

INVENTORY OF SOCIAL ENTREPRENEURIAL METHODS/TOOLS FOR SUCCESFUL PC3 IMPLEMENTATION

– THE BUSINESS PERSPECTIVE-

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ABSTRACT

In this paper, authors carried out an extensive literature revision to identify what contributes to the success of social enterprises operating in Base of the Pyramid (BoP) markets, thus leading to enhanced understanding of how social enterprises can operate in these markets. This includes identifying methods, instruments, tools and/or practices used by successful social enterprises, which distinct them from enterprises that fail to successfully serve the BoP markets. As part of a larger research in the field of development through co-creation, the Product Co-created Centres (PC3), the focus is on business innovation through engaging with, and building enterprises with the people at the BoP. This builds on the cutting edge work in the field of BoP strategy by Erik Simanis and Stuart Hart from the Cornell University, thus their work focusses on MNCs operating in BoP markets, whereas this study focusses on engaging the people at the BoP with entrepreneurial activities.

Keywords: Social entrepreneurship, BoP's, co-creation, sustainability, business model generation

1. INTRODUCTION

Although the importance of entrepreneurship for the base of the pyramid (BoP) markets has been recognized by governments and scholars, prior research on companies entering BoP markets and adopting a market-based approach to eradicate poverty is relatively young and hence limited (Zhang and Tong, 2012). Furthermore, the people at the BoP have often been seen as a potential future market but not recognized as a group with the possibility to engage in innovative, entrepreneurial activities. This all leads to a situation in which the people at the BoP often still pay a premium on food, health care, and other basic services, hence spending a larger amount of their income on basic needs (Webb, Kistruck *et al.*, 2009).

It is estimated that the BoP group represents approximately 4 billion people. The majority of these people live in the least developed and developing countries and are characterized by the lowest income strata. In the literature this group often is referred to

as the next 4 billion, showing the potential of the people at the BoP. While this group lives in relative poverty, as a group they have substantial purchasing power of estimated \$5 trillion (Hammond, 2007).

Traditional business models, as often used by Multi-National Companies (MNC), tend to exclude the people at the BoP. As a result of this, people at the BoP tend to rely on informal markets which can be characterized by a lack of efficiency and competition (Hammond 2007). It is estimated that between 30% and 70% of the labor force in developing countries is employed in informal jobs (Bosch and Esteban-Pretel, 2012)

The “Product Co-creation Centres (PC3’s)” project of the University of Twente is a collaboration among the departments of Design, Production and Management, the CSTM Twente Centre for Studies in Technology & Sustainable Development and Business Administration (Jauregui, Franco-García and Groen, 2012). It conducts research in the field of development through co-creation methods, under the criteria of social entrepreneurship and sustainability principles. PC3’s could be a useful instrument to support the people at the BoP to successfully transfer from informal markets to formal markets through social entrepreneurship. Co-creation is used as an instrument to empower the people at the BoP to create sustainable enterprises. This will not only increase the wealth among the people at the BoP but also stabilize their incomes and ensure a better access to basic needs while ensuring their positive impacts towards the environment and local community.

The people at the BoP represent a fast-growing consumer market which offers great opportunities. Engaging the people at the BoP not only as an, in potential, interesting market, but also as entrepreneurs, has the potential to reduce poverty and increase economic growth. People at the BoP, often forced into entrepreneurship, have proven to have strong entrepreneurial energy. In order to increase the wealth at the BoP, new business models have to be developed through an understanding of the wants and needs of the people at the BoP because existing business models are not successful in targeting the people at the BoP.

Summarizing, in spite of the extensive poverty at the BoP there are numerous opportunities to increase the livelihood of this group. In order to increase the income and wealth of this group, a new approach is necessary. A fundamental shift in approaching the economic and business challenges is required, in order to do so a deep understanding of the concept of social entrepreneurship and development of its business

models is needed. Hence, this paper focuses on the business perspective of the PC3 to stimulate development through social entrepreneurship. Two purposes can be identified. First is recognizing factors, under the criteria of social entrepreneurship, that contribute to successful entrepreneurship. This leads to the second purpose which is to contribute to the development of business model(s), designed to engage people at the BoP in innovative and entrepreneurial activities, targeting the people at the BoP to improve livelihood among the poorest people.

The above information leads to the following research question which drove this work: *“Which factors can be identified as contributors/predictors for an organization to successfully serving the BoP market and how can these be integrated into a business model targeting the BoP market?”*

This question tries to find an answer that can be used for developing a model that can be applied in different regional contexts and conditions for successful business incubation when targeting the empowerment of people at the BoP's. In order to respond the research question, it was carried out an extensive literature review (analysis of current economic tools /methods for social entrepreneurship and business venturing processes) and a set of interviews with acknowledgeable experienced people in fields of development and entrepreneurship.

2. PC3 THEORETICAL FRAMEWORK

It was outlined in this section the existing body of knowledge used as a guideline to answer the research question, therefore it includes a selection of relevant literature and models as published by leading scholars in the related field. This section starts with the introduction of the concept of social entrepreneurship and discusses the research question “What are the criteria of social entrepreneurship?” In addition, the BoP characteristics with relevance for this study were analysed to frame the research object and be able to respond in section 3 of this paper, the research question “What are the criteria for successfully serving BoP markets under the criteria of social entrepreneurship?” The theoretical framework ends up with some highlighted facts.

2.1 SOCIAL ENTREPRENEURSHIP

Social entrepreneurship is based on the concept of entrepreneurship, therefore it is necessary to indicate some differences between the traditional and the social entrepreneurship. In fact, they do differ significantly, mainly the markets in which they

operate have different characteristics. Traditional entrepreneurs usually operate in open markets with a market discipline. This is not necessary true for social enterprises, these tend to compete with organizations financed through subsidies, donations and volunteers and often find themselves competing with the informal sector.

Some scholars see social entrepreneurship as not-for-profit initiatives of alternative funding strategies, or management schemes to create social value. Some consider it as the socially responsible practice of commercial business engaged in cross-sector partnerships. Whereas others view social entrepreneurship as a means to alleviate social problems and catalyze social transformation (Mair & Marti, 2006).

One of the most quoted and most influential scholars in the field of social entrepreneurship is Dees. In Dees' definition, the concepts of value creation (Say), innovation (Schumpeter), opportunity seekers (Drucker) and resourcefulness (Stevenson) are all combined. Dees' definition of social entrepreneurship is stated as follows (1998): "Social entrepreneur plays the role of change agents in the social sector, by: (1) adopting a mission to create and sustain social value (not just private value); (2) recognizing and relentlessly pursuing new opportunities to serve that mission; (3) engaging in a process of continuous innovation, adaptation, and learning; (4) acting boldly without being limited by resources currently in hand; and (5) exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

Sullivan *et al.* (2002) choose a different approach, they used Law's latent model to conceptualize social entrepreneurship. The latent model specifies the overall construct by the latent commonality underlying the four dimensions. Figure 1 shows the model as developed by Sullivan *et al.* (2002). Sullivan (2002) argues that the main driver of social entrepreneurs is their social mission of creating better social value than their competitors, this leads to entrepreneurial behavior. In the next phase, the social entrepreneur exhibits a balanced judgement in the face of complexity. Thirdly, the social entrepreneur recognizes opportunities to create a better social value and finally, displaying innovativeness, proactive and risk-taking approach in their key decision making.

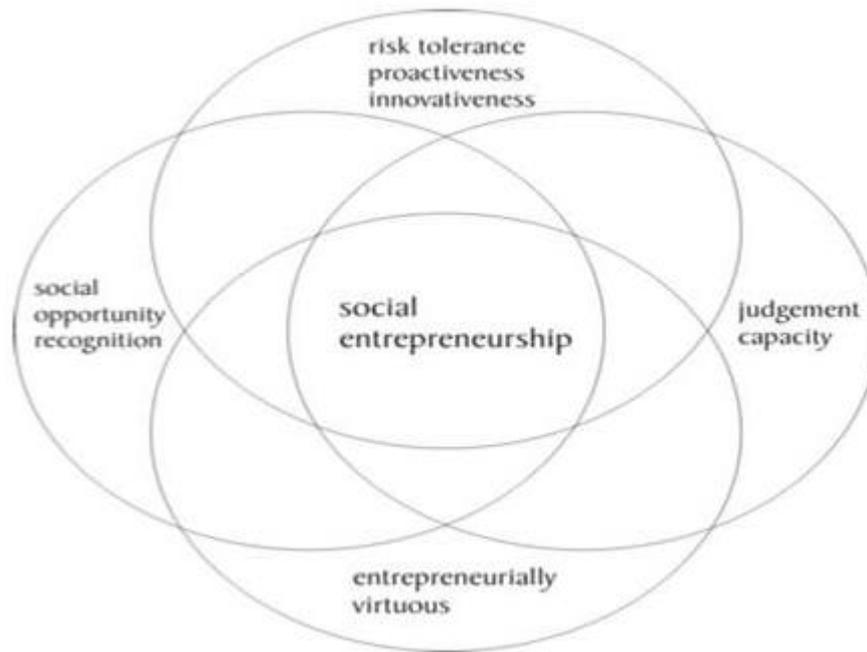


Fig. 1: Multidimensional social entrepreneurship construct (Sullivan *et al.*, 2002)

The construct of social entrepreneurship evolves in the overlapping commonality of all dimensions, thus one is only a social entrepreneur in that overlapping space.

Another frequently quoted definition comes from Tan *et al.* (2005), they define social entrepreneurship as “making profits by innovation in the face of risk with the involvement of a segment of society and where all or part of the benefits accrue to the same segment of society”.

A forth, and often used, definition of social entrepreneurship comes from Martin and Osberg (2007). They define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state’s hegemony; (3) forging a new, stable equilibrium that releases the trapped potential, or alleviates the suffering of the targeted

group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society large. In table 1, there is an overview of the characteristics of social entrepreneurship as included in the definition of leading scholars in the research field. This allowed the authors to use those characteristic to create a working definition of social entrepreneurship.

Author	Characteristics of social entrepreneurship
Dees (1998)	<ul style="list-style-type: none"> - Mission - Social value - Recognize opportunity - Innovation
Sullivan <i>et al.</i> (2002)	<ul style="list-style-type: none"> - Social mission - Social value - Entrepreneurial behavior - Recognize opportunity - Innovativeness - Risk taking
Tan <i>et al.</i> (2005)	<ul style="list-style-type: none"> - Profit - Innovation - Risk - Society benefits
Martin & Osberg (2007)	<ul style="list-style-type: none"> - Identify unjust equilibrium - Own benefits - Identify opportunity - Targeted group / society benefits

Table 1: Overview of Characteristics of social entrepreneurship

Although there is not a generally accepted definition of social entrepreneurship, table 1 shown a level of consensus on certain aspects in defining social entrepreneurship among the scholars here above mentioned. In particular, all the definitions include the **recognition of an opportunity**, the **creation of social value** and **risk taking**.

With the purpose to use an integrative definition for further developments, authors came up with the following one:

“Having the capability to identify an unjust equilibrium and the ability to recognize and create profitable business opportunities from this unjust equilibrium, placing the resolution of social benefits as a primary goal.”

In this definition a distinction between the capability to identify an unjust equilibrium and the ability to recognize and create profitable business opportunities is made and is considered to be crucial. By making this distinction, it is recognized that a majority of the world's population is able to identify an unjust equilibrium, but only a minority is able to recognize and create profitable business opportunities within this unjust equilibrium, making this the space in which social entrepreneurs operate. This is in line with the discovery theory which states that opportunities exist and entrepreneurs are able to detect these whereas others are not. By including profitable business opportunities in the working definition, it is argued that the entrepreneur operates a business in which a profit motive is necessary for the continuation of the business, this making it a self-sustaining organization. By adding the social benefits as a primary goal, the entrepreneur becomes a social entrepreneur. Thus resulting in a complex context in which the social entrepreneur operates with a dual mission, this being creating a *financially stable business model* and *creating social value*.

2.2 BASE OF PYRAMID

This section was divided in two: first the BoP definition and second, the description of the BoP market's characteristics.

The estimate of people being part of the BoP market is 4 billion (Hammond, 2007), within the literate there seems to be consensus about this number. About the annual purchasing power parity (PPP) of this group seems to be no consensus among scholars, Prahalad and Hart (Prahalad and Hart 1999) estimates that the annual PPP is limited to USD 1,500, Hammond (2007) estimates the PPP for a BoP individual to be almost twice the amount, namely USD 2,920.

Prahalad and Hart were among the first to create awareness of the untapped market at the BoP. In their article, they argued that the erstwhile closed markets like China, India, the former Soviet Union and Latin America opened to foreign investments and that for the first time their population of aspiring poor joined the market economy (Prahalad and Hart, 1999).

Although their PPP is low compared to the tier 1, tier 2 and tier 3 incomes, with 4 billion people, the tier 4 group represent a vast majority of the world's population. Figure 3 gives a representation of the PPP of the world's population, this clearly shows that the majority of the people are in the tier 4 group and are characterized by their low PPP.

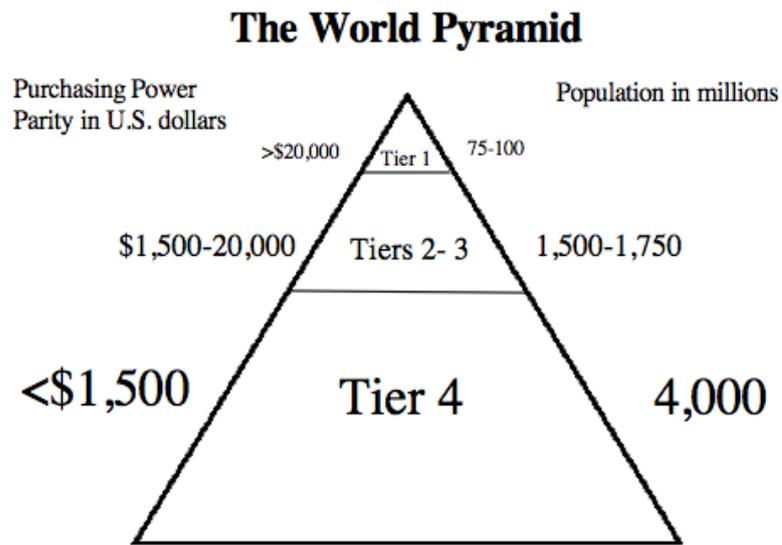


Figure 2 :The World Pyramid (Prahalad & Stuart, 1999)

At first glance, this group at the BoP does not seem to offer great opportunities but in their article Prahalad and Hart (1999) argued that a significant portion of important business opportunities arise in BoP markets and that MNCs must recognize the people at the BoP as consumers, they write “MNCs must recognize that the bottom of the pyramid poses a fundamentally new question: How do we marry low cost, good quality, sustainability, and profitability at the same time?” In order to find an answer to these questions, managers need an entrepreneurial orientation and the ability to shift markets from an unorganized state to an organized state.

Although their article focusses on the role of MNCs, valuable insights for operating in BoP settings can be gained from it. The most important being: (1) Sustainable development, due to their market size natural limits are imposed when serving the BoP markets; (2) Bottom-up innovation is needed, strategies for the bottom of the pyramid must be built from the bottom up; (3) Products must be tailored to the needs and conditions of those at the BoP; (4) Increase labor intensity in order to generate income among the people at the BoP; (5) Form new alliances, alliances must be formed in order to create a commercial infrastructure.

Prahalad and Hammond (2002) continue to build on the work of Prahalad and Hart, focussing on strategies for serving BoP markets. They recognize the potential of the BoP markets but they argue that traditional business models will not work in those

markets and call for the development of alternative business models like the shared access model in which the user does not buy their own equipment but use equipment on a pay-per-use base (Prahalad and Hammond 2002).

It was in 2008 when Simanis and Hart introduced The Base of the Pyramid Protocol as a method to develop new BoP strategies, in their work the people at the BoP are described as those with per capita annual incomes below USD 1,500. They argue that the early strategies will fail on the long run because the perspective of the people at the BoP was lost along the way. Therefore, one way to overcome such situation is to inviting the people at the BoP to work along in the process.

The large BoP markets in Africa, Asia, Latin-America and Eastern Europa have a combined total purchasing power of USD 5 trillion (Hammond 2007). The largest BoP market is Asia, with 2.86 billion people with income of USD 3.47 trillion. Eastern Europe counts 254 million people with income of USD 458 billion. The Latin-American BoP market represents 360 million people, having an income of USD 509 billion. The smallest BoP market is Africa with 486 million people with income of USD 429 billion.

Some characteristics of BoP markets include: (1) Absence of skills and knowledge: Many people in BoP markets lack a good education, illiteracy still is common; (2) Limited access to financial resources: Most people in BoP markets have no access to modern financial services like bank accounts, loans and debit cards; (3) Unmet needs: Many people in BoP markets lack access to water, electricity and basic health care; (4) Informal market: BoP markets are often informal markets, people operating as entrepreneurs in BoP markets lack good access to formal markets which make them vulnerable to middlemen exploiting them; (5) Precarious legal framework: In BoP markets there is a lack of protection towards intellectual property rights. (6) Absence of proper infrastructure: BoP markets are often located in rural areas where there is no connection to the main supply chain and communication channels.

2.3 *DEFINING SUCCESS*

Defining success can be done along several dimensions, these include financial, non-financial or meeting or not meeting expectations. All of them are relevant, but financial measures are the easiest to measure and to put in perspective. Although success is not clearly defined in literature, in this paper success takes the form of the enterprises survival or growth. In the context of social entrepreneurship it is referred to as

sustainability, thus describing whether the enterprise is capable of continuing to meet its social purpose.

3. CONTRIBUTORS TO SUCCESS OF PC3'S : THE BUSINESS DIMENSION

Literature review suggest that there are several different factors in different categories contributing to success. The four dimensions as identified by Hackett and Dilts (2004) will be used as a starting point to identify the different categories, it was chosen to broaden the managerial characteristics and product characteristics dimensions due to the factors that were found during literature review. The managerial characteristics are renamed as (1) *internal business processes* and include beside managerial characteristics also organizational characteristics. The product characteristics dimension is replaced by (2) *learning & innovation*, this group contains factors related to the “soft skills” of management, (organizational) learning and innovation. It was chosen to do so because product characteristics are strongly related to the (3) *market* and depends on the strategy chosen by an enterprise; (4) *financial* stability also is a factor contributing to success, an entrepreneur who is capable of ensuring long time finance can focus on the enterprise, whereas an entrepreneur who does not have access to sufficient funding struggles on a daily base to ensure short term financing.

The four categories identified here above, with their respective success factors for social entrepreneurship are enlisted in Table 2. Even further, leading scholars who identified them as success factors are included in such overview. A brief description per category follows after the table 2.

<i>CATEGORY</i>	<i>FACTOR</i>	<i>DESCRIPTION</i>	<i>SCHOLARS</i>
<i>Internal business processes</i>	- Strategic management of different interest of stakeholders	(Social) entrepreneurs need to identify their stakeholders, be able to rank them in order of importance (setting boundaries) and be able to identify the different interest of stakeholders and strategically manage these different interests.	- <i>Mitchell et al. 1997</i> - <i>Jawahar & McLaughlin, 2001</i> - <i>Austin et al., 2006</i> - <i>Groen et al., 2008</i>
	- Professional organization	Entrepreneurs need to find the right organizational structure which fits their stage of development. One should also consider hierarchical structure, span of management control, lines of communication and the ‘engine room’	- <i>Slevin & Covin, 1990</i> - <i>Boschee, 1998</i> - <i>Boschee, 2001</i> - <i>Groen et al., 2008</i>
	- Strong relationships with key partners	One should be able to build strong relationships at strategic, as well personal, level with key stakeholders and the organization must learn from them.	- <i>Gibb, 1997</i> - <i>Baron, 2000</i> - <i>Honig, 2001</i> - <i>Baron & Markman, 2003</i>
	- High quality managers	As the enterprise grows it is important to show commitment to monitoring and improving reporting. A high quality match between manager (not necessarily the founder) and business is important.	- <i>Rothwell et al., 1974</i> - <i>Holmes & Schmitz, 1995</i>

<i>CATEGORY</i>	<i>FACTOR</i>	<i>DESCRIPTION</i>	<i>SCHOLARS</i>
<i>Learning & Innovation</i>	- Strong empathy on innovation	Innovation is an important factor in the success of an enterprise, one should build a supportive atmosphere within the enterprise.	- <i>Abetti & Stuart, 1985</i> - <i>MacMillan, 1985</i> - <i>Pena, 2001</i> - <i>Groen et al., 2008</i>
	- React to changes in the market	Enterprises that are 'open' are better capable of adapting to changes in the market. Openness implies that an enterprise shares information and is open to new opportunities.	- <i>Pena, 2001</i>
	- Leadership style	The leadership style is a factor contributing to success, an entrepreneurial or creative leadership style tends to be more successful.	- <i>MacMillan, 1985</i> - <i>Abetti & Stuart, 1985</i> - <i>Ensley et al., 2006</i> - <i>Hmieleski & Ensley, 2007</i>
	- Developing business skills	Business skills like organizing, resource-acquisition, negotiating and so on are important skills to succeed and must be learned during the entrepreneurial process.	- <i>Wright et al., 1997</i> - <i>Sexton et al., 1997</i>
	- Learning culture	Enterprises that invest in learning, on all levels, tend to outperform those who do not invest in learning. Education in itself is also a success factor for entrepreneurs.	- <i>Gibb, 1997</i> - <i>Lumpkin et al., 2005</i> - <i>Groen et al., 2008</i>

<i>CATEGORY</i>	<i>FACTOR</i>	<i>DESCRIPTION</i>	<i>SCHOLARS</i>
<i>Market</i>	- Focus on a specific segment/ Market orientation	If an entrepreneur focusses on a specific segment, chances of success tend to increase because one is better in understanding the needs of the customer and therefor better capable of delivering a product or service tailored to the needs of the customer. From there, create sustainable competitive advantage.	- <i>Stuart & Abetti, 1987</i> - <i>Boschee, 1998</i>
	- Build relationship with customers	One should build strong relationships in order to maintain long-term relationships and understand customer needs. Long-term relationships tend to increase the chance of success.	- <i>Gibb, 1997</i> - <i>Boschee, 1998</i>
	- Exceed customer expectations	Customers are more likely to form an image of a company through personal interactions with employees or their experiences with the product. One need to exceed customer expectations to be successful.	- <i>Rothwell et al., 1974</i> - <i>Turpin, 1995</i>
	- Communicate effectively and exchange information	One should be able to effectively communicate the added value of the product or service offered. This contributes to the relationship with the customer and gives a reason to become a customer.	- <i>Rothwell et al., 1974</i> - <i>Parker, 1982</i> - <i>Mohr & Nevin, 1990</i>
	- Offer the right product	One should offer a product or service which provides value to the customer. A product or service should target a clear gap in the market.	- <i>Levitt, 1980</i> - <i>Porter, 1985</i>

<i>CATEGORY</i>	<i>FACTOR</i>	<i>DESCRIPTION</i>	<i>SCHOLARS</i>
<i>Finance</i>	- Good financial management	Good financial management is a key success factor, especially in the phase of growth. Lack of capital and liquidity constraints are common. Financial information needs to be relevant, timely and accurate.	- <i>Evans & Jovanovic, 1989</i> - <i>Covin & Slevin, 1989</i> - <i>Chrisman et al., 1999</i> - <i>Groen et al., 2008</i>
	- Viable business model	Entrepreneurs need to completely understand their business model. One also needs to understand what makes or breaks the model.	- <i>Teece, 2010</i>
	- Investing	Investments are important for the success of enterprises, they contribute to achieving goals. Investments must be based on the right information.	- <i>Narver & Slater, 1990</i>
	- Income diversification	Social entrepreneurs must combine a blend of income streams, for example: grants, donations, investments or income from operations.	- <i>Amit & Livnat, 1988</i> - <i>Dees & Anderson, 2003</i>

Table 2: Overview of contributors to success

3.1 INTERNAL BUSINESS PROCESSES

This category includes factors related to how to organize the enterprise and how this relates to the environment which it interacts with. Literature review was conducted from a broad to a narrow perspective (e.g. from interacting with the environment to interacting on firm level), therefore the starting point of literature review was in the field of stakeholder theories. Scholars agree that enterprises will act differently with stakeholders at different stages of development, even differently with the same stakeholders over time due to the different importance of a stakeholder in different stages of development. One of the most influential studies in this field was conducted by Mitchell *et al.* (1997), by using the attributes power, legitimacy and urgency they identified eight types of stakeholders.

Additionally, entrepreneurs need to find the right organizational structure and strategic posture according to the industry life cycle stage. In emerging and growing industries, a risk taking, innovative and proactive entry strategy, combined with an organic organization structure, increases the chances to achieve high performance (Covin and Slevin 1990). This is not in line with the results of Stuart and Abetti (1987), they found that the entrepreneur must learn to exercise tighter control of the enterprise in order to improve probability of success.

3.2 LEARNING AND INNOVATION

Learning and innovation are seen as important categories for newly formed enterprises. Several scholars found that leadership(style) is important for an enterprises' success as well, as Hmieleski and Ensley (2007) put it "In the context of new venture creation, founders must lead because there are no standard operating procedures or organizational structures to fall back on when creating a firm from scratch."

Pena (2002) also described that a firms capacity to react and adapt quickly to changes is related to survival and growth. It is necessary that information must be available within the organization so that one can response quickly to these changes. One of the instruments to react to market changes is to emphasis innovation, several studies by authors like Rothwell *et al.* (1974) and Stuart & Abetti (1985) show that innovation is an important contributor to an enterprises' success.

Lumpkin & Lichtenstein (2005) put emphasis on the learning organization, chances for short term survival and long term success will be enhanced if organizational learning (OL) practices are adopted.

3.3 MARKET

Markets can have different characteristics and the best strategy may vary according to the characteristics of the market. Although the dynamics of the market, several authors studied the success of different strategies.

Understanding the needs of the customer is considered to be critical for success (Rothwell, Freeman *et al.* 1974). If one understands the needs of the customer one can offer the right product that offers value for the customer (Levitt, 1980; Porter, 1985). If all is fulfilled, one can start building relationships with customers and build on loyal customers (Porter, 1985; Turpin, 1995; Baron and Markman, 2003).

3.4 FINANCE

The category of finance relates to all the financial factors contributing to success, these include, but are not limited to, how the enterprise generates income and how the

financial resources are used by the enterprise. Financial resources are often seen as one of the critical factors for success in the early stage of development of an enterprise, thus many enterprises in the early stage of development are characterized by a lack of financial resources and therefore it is of vital importance to utilize the available resources in the best possible manner.

Social entrepreneurs in the early stage of development must focus on diversification of income streams, this means that by ensuring income from different sources one has a better chance to succeed and reach growth (Dees and Anderson, 2003). Social entrepreneurs can tap from different sources like donations, grants or income from operations, one must be aware of fragmentation and loss of focus (Dees and Anderson, 2003). Traditional entrepreneurs are generally not capable of generating income from comparable sources, although they are generally better capable of applying for finance from venture capitalist, banks, and in some cases grants or funding's from institutions stimulating certain sectors.

The different financial sources should be clearly stated in the business model of the enterprise, this represents the starting point of every enterprise, it describes the way an enterprise adds value. It is essential for the entrepreneur to understand how the enterprise adds value to its customers, why customers are willing to do business with the enterprise and how one can make a profit from those sales. One has to keep track of its business model and adapt to changes in the environment, one has to adjust in order to become more likely to succeed (Teece, 2010).

4. CONCLUSIONS AND FUTURE IMPLICATIONS FOR RESEARCH

The research question driving the elaboration of this paper was: Which factors can be identified as contributors for an enterprise to successfully serving the BoP market?

Based on the analysis, critical success factors for social entrepreneurs were identified and these provide the answer for the first part of the research question. The factors contributing to success are: (1) Internal business process (Strategic management of different interest of stakeholders, Professional organization and Strong relationships with key partners); (2) Learning & innovation (React to changes in the market, Leadership style, Strong empathy on innovation, Developing business skills and Learning culture); (3) Market (Focus on a specific segment/ Market orientation, Communicate effectively and exchange information, Leadership style, Build relationship with customers and Exceed customer expectations); (4) Finance (Good financial management; Viable business model and Income diversification).

These factors were supported by the secondary source data which was summarised in table 2 with the overview of scholars who identified the categories and their respective factors.

From such literature revision, one can conclude that in order to become a real alternative for traditional enterprises, social enterprises need to become professional organizations. To do so, social entrepreneur needs to adopt more business and market discipline without compromising on the social aspect. This will be one of the main challenges in their next generation.

Social entrepreneurs need to be encouraged to establish formal enterprises when possible. Establishing a formal enterprise comes with obligations, but also with rights and chances. If one runs a formal enterprise, one has better opportunities to act in the market.

Focus also needs to be put on the internal organization, it should reflect the professional business mindset. This also means assigning responsibilities and span of control.

Although the social entrepreneur puts the empathy on the social mission, one should always be aware of the fact that one runs a business with a profit motive.

The social entrepreneur needs to be capable to identify the main stakeholders, identify which are most important and rearrange their prioritization due to the changing importance of stakeholders over time. Getting an in-depth knowledge about the environment is of vital importance because this provides necessary information to make business decisions. One of the main stakeholders of any enterprise are the customers, it is tempting to target as many potential customers as possible but this makes it more challenging to create a viable business model. The choice of the segment one targets influences many other activities and processes. Therefore it is advised to focus on a specific segment and really understand their customer and their needs. If one has an in-depth understanding of the customers and their needs one can develop a product or service addressing their needs, something they are willing to pay for and pay the right price. This also means that one has to understand how to reach the customers, how to communicate, in other words, finding the right distribution channels. In the early stage of development, the focus should mainly be on the customer as they are the provider of cash flow. In later stages this can change, as mentioned above, social entrepreneurs need to reconsider their stakeholders and their importance at all time. By focussing on the customers, one can build strong relationships with them, something that is important to create a continuous demand. These relationships are also important to find out about change in their needs, something that is important to keep innovating without losing

customers. As finance often experienced as a source of failure, one must be careful with spending money and requires entrepreneurs to think about their strategy. Will one compete on cost or value? Many social entrepreneurs try to compete on cost, and at first sight this often relates better to their social mission, but competing on value is an option that must be considered as well.

This still closely relates to the traditional business model which includes stakeholders, resources, finances, value proposition, segments, distribution channels, key activities and relationships. It is challenging though to integrate the social mission into the traditional model, this results in either losing track of the social mission or losing track of the business model. Both options are not wanted in case of social entrepreneurship. Social entrepreneurship needs to embrace the traditional business model but at the same incorporate their social mission into it. In order to do so, one has to look at the social cost and social benefits of the enterprise. These two categories must be added to the traditional business model and entrepreneurs must try to find answers to questions like: What is my social impact? Which value do I create for the society? But also questions like: How can I reduce the harm of my enterprise to the society? Which parts of the product can be replaced by more environmental friendly products? Furthermore, social enterprises need to be transparent, this means that information must be shared within the enterprise, with stakeholders but also with anyone else who is interested. By being transparent one avoids suspicion among these groups. The two proposed categories relate and interact with the others, changing the material in a product may mean establishing new relationships with suppliers, increasing the cost, communicating it to the customers, raising the price, changing the method of producing, and so on.

As one can see, operating a for profit social enterprise means facing many challenges. This is no different from the traditional entrepreneurs, and maybe the differences are not that great between the traditional and the social entrepreneur. One of the differences is that the social entrepreneur faces extra challenges in its business model, namely determining the social cost and social benefits of its operations. Another challenge the social entrepreneur faces is the market in which it operates, a market that tend to exist of customers struggling to meet their basic needs and not having excessive money to spend on luxurious items with high profit margins. Economic of scale will be important for many social entrepreneurs if they are not able to find different streams of income. Concluding one could state that social entrepreneurship is extremely challenging, but likely to become an established business model in the 21st century. In consequence related studies to those challenges faced by social entrepreneurs need to be addressed in order to better understand the social business models and their key success factors.

Furthermore, how all these factors can really facilitate the PC3 implementation independently of the local contextual conditions, since PC3 principles tend to be universally applicable.

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