of how both social and commercial goals can be integrated for a business to be profitable in the long term while also creating social value. The critics (e.g. Crane et al., 2011) that claim that Porter and Kramer’s idea that there should be no trade-offs is naïve may be partly right, but through intimate intertwineement between the social and economic value creation, the tensions that exist and the trade-offs that have to be made are of an operational character and as long as the business manages these problems one can argue that long term result will still be creation of shared value.

The case of hearScreen also highlights another aspect of the strategic/tactical relationship. Having problems with the tactical tension of charging for their services and reaching the people who need it, hearScreen took a strategic decision to add vertical revenue streams, utilising big data and referral fees, to add income and adding another tool with which to handle the tension within the business model. In doing so, they not only address a tension on a tactical level with a strategic decision, ultimately changing the business model, but they also increase the potential of economic value they can capture for their service, but without compromising the social value they create, or charging more from the customer, which is exactly what Porter and Kramer (2011) argue CSV is all about. The capture of value is discussed further under the second mechanism, diversifying revenue streams.
Innovation

Finding ways to integrate the two in a beneficial way is a challenge, and striking a balance is still a difficulty that can lead to headache for the entrepreneur. This is where the need for innovative solutions come in, specifically for new business models that can deliver and offer the products or services in new, and fitting, ways for the stakeholders, reflecting the conception of products and markets and the redefinition of the value chain that are CSV contain (Porter & Kramer, 2011). As addressed in section 2.2.7, innovation is a big part of being a social entrepreneur (Dees, 1998; Yunus et al., 2010), and in order to find ways to integrate the social and economic value creation the entrepreneur needs to think beyond the “conventional wisdom” (Yunus et al., 2010) and “traditional business thinking” (Porter & Kramer, 2011). As has been discussed, it may be hard to really innovate the business model by addressing the different elements separately (Amit & Zott, 2012), a holistic approach may be more suitable. Due to this, a fully integrated approach to the social / commercial dilemma may be the best way to approach the balance; taken one at a time there is risk that trade-offs will have to be made, and the optimisation of one goal may negatively interfere with the other, ending up with one goal being prioritised above the other, just like Pirson (2012) suggests. However, while the resulting integrated business model can be observed in many of the cases, not much can be said about the process which produces it as the cases have not been studied over time, and therefore there is little that can be said regarding the innovation process itself.

Separation

While the integration strategy is by far the most observed, the second strategy suggested by Moizer and Tracey (2010), to separate the part of the business that focus on creating social value and the commercial mechanisms that bring in revenue, has also been identified in some of the cases. As suggested by Smith et al. (2013), the social and commercial parts can either be separated spatially or temporally, signifying either that they separately co-exist or that the business alternates between them over time. There is little evidence that any case is utilising temporal separation, at least not deliberately. However, some cases have shown examples of the spatial separation that Smith et al. (2013) discuss. For example, Geekulcha run their social development programmes as a separate part of their business with no intent of charging for the services, which is instead funded by Geekulcha and occasional sponsorships. However, they have plans to eventually separate those kind of programmes completely from the business and run them as a foundation instead, which would make it easier to accept external funding and have them run completely with the help of donors and sponsors. Both codeX and Afroes have plans to extend their business model to include more commercial functions in order to help finance their businesses. In codeX they see potential in offering their services to customers that are not part of the underprivileged segment, but still are interested in their services. These customers would pay for their services in full, and would not be part of their social mission, but could constitute a significant source of income. In a similar fashion, Afroes are thinking about accepting purely commercial projects which they will then transfer to another company for a fee, making for a source of income which would not take significant time or resources from their social efforts. In these cases, a more commercial function helps bring in money to help sustain the social efforts of the company, while still being separated from the integrated core business.
5.2.2 Diversifying of revenue streams

The second mechanism observed almost consistently across all the different cases, was the usage of many different revenue mechanisms, and the fact that many of the entrepreneurs were considering implementing even more, or were continuously changing and trying out, different types of capturing economical value. Several aspects to this are very interesting in light of the theory presented in earlier chapters.

Further, this mechanism covers the Financial Aspects of the business model theory, especially the sub-component Revenue Streams, presented by Osterwalder (2004).

The creation and capturing of value

The core of the business model literature is not only configurations for value creation, but equally important is the capturing of value. On the other hand, the literature on social entrepreneurship point out the difficulties for these entrepreneurs to capture economic value from the social value they create, among other things caused by the target customers being unable to pay for the services or products (Dees, 1998; Mair & Martí, 2006; Seelos & Mair, 2004, 2005). This is also agreed upon by several of the interviewees, and is also pointed out to be one of the major tensions these entrepreneurs have to balance; charging the customer and keeping the business sustainable is in conflict with their inability to pay. Nick Klopper, CEO of HearScreen, put it this way: “ideally, the product should be free for people to use [...]. However, this is not sustainable and to keep our business afloat, reach more people and continuously develop the product, we just can’t do that.” In regards to implementing a revenue model, he said: “The biggest challenge was to ensure sustainable future revenue streams while at the same time getting the product to a broad range of users as cheap as possible”.

The complex revenue mechanisms seen in the majority of the cases, listed in table 6, seems to be a response to this. Since the end users, the people within the social problems these entrepreneurs are trying to solve (unemployed youth in the case of codeX, disadvantaged people with hearing disabilities for HearScreen or disadvantaged communities for Gem Project and Tour 2.0), are unable to pay enough to make these businesses self-sustainable on their own, the entrepreneurs have implemented not only several different revenue mechanisms, but maybe more importantly, mechanisms geared toward capturing value from other stakeholders. For example, both Afroes, AftaRobot and HearScreen are already, or considering, leveraging big data sales as an additional revenue stream. There are also numerous other examples: HearScreen want to implement a fee for referring people to healthcare practitioners, CodeX have their customers paying for the education of their codes, Afroes want to leverage brand sponsorship, and so on. These are all clear examples of how the entrepreneurs are trying to capture economic value from the social value they create, in other words, how they try to overcome the difficulties in the balancing of the two aspects.

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tour 2.0</td>
<td>• payments for the tours</td>
</tr>
<tr>
<td></td>
<td>• Auxiliary services for micro-tourism enterprises</td>
</tr>
<tr>
<td>Geekulcha</td>
<td>• income from arranging events</td>
</tr>
<tr>
<td></td>
<td>• Income and sponsors for doing trainings, hackathons etc.</td>
</tr>
</tbody>
</table>
| GEM Project | • Grants and donations  
|            | • Small percentage of transactions |
| CodeX      | • Loans to coders  
|           | • Corporate sponsor developer seats  
|           | • Devshop work  
|           | • Recruitment fees for placing people in jobs  
|           | • Bespoke corporate programmes - training in specific languages  
|           | • NGO bursary fund - for companies that just want to do good  
|           | • Subscription model for devshops  
|           | • Standard boot camp for subsidising the current camp |
| HearScreen | • Partnership with Vodacom, who act as a distributor for bigger organisations and governments.  
|           | • Sell the solution themselves, for a once-off or licensing fee. Also discussing a pay-per-use offering.  
|           | • Cloud based data management portal which offer text message and data analysis reporting.  
|           | • Data sales. The data gathered from the app will be sold to third parties.  
|           | • Fee for being included in the referral network. |
| AftaRobot  | • Subscription models for the corporate side (drivers, owners etc.)  
|           | • Freemium model with advertisement and in-app purchases for commuters.  
|           | • Data sales |
| Afroes     | • Contract deal with partners  
|           | • Percentage of customers brought in  
|           | • Grants and funding  
|           | • Advertisement/brand sponsorship in the games  
|           | • Sales of data  
|           | • Fee for transfer of business to partner |

Table 6. Overview of the cases’ revenue streams

It is also interesting to note that two reasons for the noveler revenue mechanisms can be identified. One is to subsidise offerings to people or organizations unable to pay the (already low) price. For example, this is noted in the case of hearScreen, where CEO Nick Klopper says that they implemented more vertical revenue streams (data sales, referral fee) as a response to the products they sell to a lower price so as to be able to drive revenues on devices that they sell to a cost-price, or give away, to people who need but cannot afford the product. In this case, it is interesting to note that products initially are sold to a lower price because of the apparent social value they create even though it does not come with immediate economic benefits. However, these novel revenue mechanisms are trying to even out the balancing by trying to drive revenues from other stakeholders. This is also the case in CodeX, where they are considering offering the programme to people able to pay for it, in order to subsidise the offering for the initial targets for the programme, that is, the disadvantaged youth. On the other hand, almost all entrepreneurs have several novel ways to capture value, that seems to be for the reason to expand the value captured, so as to keep the business sustainable, which can be seen as a response to the difficulties for social entrepreneurs to capture value, as noted by Seelos and Mair (2005) and Mair and Martí (2006), among others. To expand the total value creation, both economic and social, is also the essence of CSV (Porter & Kramer, 2011). It can be argued that these novel revenue mechanisms by enabling the entrepreneurs to capture more economic value helps them expand their businesses and continue to create even more social value, a kind of virtuous cycle.
**Business model innovation**

Even though some innovative tendencies and iterative processes have been observed within the value proposition, the most notable adaption processes have taken place within the revenue models of the included cases; a majority of the revenue models seems to have taken form as a response to the difficulties of capturing value. Hence why the discussion of business model innovation is found again here within the realm of revenue mechanisms.

In the majority of the cases, the entrepreneurs are found to utilise innovative and novel ways in order to offset the fact that their customers, or the disadvantages people they are serving, cannot pay prices high enough to make their businesses sustainable, as noted in the discussion on the capturing and creation of value above. This is expected, since it is noted both in traditional business model innovation as well as the literature of more social endeavours, that entrepreneurs are usually seen to be more adaptable and flexible, not locked into existing structures (Bohnsack et al., 2014; Mair & Martí, 2006; Porter & Kramer, 2011), and can engage in business model innovation by challenging conventional wisdom. (Yunus et al., 2010) Seelos and Mair (2005) also note that the reason for this creation of more novel business models is the brokering between very limited resources to create social value, which agrees with what the entrepreneurs in these cases are saying.

Further, these mechanisms seem to have developed over time, and in many cases as an iterative process, some as a response to the entrepreneurs realising the difficulties in capturing economic value from their offerings and some as a response to new found possibilities. To exemplify, in the case of codeX, more and more people whom are not disadvantaged are becoming interested in their offering, namely the very hands-on programming education. While codeX initial thought was to only serve disadvantaged youth, they have realised that if they were to split the programme into two parts, where one is educating people able to pay for themselves directly they can use this to support the other part still serving disadvantaged youth. Hence, this can be seen as a response to an emerging opportunity, acted upon to subsidise the offering to the disadvantaged target group. In the same spirit, before hearScreen came up with their current revenue model, they went through vast array of different options of monetising the product. Their introducing of vertical revenue streams was also something that grew over time, as a means to leverage products given away. That business model innovation often happen in an experimental fashion over time is something supported by Morris et al. (2005), Teece (2010) and Chesbrough (2010) among other. Chesbrough and Rosenbloom (2002) and Chesbrough (2007; 2010) also note that innovations in the revenue model in order to profit from new technology is usual, which is the case here.

The literature on business model innovation describes this type of innovation as a source of competitive advantage, since a product or solution that is embedded in an innovative business model can be harder to imitate or replicate, and could therefore be a source of sustainable competitive advantage (Amit & Zott, 2012). However, none of the cases have mentioned any notable competitors with which they are directly competing, and it seems that the innovative tendencies seen in their revenue mechanisms does not stem from the need for a competitive advantage that set them ahead of any competition, but instead because of the reasons mentioned above; to subsidise less profitable offerings with huge social value, or to capture more economic value in order to become sustainable.

5.2.3 Leveraging of partnerships
The third major mechanism observed in most of the cases is the leveraging of strategic partnerships. Since this mechanism is closely related to the Who element presented in the research model, and which is analysed in the next section, the discussion here will be brief and focus on the leveraging of strategic partnerships and not the specific mechanisms used to balance different stakeholder interest. This last mechanism covers the Infrastructure Management part of the business model theory, especially the sub-component Key Partnerships, as presented by Osterwalder (2004).

<table>
<thead>
<tr>
<th>Case</th>
<th>Key Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tour 2.0</td>
<td>• Community ambassadors</td>
</tr>
<tr>
<td>Geekulcha</td>
<td>• Community</td>
</tr>
<tr>
<td></td>
<td>• mLab</td>
</tr>
<tr>
<td></td>
<td>• Innovation Hub</td>
</tr>
<tr>
<td>GEM Project</td>
<td>• NGOs and community organisations</td>
</tr>
<tr>
<td></td>
<td>• (Financial partner)</td>
</tr>
<tr>
<td>codeX</td>
<td>• Corporates and key sponsors</td>
</tr>
<tr>
<td>hearScreen</td>
<td>• Vodacom</td>
</tr>
<tr>
<td></td>
<td>• Logistics partnerships</td>
</tr>
<tr>
<td>AftaRobot</td>
<td>• Taxi Associations</td>
</tr>
<tr>
<td>Afroes</td>
<td>• (External gamification partner)</td>
</tr>
</tbody>
</table>

*Table 7. Overview of the cases’ key partnerships*

Literature on social entrepreneurship hints about the value of partnerships. As earlier noted, Moizer and Tracey (2010), Dees and Anderson (2003) and Yunus et al. (2010) all highlight the importance for social endeavours to engage in strategic partnerships. Porter and Kramer (2011) also discusses partnerships as an enabler for the creation of shared value. In the observed cases, many different types of strategic partnerships, or intentions to enter such partnerships, are present, and are presented in table 7. One example is the plans of GEM Project to extend into the financial services sector, which they state they will try to pursue as a joint-venture with a financial institution. By entering into a joint-venture with a for-profit entity they can engage in for-profit activity while still retaining their non-profit status. This will allow GEM Project to actively engage in providing underprivileged communities with payment solutions and financial services, which they themselves have identified as one of the areas constituting the most promising in terms of creating social value, activating the existing manpower within the communities and leading towards accomplishing the mission of the business. For GEM Project, the joint-venture can almost be seen as a prerequisite for accomplishing the mission, since their long-term plan is to move on from the reward-system to a service providing financial solutions, an arena which may be hard to enter under the non-profit company form and with limited resources. While only hypothetical, it is an interesting way to go. As is expressed by several authors (Moizer & Tracey, 2010; Peredo & McLean, 2006; Yunus et al., 2010) it is important to find compatible partnership(s), where social mission and the
interest of the external party aligns, at least partly, and where the resulting partnership can be beneficial for both the for-profit in terms of profitability or other terms of added value (e.g. reputation of social responsibility) and for the non-profit in terms of achieving sought after social results. The partnering for-profit may need to be willing to depart from parts of their profit to the social mission (Peredo & McLean, 2006) but the GEM Project might have to accept that by partnering up with a for-profit company, the partner’s public image may affect GEM Project’s and can harm their public image of being a social actor or even their legitimacy of being a social enterprise, as suggested by Moizer and Tracey (2010). This specific partnership can also be categorised as one of proposed strategies (the third strategy being entering a joint venture) to handle the balance and tensions of being a social entrepreneur by Moizer and Tracey (2010). In accordance with their theory, GEM Project’s proposed partner will focus on the capture of economic value, while GEM Project are enabled to focus their efforts on continuing their creation of social values with less hindrance stemming from lack of resources.

Another similar example can be found in the case of Afroes, which is considering partnering up with a commercial actor to leverage their brand name but still focus on their core business and social agenda. However, it is interesting to note that while GEM Project’s partnership can be thought of as a proactive response to evolve the business model of the company (moving into finance solutions), Afroes proposed partnership can be thought of as a reactive response to more and more customers coming to them interested in gamification but without any social agenda. Yet another exemplifying partnership, formed for yet another reason, is HearScreen’s partnership with Vodacom. This partnership was simply entered because HearScreen wanted to reach a broader mass while still being able to keep focus on their core business and spend resources on continuous development and improvement of their solution. A last illustrating example is Geekulcha, that both have their network of partners across the country which connects them to universities, lecturers and venues that can be utilised for potential events, as well as their partnership with both mLab and the InnovationHub. These partnerships all helps Geekulcha in their creation of social value, which differentiates them from previous examples where the partnerships have been entered because of their ability to help capture economic value.

It is interesting to note that almost all entrepreneurs have entered partnerships, which literature also deem important (e.g. Yunus et al., 2010; Moizer & Tracey, 2010), but has done so for various reasons and with different end goals in mind. However, the partnerships illustrated above all seem to help the entrepreneurs in either their creation of social value, or the capturing of economic value. Further, the partnerships focused on economic value capturing, can be argued to have been entered to enable the entrepreneurs focus on their core business, which revolves around social impact, which for example, Nick Klopper of HearScreen explicitly mentions.

5.2.4 Summary

The first part of the research framework, called the how element, seeks to understand how the businesses both create social value and capture economic value, and how they manage to balance between them. Three different mechanism have been identified as tools which the entrepreneurs use to manage this balance.

The first mechanism identified is to integrate the social and the commercial functions of the business and seek to find ways in which they can reinforce one another, thereby decreasing the tension between them. Both the theory of CSV and inclusive business models show ways in which this can be done, and several similarities between these
approaches and the cases have been observed, resulting in the creation of social value, and the capture of the economic ditto. Through integrating the social and commercial functions, entrepreneurs are not able to eliminate tensions completely, but seem to handle them by moving them from a strategic level to a more manageable tactical or operational level.

The second mechanism revolves around finding ways to finance the business without it hurting the overall social mission, namely through diversifying the revenue streams. Many of these novel revenue mechanisms have evolved through continuous experimentation, and the diversification seem to mainly come from two motives, either it seeks to subsidise part of the company’s offering with profit made from other revenue streams, or it is aimed at increasing the overall economic value that the company can capture, without compromising the social value it creates. Both of these can be seen as being in line with the CSV concept, increasing the overall value that is created, and simultaneously increasing the potential value that can be captured by the company.

The third and final mechanism that has been identified is how many of the entrepreneurs try create and leverage partnerships with external stakeholders in order to either create social value or to capture economic value. These partnerships can have several configurations, some purely commercial, and some as a way for the company to either extend their reach or to enable it to focus more closely on the core social mission, and in the CSV concept partnerships and the involvement of external stakeholders is seen as an enabler.

5.3 Who

The who element contains the different stakeholders that are involved in the business as well as their interests and motives, and aims to answer the following question:

- What mechanisms, through which social entrepreneurs handle stakeholder and their interests to fit the balance between creating social value and capturing economic value, can be observed?

Under the how component, the third mechanism investigated was the leveraging of various partnerships, which is closely related to the who component and can be seen as a segue to the analysis here. However, this analysis will focus on one specific mechanism found to be especially interesting, namely the cherry picking of stakeholders already aligned, or sympathetic, with the social mission of the entrepreneurs.

5.3.1 Selection of aligned stakeholders

As is expressed by several authors (e.g. Moizer & Tracey, 2010; Peredo & McLean, 2006; Yunus et al., 2010) it is important to find compatible partnerships, where social mission and the interest of the external parties aligns. Within stakeholder management, Freeman et al. (2010) further argue that for a business to be competitive, the interests of the various stakeholders must be aligned.

Then, it is interesting to note that within the cases observed, several entrepreneurs pointed out the importance of having stakeholders that were aligned, or at the very least sympathised, with their various social missions. However, maybe even more interesting is the fact that in some cases the entrepreneurs seemed to actively pick already aligned stakeholders, and sometimes even steer away from stakeholders with interests too far away from their social cause.
hearScreen’s Nick Klopper explicitly states that they try to find stakeholders already aligned with the mission, and steer away from stakeholders with a purely economic mindset, so as to avoid too much interference with their social agenda. He also says “Finding money is not hard, there are tons of it floating around, especially for innovative and promising tech start-ups, but finding the right money is difficult. We need the shared vision so the vision does not suffer.” This is a good example where an entrepreneur actively steers away from a potentially conflicting stakeholder. Another such example is Afroes, where two different selection processes was noted. First, Anne says “We try from the beginning to sell the different stakeholders our mission and story…. We don’t listen to everybody’s needs, but we have our mission and go with that, and as such, we often get stakeholders that already sympathise with our cause.” Second, when employing new people, Afroes try to only chose those who truly sympathise with their mission, since they otherwise seem to move on quickly. A third example is when Geekulcha turned down an investor because it was going to change what they are trying to do. Further Mixo says: “When we get financial support, part of the agreement is that they need to understand what we’re doing and where we want to go, without that understanding and control, it can’t really happen”.

Following the brief recapitulation of these three examples, it is inevitable to have a discussion on trade-offs. Since the cases above all include the turning down of potential resources to ensure that their social missions are unaltered it is reasonable to claim that there is an economic downside to this; if Afroes turns down a very gifted applicant because of lack of interest in the cause they miss out on talent, if they turn down customers because of misalignment they sacrifice revenue and if Geekulcha or hearScreen turn down investors they forego capital. For one thing, this would mean that the entrepreneurs within these cases would not fall into the category of CSV, since Porter and Kramer (2011) argue that as a concept, CSV means no trade-offs and that the social and economic value creation should be symbiotic. However, as discussed in the section on integration, even though these examples may lead to short-term economic losses, there is reason to argue that this is not the case in the long term, which also is noted in literature (Smith et al., 2013). First, Freeman et al. (2010) notes, as cited above, that the interests of the various stakeholders must be aligned for a business to be competitive, which in the case of social entrepreneurs would include both social and economic alignment (Moizer & Tracey, 2010; Peredo & McLean, 2006; Yunus et al., 2010). Second, even though the entrepreneurs seem to cherry pick their stakeholders, many of them still mention difficulties in the balancing of these stakeholders. Third, the high integration of the social and economic aspects of these entrepreneurs discussed above, imply that both types of value creation and capturing are mutually beneficial. Consequently, with these three points in mind, if no efforts were made to align stakeholders both theory and empiric data suggest that even bigger challenges could take form and more time and energy would have to be spent dealing with balancing stakeholder interest. Further, if short term economic gains compromise the social mission, the high integration between the two could entail long term losses of both social and economic value since the businesses revolve around the social mission. So, even though these seemingly bad choices may include short term trade-offs, the long term implications could be even worse should the entrepreneurs compromise their social mission for short term economic gains.

5.3.2 Summary

The who element revolves around the stakeholders involved in the businesses of the entrepreneur, and the specific question that the section sets out to answer is: What mechanisms, through which social entrepreneurs handle the balancing of stakeholder interests, can be
observed? Literature, both more general within stakeholder management, but also more specific on social entrepreneurship, suggest that strategies should be set so stakeholder interests align, and specifically the interest of both economic and social stakeholders. Within several of the observed cases, the entrepreneurs seem to carefully select stakeholders whose interests are already aligned with their social mission. Even though this selection process seems to entail a negative trade-off of economic value, this arguably is only true short term, and may still be a sound approach for both the social and economic value creation and capturing in the long term.

5.4 Why

The why element contains the motivation behind the business and how this is manifested in the business model and the management of stakeholders, and seeks to answer the question below:

• Which similarities or differences in the previous research questions be found between entrepreneurs with different motivations?

The why element sets out to find how the underlying motives for the businesses differ from each other, but more importantly if they seem to affect the who and how components, that is, if they affect their choice of business models and how they handle their stakeholder management.

5.4.1 Classification of the cases

In order to proceed with this analysis, the seven businesses will first be categorised according to Michelin’s (2012) and Seelos and Mair’s (2004) two frameworks. The businesses will be evaluated based on three aspects: 1) whether they will pay dividends to shareholders, once applicable 2) the metrics used for evaluation and 3) their self-image. The results are shown in table 8 and figure 6 below.

<table>
<thead>
<tr>
<th></th>
<th>Tour 2.0</th>
<th>Geekulcha</th>
<th>GEM Project</th>
<th>CodeX</th>
<th>HearScreen</th>
<th>AftaRobot</th>
<th>Afroes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(future) dividends to shareholder</td>
<td>Yes</td>
<td>No</td>
<td>Profits not required</td>
<td>Yes</td>
<td>No discussion</td>
<td>Yes</td>
<td>Maybe long term, but are half NGO</td>
</tr>
<tr>
<td>Metrics</td>
<td>Reach/Financial</td>
<td>Not implemented</td>
<td>Social</td>
<td>Social/Financial</td>
<td>Social/Growth</td>
<td>Growth/reach</td>
<td>Mostly social</td>
</tr>
<tr>
<td>Self-image</td>
<td>Commercial: want it to be a profitable business</td>
<td>Social: Geekulcha’s primary focus is on empowering young tech minds, high school, tertiary and unemployed</td>
<td>Social: “In our case, our primarily motivation is the social motivation, maybe a little bit more social in the sense that we want to improve the human condition, and on top of that we are building a business.”</td>
<td>In between: commercially driven while at the same time having a mission to serve, not motivated by money but sustainability</td>
<td>In between: HearScreen sees monetizing the business as a way to keep track of the business, not as the main motivator behind the business</td>
<td>In between: their ultimate goal is social impact, nevertheless through the means of business</td>
<td>In between: Anne says that Afroes is more driven by the social than the commercial aspect</td>
</tr>
</tbody>
</table>

Table 8. Classification of the cases
First, it should be noted that Gem Project is the only NGO of the cases observed, and is thus categorised as a “Profit not required” company. Although Afroes is a hybrid company, part NGO part private, their main business is a private company, and the NGO is for funding purposes. On the other side of the spectrum are Tour 2.0, which are commercially driven, however with product/solution that also create social value (build and support communities). Geekulcha is the only company, apart from GEM Project that will not be paying dividends in the future, whereas Afroes and HearScreen might do. Further, Geekulcha partly relies on financial support from institutions such as mLab and InnovationHub, which are targeted towards generating social impact, and have plans to start a foundation for their purely social programmes. They are therefore fringing on the line towards being social non-profit and is a group of its own. It is also important to note that the classification on the social/traditional mission axis is subjective and that there are room for discussion where exactly to place the different cases, the companies more in the middle, in particular. However, for the sake of the discussions hereafter, the classification as seen in figure 6 should be accurate enough.

The cases in the top right quadrant, that is, Afroes, HearScreen and CodeX, will henceforth be called socially driven commercial ventures, as they all have a social mission but pursue it through the means of business. AftaRobot can also be argued to be part of this group, but as their service, as well as business model, currently is the least developed
it is harder to draw comparisons and much more of the assessment is left to be purely subjective.

5.4.2 Relation between social mission and observed mechanisms

Once this classification is done, some interesting observations can be made. The literature on social entrepreneurship focuses heavily on the tensions of such endeavours, and highlights the difficulties in dealing with dual goals (e.g. Smith et al., 2013; Pirson, 2012; Dees, 1998; Seelos & Mair, 2014). With this in mind, it is interesting to observe that the two extremes, being GEM project and Tour 2.0 being almost purely socially and commercially driven respectively, seem to face less problems with tension than their counterparts in the middle. Although both create both social and are able to capture economic value, their focus on mainly one goal reasonably eliminates the balancing. While Gekulcha, which can be said to almost be a purely social venture, have suffered some tensions – specifically regarding the funding of the business – they do not seem to be subjected to the same tactical tensions, such as weighing price vs. social reach, that many of the socially driven commercial ventures are.

While the grants that GEM Project have received somewhat has relieved them of the need to generate revenue and has enabled them to focus on social impact, they claim to have realised that they sooner or later will have to “grow up” if they want to become sustainable in the long term, and not be dependent on grants. Venturing into the financial services market can be seen as a way towards their own sustainability, but will almost certainly also bring more tensions.

Tour 2.0 on the other hand always was a commercial venture first, and as such, the primary goal has always been to create a profitable and sustainable business. Therefore, it has been crucial to create a model that generates revenue, the social value creation is secondary. This focus on the commercial side has lead them to not suffer from the same balancing problems, but they still manage to create social value, mainly due to how the communities are included in their value chain.

The cases found more in the middle, trying to achieve both social and economic success, seem to experience more tensions in the balancing between the two, which is expected when looking at the literature (e.g. Smith et al., 2013; Pirson, 2012; Dees, 1998; Seelos & Mair, 2014). Looking at these four cases, they all explicitly highlight difficulties in balancing both commercial and social goals. At the same time having this duality may have forced these entrepreneurs to find ways to handle these conflicting goals, they have had to find innovative solutions to these problems. If they were to pursue purely social goals, many of the cases would arguably have formed non-profits and would have looked very different, and would potentially not have found as effective or sustainable solutions to the problems. The most notable observation is the correlation between the socially driven commercial ventures and a high complexity of revenue model; these entrepreneurs have both more, and seemingly more complex, ways of capturing economic value from their solutions. Tour 2.0, GEM Project and Gekulcha all have two ways of capturing value, and all being rather straightforward: direct payment for their services and grants/sponsor money in the case of GEM Project and Gekulcha. On the other hand, CodeX, Afroes and HearScreen all boast an impressive number of revenue streams. As discussed in the section on revenue streams, it is also notable that many of these revenue models focus on value capturing from other stakeholders than the disadvantaged people they are trying to serve. For example, HearScreen instead of charging high prices from the underprivileged group of people with hearing disabilities, have found ways of capturing value from healthcare practitioners and governments through data sales, a data
management portal and referral fees. Had they operated on a developed market or had had a different target customer segment, charging a fair fee for their product might have been enough to keep them sustainable and be profitable, thereby these more innovative revenue mechanisms might never have been developed. This is in line with Seelos and Mair (2005) who suggest that social entrepreneurs “creates novel business models, organizational structures, and strategies for brokering between very limited resources to create social value” (p. 244). In a similar, but still different, fashion, codeX and Afroes through their deeply integrated business model logic also utilise revenue mechanism geared to capture economic value from other stakeholders than the disadvantaged people they are serving. Lastly, AftaRobot also being in the same category as codeX, Afroes and HearScreen, have a less complex revenue model, although they still aim to capture value through data sales and advertisement. However, as noted, AftaRobot is still working on product launch and arguably are yet to see the need of a revenue model with broader reach.

For the two other mechanisms, few coherent tendencies can be observed when related to the businesses’ main motivations. Since both the way the social and commercial aspects of the business are integrated and the partnerships that are formed are highly dependent on what kind of products or services are offered, they are very case specific. All cases except GEM Project are identified as having an integrated approach, and it seems that this integration may be essential if a company wants to create social value whilst also capturing economic value, which is true for even the most commercial of the cases and is supported by theory (e.g. Porter & Kramer, 2011; Moizer & Tracey, 2010; Smith et al., 2013). Grant-supported GEM Project on the other hand does not as of yet to the same extent have the need to capture economic value, and do therefore not showcase such tendencies. If they in the future want to start capturing economic value however, a similar integrated approach might be suitable; as Moizer and Tracey (2010) argue, both integration and joint-ventures are viable options to address the tensions that might arise. In relation to the leveraging of partnership, it seems to be equally important for socially and commercially inclined entrepreneurs alike and no substantial differences can be identified.

5.4.3 Summary

The why element aims to relate the goals of the several entrepreneurs to the mechanisms found within their businesses. A categorisation put four of the cases in the top right quadrant of Michelini’s (2012) framework, here called socially driven commercial ventures, with GEM Project being a NGO, Geekulcha fringing the line of being a social non-profit, and Tour 2.0 being categorised as a commercially driven business that create social value. The most notable observation is that the socially driven commercial ventures have both more, and seemingly more complex, ways of capturing economic value from their solutions. Further, they all seem to focus their effort at capturing value from other stakeholders than the disadvantaged people they are serving. These groups’ inability to pay, in combination with the businesses’ social mission, are seen as the main drivers for these novel revenue mechanisms. Further, an integrated approach seems prevalent in all cases that intend to simultaneously create social and capture economic value, but no differences have been identified when it comes to the leveraging of partnerships.
6. Conclusion

This chapter contains the conclusion of the paper, as well as a discussion regarding future research in the field.

6.1 Conclusion

The purpose of the study is to explore how social entrepreneurs through their business models handle the balance of creating social value and capturing economic value. To examine this, this study aims to answer three areas of questions, the how, the who and the why.

The how seeks to understand how the businesses both create social value and capture economic value, and how they manage to balance between them. Three different mechanisms have been identified as tools with which the entrepreneurs manage this balance.

An intimate integration between the social and commercial value creating functions was the first mechanism to be observed. This is exactly what is proposed in the concept of CSV, and in coherence with this, all three types of shared value creation have been found. Further, many of the cases showed a close resemblance with the concept of inclusive business models. Through this integration, entrepreneurs are not able to eliminate tensions completely, but seem to handle them by moving them from a strategic level to a more manageable tactical or operational level.

The second mechanism found was the diversifying of the businesses’ revenue streams. This diversification seems to mainly stem from two motives, either it seeks to subsidise part of the company’s offering with profit made from other revenue streams, or it is aimed at increasing the overall economic value that the company can capture. Further, these novel revenue mechanisms seem to be a response to the difficulties for social entrepreneurs to capture economic value from their offerings, as described in literature. This can be seen as being in line with the CSV concept, increasing the overall value that is created, and simultaneously increasing the potential value that can be captured by the company.

The third and final mechanism that has been identified is how many of the entrepreneurs try to create and leverage partnerships with external stakeholders in order to either create social value or to capture economic value. These partnerships can have several configurations, some purely commercial, and some as a way for the company to either extend their reach or to enable it to focus more closely on the core social mission. Within the CSV concept, partnerships and the involvement of external stakeholders is seen as an enabler, which further suggests that these entrepreneurs are creating shared value in the sense that Porter and Kramer (2011) suggests.

The who element contains the different stakeholders that are involved in the business as well as their interests and motives. Here, one mechanism was found to be common among the cases: several of the observed entrepreneurs seem to carefully select stakeholders whose interests are already aligned with their social mission. Even though this selection process seems to entail a negative trade-off of economic value, this arguably is only true short term, and may still be a sound approach for both the social and economic value creation and capturing in the long term.

The last aspect, the why element, aims to relate the goals of the several entrepreneurs to the mechanisms found within their businesses. Several different classes were found, although most cases were classified as socially driven commercial
ventures, meaning that they do plan on paying dividends, but still having a social mission they are pursuing, nevertheless through the means of business. The most notable observation is that these socially driven commercial ventures have both more, and seemingly more complex, ways of capturing economic value from their solutions. Further, they all seem to focus their effort at capturing value from other stakeholders than the disadvantaged groups they are serving. These groups’ inability to pay, in combination with the businesses’ social mission, are seen as the main drivers for these novel revenue mechanisms. Further, an integrated approach seems prevalent in all cases that intend to simultaneously create social and capture economic value, but no differences have been identified when it comes to the leveraging of partnerships.

6.2 Discussion and future research

While the study only portrays a snapshot of the cases in time, an interesting aspect is how motives behind a business affects where and how it focuses its efforts and resources over time. While many of the cases, as discussed previously, have integrated their social and commercial functions, some tendencies to how the focus can shift over time have been identified, examples being Afroes and hearScreen. In Afroes case, the company started out with a very social orientation and has gradually moved across the spectrum to involve a more business oriented mind-set, with CEO Anne Shongwe even proclaiming that if they were to start over, they would probably start out with a balanced approach since the social focus led to them having no clear revenue model that could back them up financially. On the other end of the spectrum there is HearScreen, who deliberately started out with a 70% commercial, 30% social split, in order to build outreach and a sustainable model, but hope to end up with the balance reversed in the future, showing a more deliberate approach to building the business in order to reach more people, which in turn increase the social value the business can potentially create. (It seems that the focus of the business is highly dependent on the service or product supplied, and how the business is supposed to create value; it may depend whether it is suitable to start with a predominantly social or commercial focus, or if a more balanced approach is more appropriate) Another example of a more deliberate shifting, albeit not in the same commercial sense, is that of GEM Project, which has started out with a limited social reward system that they plan to extend into the financial services market through a joint-venture, and by doing so, increase the overall social value they can create. Whether deliberate or not, Pirson (2012) suggest that a shift is only natural, or even inevitable in the long term, and that continuing to balance social and commercial goals will not be sustainable. Hence, an interesting direction of future research would be to see how this change over time manifests itself in social entrepreneurs; in the cases where social and economic value creation are intimately intertwined, is it possible to thrive over time having dual goals?

Another interesting line of though is that while the findings in the analysis show that strategy does occur, the question is whether or not this is the result of deliberate processes or if it rather is the result of a reactive strategy formulation. In the cases studied, the common mechanisms to balance the social and commercial goals of the businesses seem to have grown out of need. For example, the several revenue mechanisms seem to be a response to the inherent difficulties in capturing economic value in commercial ventures of more social nature. Further, none of the interview subjects could give explicit examples of strategies formulated to handle the balance; the mechanisms observed were merely commonalities identified across the different cases, when looking at their business models. Hence, a closer look at the actual strategic work and strategy formulations, especially in regards to handling the social and economic value creation and capturing, within social entrepreneurship would be interesting to research further.
Lastly, because of case selection of this paper being partly convenience sampled, the distribution of the entrepreneurs was not even. Most cases fell under what here is called commercially driven social entrepreneurs, while GEM Project, Geekulcha and Tour 2.0 all fell under other categories. This wide array of samples made it difficult to do clear comparisons, other than comparing commercially driven social entrepreneurs with the others as a group. It would be interesting to see research with more data points within each category, to see if the findings of this paper are representative for a broader general population, where other comparisons could also be performed. Further, it would be interesting to see if the three mechanisms found under the how element and the mechanism found under the who element are as common as they were in the cases investigated for this paper.
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Appendix I – Interview Guide

Introduction

- Who we are
- Purpose of the study
- Our view of the business model and stakeholders
- Anonymity
- Permission to record

Background/Context

- Shortly describe your business and what it is you do (your role)?
- When were your company established?
- How many employees do you currently have?
- What is your organisational form?
  - Do you pay/are you planning to pay dividends to shareholders?
- How are you planning on growing your business?
  - Reason for growth?
    - more outreach?
    - “doing more good?”
    - earn more money?
- How do you evaluate your business?
  - which metrics?
  - social metrics?
- Do you find your business successful? will it be in the future?
  - why?

Motives

- What is the driving force/motivator behind this business?
  - How is this manifested in the daily business?
  - Does this, and if so how, affect your strategic choices?
- Do you have a stated mission?
- When communicating with stakeholders, which comes first, your business message or social mission?
  - Does it differ between different stakeholders?
  - Does your mission have an effect on who you employ/get involved?
- How would you define success for your company?
  - Self-sustainability
  - Progress with social mission
  - Expansion
    - Increased social value creation
    - Profit
- How/if do you balance the social and commercial goals/mission/motives?
  - Do conflicts arise?

Business Model

- Value proposition
  - What problem does your solution aim to solve?
- example of how it creates social value?
- In which ways do you add value to the customer?
- What makes a potential customer choose your solution before an alternative?
- Which stakeholders have influence in the creation and design of the value proposition?

- **Customer Interface**
  - Which are your target customer segments? Is there one or several, and how do they differ from each other?
    - why do you have different segments?
    - do you interact differently with these different segments?
  - Do you think the social part of your business in some way help you in acquiring and retaining customers?

- **Infrastructure Management**
  - Which would you say are your company’s key assets? (resources or capabilities)
  - Do you think the social aspects of your business affects your ability to attract high-performing individuals or partners or have other effects on your business?

- **Financial Aspects**
  - How does your solution generate revenue?
    - one or several mechanisms?
  - When pricing your solution, how did you balance affordability (i.e. social value creation) with economic gain for your business?
  - How do the social aspects affect the business, in terms of it becoming self-sustaining?
  - Do you receive financial support?
  - Do you think the social part of your business in some way helped/will help you secure financial support?

- **General**
  - Have you had to find alternative ways in which to design or modify your business model in order to make it work for your specific context/business?
  - Are there any parts of your business model (or other strategic choices) in which you have had to make trade-offs between the social mission or economic goals?
  - Have you noticed any mutually reinforcing mechanisms between the economic and social part of your business?
  - How do you balance the social and commercial aspects of your venture?
    - Is there a difference between short term and long term balancing?
  - What do you think your business model will look like five years from now? What are the differences?

### Stakeholders

- Who are your main/most important stakeholders (customers, communities, partners, financiers, employees)?
  - To what degree do you take these stakeholders’ interests into account when making strategic decisions or when designing your business model?
  - How much do these stakeholders actively try to influence the business?
- Have you recognised any tensions when trying to serve the needs, wants and motivations of the different stakeholders? (e.g. financiers vs. customers)?
• “you mentioned financiers, how do their motivation/goals affect your business?”
  o which and why?
  o how have you tried to solve these conflicting interests?
    ▪ trade-off
    ▪ alignment
    ▪ win/win
  o Which are your key partners?
    ▪ What is their interest in a partnership, what do they get out of it?
    ▪ different for different partners? how do you handle that?
• Do you think the social mission act as a motivator for the involved stakeholders?
• If and how do you work to maintain legitimacy towards different stakeholders
  o Have you encountered any problems in this regard?
Appendix II – List of interviews by case

**Tour 2.0**
- 22/10/2015 – Daniel Adidwa (Founder & CEO) – Introduction
- 11/12/2015 – Ibid. – Interview

**Geekulcha**
- 19/10/2015 – Mixo Ngoveni (Founder & CEO) – Introduction
- 09/12/2015 – Ibid. – Interview

**GEM Project**
- 25/11/2015 – Camilo Ramada (Co-founder & Business Partner) – Introduction (Telephone)
- 06/12/2015 – Ibid. – Interview (Telephone)

**codeX**
- 15/10/2015 – Elizabeth Gould (Co-Founder & CEO) – Introduction (Telephone)
- 15/01/2016 – Ibid. – Interview (Telephone)

**hearScreen**
- 28/10/2015 – DeWet Swanepoel (Co-inventor) – Introduction (Telephone)
- 08/12/2015 – Nick Klopper (CEO) – Interview

**AftaRobot**
- 01/10/2015 – Obakeng Matlhoko (Co-Founder) – Introduction
- 13/01/2016 – Ibid. – Interview (Telephone)

**Afroes**
- 07/12/2015 – Anne Shongwe (Founder & CEO) – Interview