



**LUND UNIVERSITY**

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**Master programme in Economic Growth,  
Innovation and Spatial Dynamics**

**Business Models and Business Model Innovation in  
Social Entrepreneurship  
Evidence from Germany and South Africa**

**Maximilian Weis  
egi15mwe@student.lu.se**

*Abstract:* Social entrepreneurship experienced a significant rise in the past two decades. Yet, research on how companies in social entrepreneurship organize their business model is still rare. Therefore, this thesis aims to investigate how these companies combine social and economic value creation. More precisely, it is analysed how they design, organize and innovate their business model. First, a content analysis is applied to examine and verify the social business model taxonomy identified in the literature with evidence from 126 companies in Germany and South Africa. Second, based on 7 cases social business model innovations are identified that allow these companies to generate income while following their social mission and increasing their social impact.

It is argued that the established business model taxonomy is not just a theoretical framework, but can be applied to firms engaging in social entrepreneurship in Germany and South Africa. Hereby, four distinct social business model types offer explanation for different mechanisms and logics how firms engaging in social entrepreneurship combine social and economic value creation. Moreover, it is argued that the identified social business model innovations are key facilitators that allow firms to spread their social mission in a more vital and sustainable manner.

*Key words:* social entrepreneurship, business model, business model innovation

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## *List of Abbreviations*

**CEO** Chief Executive Officer

**CSR** Corporate Social Responsibility

**DH** discovering hands gUG

**DSE** Dialogue Social Enterprise GmbH

**EWS** Elektrizitätswerke Schönau eG

**FFF** Future Farmers Foundation

**OA** Open Africa

**SBM** Social Business Model

**SBMI** Social Business Model Innovation

**SBMT** Social Business Model Type

**SE** Social Entrepreneurship

**RW** Regionalwert AG

**WI** WIZZIT International

# 1. Introduction

Social entrepreneurship has experienced a significant rise in the past two decades (Yunus et al. 2010; Grassl, 2012; Mair & Ganly, 2015). Several events and global changes acted as catalysts for the ascent of social entrepreneurship not just among practitioners, but also in academia and policy-making. Welfare issues, environmental concerns, an increasing economic inequality and a persistent lack of access to basic healthcare, clean water and energy in parts of the globe have pushed social entrepreneurship (Nicholls, 2012). As markets can barely solve these issues, social entrepreneurship takes over and attempts to find novel ways to meet these needs. This is because market failure creates different opportunities for social and commercial entrepreneurs (Austin et al. 2006). Yet, these firms need to design, organize and innovate their business model in order to act upon these opportunities and fulfil their social mission (Seelos & Mair, 2007; Seelos et al. 2011; Wilson & Post, 2013). A business model is at the core of a firm's activities and defines how value is delivered, customers and beneficiaries reached as well as the business sustained (Osterwalder, 2004; Osterwalder & Pigneur, 2010; Teece, 2010; Zott & Amit, 2011). Several scholars have analysed business models in social entrepreneurship (Yunus et al. 2010; Mair et al. 2012; Dohrmann et al. 2015; Santos et al. 2015). However, one major issue that firms engaging in social entrepreneurship face has received minor attention yet (Mair & Marti, 2006): How do businesses in social entrepreneurship combine social and economic value creation?

## 1.1. Objective of the Study

The purpose of this thesis is to examine how firms engaging in social entrepreneurship combine social and economic value creation. More precisely, it attempts to investigate how these firms design, organize and innovate their business model. First, business models of companies in social entrepreneurship are characterized, analysed and stylized along two dimensions: the value creation dimension, which ranges from social value creation to economic value creation; and the financing dimension, which spans from financing revenue *for* the social mission through fund- or/and donation-based income to financing *from* the social mission based on income through market revenue. Second, special attention is given to business models that create economic and social value while financing from the social mission. These firms are supposed to be more sustainable and vital due to their financial independency as Mair and Marti (2006) argue. Thus, the purpose of the second part of the analysis is to identify business model innovations that enable these companies to generate income and follow their social mission.



This thesis combines a generic characterization of social business models in form of a taxonomy and an investigation of business model innovations in companies that finance from their social mission. This is to give a comprehensive analysis of how companies in social entrepreneurship (SE) combine social and economic value creation. Hence, the aim is not just to illustrate and identify certain types of social business models, but also to reveal and analyse the logic and mechanisms they are based on as well as to identify social business model innovations that improve the social impact of companies. Doing so, this thesis complements the static view of business models with the dynamic process of business model innovation.

It is argued that the established business model taxonomy is not just a theoretical framework, but can be applied to businesses engaging in SE. This has been proven with empirical evidence from German and South African companies. Hereby, four distinct social business model types offer explanation for different mechanisms and logics how firms engaging in SE combine social and economic value creation. Moreover, it is argued that the identified social business model innovations are key facilitators that allow firms to spread their social mission in a more vital and sustainable manner by enabling these companies to generate social and economic value.

## **1.2. Outline of the Thesis**

The remainder of the thesis is organized as follows: Section 2 summarizes and discusses the relevant literature on social entrepreneurship and business models. Herby, it introduces the social business model taxonomy. Section 3 describes the applied two methodological approaches in detail and outlines the data used in this study. Section 4 presents and discusses the results of both parts of the analysis. Finally, Section 5 summarizes the quintessential arguments and puts them into context before limitations of this thesis and suggestions for further research are put forward.

## **1.3. Supporting Information**

A complete set of all examined companies with extensive information on their allocated business model sub-components, the interview transcripts and the coding systems used for the analysis in the qualitative data analysis software MAXQDA can be provided on request.

## **2. Theoretical Framework**

Business models in social entrepreneurship can draw from related areas such as the research on social entrepreneurship, social innovation, business models and business model innovation. Social innovation represents a new or considerably altered way or set of activities to meet a social need, while social entrepreneurship constitutes how these activities are commercialized and diffused by organizations engaging in it. Business models are a tool of analysis and strategy how businesses engaging in social entrepreneurship structure their business activities, while business model innovations allow these businesses to effectively follow their social mission. In the following these concepts will be outlined and further defined as understood in this thesis.

### **2.1. Social Entrepreneurship**

Social entrepreneurship discovers and exploits opportunities for social change in the form of businesses that engage in a social mission (Austin et al. 2006; Mair & Marti, 2006). Yet, there is no universal definition of SE, which leads to a multifaceted interpretation and contradiction in the use of this term (Becchetti & Borzaga, 2010; Borzaga & Torita, 2010). In this respect, a huge variety of different concepts from various scholars has emerged under the umbrella of SE, which tend to exhibit only minor differences in definition and are often applied interchangeably (Grassl, 2012). “Social Enterprise” (Borzaga & Defourny, 2001; Alter, 2007), “Social Ventures” (Dorado, 2006; Sharir & Lerner, 2006), “Social Business” (Yunus et al. 2010), “Hybrid Organization” (Battiliana, 2010, 2012; Haigh et al. 2015) or “Social Entrepreneurial Organization” (Mair et al. 2012) are some of the most prevalent concepts. As Short et al. (2009) and Zahara et al. (2009) suggest, this study employs a rather broad definition of social entrepreneurship. Following Mair and Marti (2006), social entrepreneurship is understood as the process of creating value by new combinations of resources that intend to primarily explore and exploit opportunities to create social value, while promoting social change or meeting social needs. Importantly, this definition understands the social mission as central to a company’s activities. Yet, this does not translate into a strict non-profit orientation, but includes companies that generate income to fulfil their social mission. Furthermore, social entrepreneurship should not be mistaken or side-lined with Corporate Social Responsibility (CSR). While firms undertake strategic CSR activities to increase profits, social entrepreneurs carry their social responsibility beyond profit and market value maximization by putting a social mission at the core of their business activities (Baron, 2007).

## **2.2. Social Innovation**

When talking about social entrepreneurship, one cannot ignore the concept of social innovation. Social innovation is closely linked with social entrepreneurship (Spiess-Knafl et al. 2015). In that respect, it is often used as a criterion to classify a business as social business (Dees, 1998; Zahra et al. 2009). Mulgan (2006) defines social innovation as activities that are motivated by the aim of solving a social issue and are primarily diffused through businesses and organizations that predominantly follow a social mission. Social innovation takes an important stance in the literature on SE, yet, it exhibits several approaches (Spiess-Knafl et al. 2015). In their analysis Ruede and Lurtz (2012) categorize the literature on social innovation in seven streams: social work provision, non-technological aspects of innovation, human well-being in society, social practices, human-centred community development and innovation in a digital world setting. Kopf et al. (2015) note well-established examples of social innovations such as creating employment for underprivileged or excluded groups of societies such as blind or deaf people or the development of social franchise systems. In contrast to social innovations, business innovations are generally profit-seeking. In other word, on the basis of business innovation the intention is to generate economic value and financial capital out of the invention. These types of innovations tend to be classified as either technological innovations such as new products and services or organizational innovations such as improving a company's processes and structures (Pol & Ville, 2009). These innovations might also be beneficial for society in terms of innovation spill-overs such as knowledge spill-overs, yet, innovators and customers are the dominant profiteers of business innovations.

## **2.3. Business Models**

While business models have been vital for trading and doing business since pre-classical times (Teece, 2010), the concept of a business model has become ascendant with the dot.com era in the 1990s and has received major attention since (Zott et al. 2011). With practitioners applying, experimenting and pioneering with new business models, academia developed a growing body of literature on the concepts of business models and business model innovations (George & Bock, 2011; Massa & Tucci, 2013). However, as with many nascent research areas, there is no universal definition of a business model, its components or purpose (Baden-Fuller & Morgan, 2010), which is why the concept has faced severe criticism (Klang et al. 2014). Definitions for business models span from determining it as the process of transforming innovation into economic value (Chesbrough & Rosenbloom, 2002), organizational narrative (Magretta, 2002), organizational and designed structures (Amit & Zott, 2001), defining it as organizing the flows

of knowledge and resources of a business (Timmers, 1998), to considering it as interactions with other organizations (Seelos & Mair, 2007).

Wirtz (2011) identifies three different streams of literature on business models. First, the literature that focusses on technological progress and innovations. At the centre of this research stream are the consequences and implications of technology shifts, thus, investigating how companies organize to gain profit and how they adapt to these changes is central (e.g. Timmers, 1998; Wirtz, 2000; Afuah & Tucci, 2003). Second, he recognizes a stream that focusses on business models as a strategic management tool to improve a company's value chain (e.g. Linder & Cantrell, 2000; Tikkanen et al. 2005). Here, emphasis is given to how business models serve as a tool to restructure and improve a business's organizational structure and efficiency. Third, he identified a stream of literature that emphasises the role of business models towards strategy and competitive advantage by adding the component of market competition to the focus of the second stream (Magretta, 2002; Chesbrough, 2007). One of the core elements of strategy-oriented business models lies in the creation and delivery of customer value (e.g. Afuah, 2004; Osterwalder & Pigneur, 2010; Teece, 2010; Zott & Amit, 2010). Furthermore, in generating value, the business model itself can become a source of competitive advantage (Boons & Lüdeke-Freund, 2013). This is referred to as business model innovation (Chesbrough, 2010; Massa & Tucci, 2013). This third stream of literature is relevant for the present thesis and the field of social entrepreneurship in general, since these businesses need to find new ways how to deliver value to their customers and beneficiaries, they need to experiment and innovate their business models.

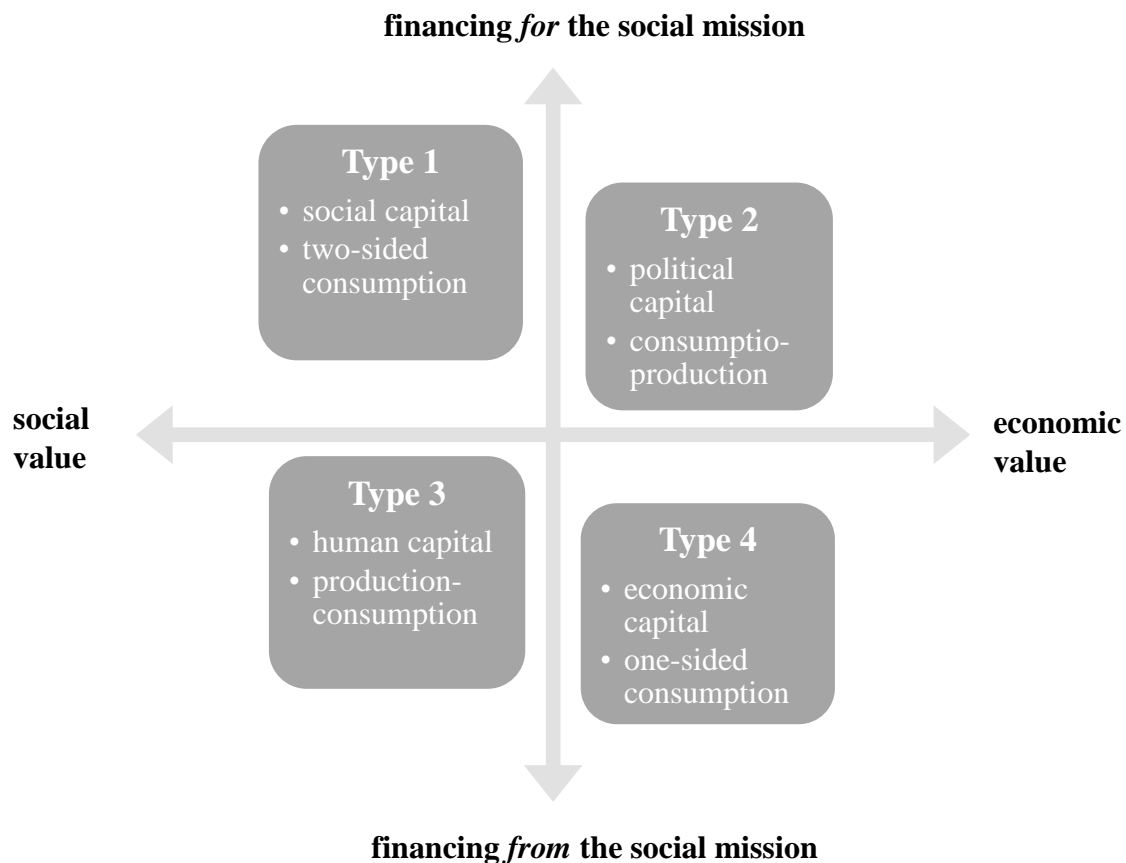
#### **2.4. Business Models in Social Entrepreneurship**

To develop a framework of social business models, academia has built upon social entrepreneurship and how value creation and capture is organized on the company and society scale (Seelos & Mair, 2007; Seelos et al. 2011). This can be achieved by simultaneously aiming for both, profit and non-profit effects, Wilson and Post (2013) argue. Yet, Yunus et al. (2010) emphasise that social business models are distinct from for-profit business models. Not just because they differ in their conceptualization, but also because they serve a different purpose, kind of business and markets (Austin et al. 2006). However, looking at the components of social business models at a generic level, there is major overlap with commercial business models. Following Yunus et al. (2010), the elements of a social business model will be outlined. First - as commercial business models - social business models consist of a *value proposition*. It defines the customers and beneficiaries, the products and services that the firm delivers to the

social target groups and customers. In other words: Who are your customers/ beneficiaries and what do you offer them as value? Second – also as commercial business models – social business models exhibit a *value constellation*, which reflects the value chain and customer interface of a firm. It defines not just the internal value chain, but also the partners and the networks with suppliers that are involved in the business processes. In other words: How do you deliver value to your customer? Yet, in contrast to commercial business models, there is the need to extend the economic value creation or the financial model by adding a social value dimension to it. Therefore, a social business model exhibits two more components. Third, the *social profit equation* defines the kind of value that is created to solve the social issue. By doing so, either social value and/or economic value can be created. Fourth, the *economic profit equation* defines the financial model or how the venture sustains its social mission financially. Yet, social businesses aim only for recovery of costs and the utilised capital, not for financial profit-maximization.

While the components of a social business model are similar to a commercial business model, the content, structure and organization of each of these elements differs significantly from commercial business models. In the following, four distinct types of social business models will be discussed and outlined, which have been identified in the literature. These four types are organized along two dimensions (Weis, 2017). First, the financing dimension, which determines how the company finances itself and its social mission. This dimension ranges from financing *for* the social mission through for instance funding, sponsoring or donations to financing *from* the social mission through market-based revenue. Second, the value creation dimension defines the dominant mode of value that is created by the business. This dimension ranges from social value creation with companies focussing on activities such as community-building, the integration of excluded social groups into society or empowerment of young people and women to economic value creation with companies focussing on activities such as providing access to resources and markets or financial value creation. The four distinct types of social business models that exhibit the core of this study's theoretical framework will be at the base of the empirical analysis. Figure 1 illustrates and summarizes the business model types to be discussed with their most distinct features, the kind of capital they leverage and the dominant mode of value constellation.

Figure 1: Social Business Model Types



*Source: Author's own conception (2017).*

*Note: Additionally, this figure exhibits each SBMT's kind of capital they leverage and mode of value constellation.*

#### **2.4.1. Social Business Model Type 1 – Social Capital**

The firm's social mission is the central value proposition of the social business model type 1, which is precisely oriented towards satisfying a consumption need (Dohrmann et al. 2015). In doing so, Santos et al. (2015) point out that these firms need to serve two rather different kinds of targeted constituencies. On the one hand, there is a social target group (beneficiaries), which simply lacks the financial abilities and resources to pay for the goods and services provided by the firm. On the other hand, there are the customers (donors/funders), who engage in the firm's social mission and support the business financially. This two-sided consumption mechanism is characteristic for the value constellation of his type of social business model. For that reason, Santos et al. (2015) emphasise that these businesses are fairly demanding for organizational leaders since they need a steady balance between their competing demands on their attention and resources. Apart from that they point out the risk of mission drift, as customers might be prioritized over beneficiaries in this kind of businesses. The social profit equation of this type is characterized by a focus on social value creation and leveraging on social capital. Thus, Mair et al. (2012) emphasise that this type of social businesses mainly engages in social problems, which are related to civic engagement as well as the promotion of power and resource

mobilization. Therefore, the aim of these firms is to strengthen and mobilize social capital as means to fulfil their social mission and foster social change. This type is based on financing for the social mission. Due to that reason, these firms must combine mainly fund- or donation-based income from engaged stakeholder, donors or social investors with low if any income from economic activities they follow. For that reason, financial sustainability - if possible at all - is a main concern of these enterprises. One of the main obstacles that result out of these circumstances is that these firms very much depend on their donors and funders, which may have a negative impact on a firm's social mission or simply leave the business after a while. Furthermore, generated income – from donation or economic activity – is used only for the recovery of expenditures for personnel, infrastructure and supply to fulfil the business's social mission, Dohrmann et al. (2015) argue. In some cases, these resources might be substituted by volunteers or donations such as food or clothes. These firms typically engage in street work services or focus on the engagement of underprivileged groups in the society. A common example for this type is the soup kitchen, Santos et al. (2015) argue. Its social mission is to provide food for people which are simply unable to pay for it. These firms are usually supported financially by public institutions or companies and often depend on volunteers, Dohrmann et al. (2015) emphasise.

#### **2.4.2. Social Business Model Type 2 – Political Capital**

The central value proposition of this type of business model is to satisfy a social target group's consumption need, while satisfying a social target group's production need (Dohrmann et al. 2015). Comparing this to the type 1 model, there is a significant difference between the social target group on the production side in type 2 and the volunteers in type 1. The social mission in type 2 explicitly generates value for the social target group on the production side, while they provide free, but valuable production support to the consuming social target group. This consumption-production mechanism exhibits the central value constellation of this type of business model. The social profit equation of this type is characterized by a focus towards economic value creation and leveraging on political capital. Mair et al. (2012) argue that firms based on this type mainly address law and justice issues. These businesses build and leverage political capital in their social mission by empowering people and fostering their political identity. The economic profit equation is defined as financing for the social mission. Yet, as one social target group offers free production input, the need for donations and funds is lower than in type 1. Nevertheless, to fully recover costs of supply and infrastructure, donors and social investors are essential. Yet, Starke (2012) points out that beneficiaries might be encouraged to pay a low financial contribution for the services or goods offered. In return, this

generated income can be used and reinvested in the business, and eventually make the product or service available to a larger group of beneficiaries. Generally, these businesses engage in education, consulting for social inclusion or community outreach project, Santos et al. (2015) emphasise. An example firm of type 2 is [abgeordnetenwatch.de](http://abgeordnetenwatch.de), which is an online platform that attempts to overcome the gap between elected politicians and the citizens of Germany by fostering transparency and enabling public dialogue. Users can browse profiles of delegates and post questions, which in return are answered by the delegates. Neutrality is important to the platform; therefore, they do not accept institutional funding, but ask for micro-fees for premium profiles of delegates and for premium users enabling access to extended functions (Dohrmann et al. 2015).

### **2.4.3. Social Business Model Type 3 – Human Capital**

The central value proposition of this type of business model is to satisfy a production need of a social target group positioned on the production side (Dohrmann et al. 2015). Comparing this type to the first two, however, type 3 generates revenue by satisfying a consumption need of a market target group. This production-consumption mechanism is the central characteristic of the value constellation of this type of social business model. The social profit equation is characterized by a focus on social value creation with businesses mainly leveraging human capital due to their training and inclusion activities (Mair et al. 2012). The economic profit equation is based on financing from the social mission. In this model, the social target group offers production input and the market target group creates a revenue stream. Thus, the generated market revenue is expected to cover all the expenditures for supply, personnel and infrastructure needed to create value with the social mission. Santos et al. (2015) argue that one of the main issues of this social business model is to integrate and balance the needs of customers and beneficiaries at the same time. In particular, the risk of mission drift is high as paying customers might be prioritized over the needs of the beneficiaries on the production side. For that reason, it is essential to reach financial sustainability. In other words, fulfilling the social mission means satisfying the needs of the beneficiaries and being successful in a competitive market. Generally, companies based on this type of social business model often use their commercial revenue to support the integration and empowerment of disadvantaged social target groups on the production side, Santos et al. (2015) argue. These businesses foster social change by creating human capital while enlarging individuals' skills, expertise and knowledge. According to Dohrmann et al. (2015) handicapped people designing handicraft that is sold on markets are a text book example. In a same manner, Santos et al. (2015) name firms that train and employ individuals with autism in the IT-industries.



#### **2.4.4. Social Business Model Type 4 – Economic Capital**

The central value proposition of this type of social business model is characterized by a consumption need of a social target group, which is located on the consumption side (Dohrmann et al. 2015). Here, the beneficiaries are clients like a market target group, which pay for the goods and services they consume. The central value constellation is characterized by a one-sided consumption mechanism. The social profit equation of this type is based on a focus towards economic value creation and businesses based on this social business model often leverage economic capital by seizing economic issues such as lack of market access, poverty or bad working conditions, Mair et al. (2012) argue. The economic profit equation is defined by financing from the social mission. This type of social business model completely replaces donation and grants from social investors – which have played an essential role in type 1 and 2 - through generated market revenue. The main difference between type 3 and 4 is, while in type 3 the social target group is positioned on the production side, in type 4 the consuming social target group is used as a source of social and economic value creation itself. These types of social business models are rather similar to conventional business models. However, one difference to commercial business models is that social businesses provide their products and services in such a way that they can be afforded by the social target group. This can be done by simply selling smaller units or adapting price differentiation for different social groups. Moreover, Santos et al. (2015) argue that these enterprises follow a social mission and tend to offer products and services that show strong spill-overs such as water, energy, insurance and health care. One text book example is the Grameen Bank, which provides micro-funds to entrepreneurs and farms with low income securities in developing countries.

#### **2.5. Business Model Innovation in Social Entrepreneurship**

Today's business environment is far from being a steady-state. New technologies, economic development and societal challenges ask for unconventional thinking and continuous experimenting with a firm's core business. To benefit from these changes, but also to exploit new markets and opportunities, innovating their business model has become essential for firms (Tece, 2010). With this insight, academia has shown increasing interest in how firms innovate their business model (Aspara, et al. 2010). Originating from strategic management (Amit & Zott, 2001) and industrial economics (Chesbrough & Rosenbloom, 2002; Christensen et al. 2002), the marketing discipline increasingly engages in the academic discussion as well (Michel et al. 2008). Business model innovations have been characterized as an ongoing learning process (McGrath, 2010; Sonsa et al. 2010), as a continuous reaction to a dynamic environment (Demil & Lecocq, 2010) and as a process of experimentation and trial-and-error (Smith &

Tushman, 2010). Here, business model innovation is defined as a novel combination or constellation within or between core components of a business model such as value constellation or value proposition that enable a business to react to its environment and sustain its mission, with the final aim to benefit the organization and its stakeholders.

While business model innovation has been studied in a technological and commercial business context, its study in a social context is still rare. Yunus et al. (2010) identify five lessons in building and innovating social businesses. The first three lessons are similar to conventional business model innovations. They argue it is crucial to question and challenge conventional wisdom, find complementary partners and to undertake a continuous process of experimentation. In this respect, Gebauer et al. (2017) point out along with experimentation combining several business models can be an option for firms to fulfil a social mission more effectively. Additionally, Yunus et al. (2010) identify two business model innovations that are singular to social entrepreneurship. They emphasise that it is essential to favour social profit-oriented shareholders. They argue that this leads to an inclusion of not only customers, suppliers and other partners, but all stakeholders. Therefore, by building and innovating social business models, value proposition and value constellation have to be built with links between all stakeholder. Lastly, for a social business to be successful it is crucial to clearly state the social profit objective or their social mission. Moreover, in their study of 1020 social organisations Spiess-Knapf et al. (2015) identified six social business model innovations such as opportunity creation, smart distribution, eco engineering, cheap sourcing, smart pricing and inclusive production.

### **3. Data & Methodology**

The methodology section of this thesis consists of two parts. First, with the help of a content analysis the taxonomy of social business model types identified in the literature is investigated and surveyed with evidence from companies engaging in social entrepreneurship in Germany and South Africa. Second, based on seven cases and companies that have been identified as Social Business Model Type (SBMT) 3 or 4, business model innovations are identified that allow these companies to generate income while sustaining and growing their social mission. In the following, data collection and the data itself will be outlined and described before the applied methodology will be depicted in detail.

#### **3.1. Data and Sources**

To investigate business models in social entrepreneurship, this study applies a content analysis by studying official texts that describe organizations engaging in social entrepreneurship. These texts were written by social entrepreneurs who had been elected as fellows of Ashoka which provides them with support and resources to sustain and develop their business. This study focuses on Ashoka for several reasons. It is not just the oldest support organization for social entrepreneurship founded in 1980 by Bill Drayton (Nicholls, 2010), it also offers resources to grow businesses, financial support and a platform for social entrepreneurs to exchange ideas and extend social networks globally. Moreover, Ashoka engages in a comprehensive and careful selection process in which social entrepreneurs must unveil and explain their social mission, their activities, their constituencies and their potential in detail. In this respect, Ashoka secures its high standards by setting five criteria for the Ashoka Fellowship: novelty, creativity, entrepreneurial quality, social impact and ethical fibre (Ashoka, 2017). After a social entrepreneur has been admitted to the fellowship, a profile is set up in the publicly-accessible database of Ashoka with a text describing the fellow's business. The texts are all organized in four sections of approximately 1,200 to 1,600 words including: (1) the idea, (2) the problem, (3) the strategy and (4) information about the social entrepreneur. The texts are valuable in two way: On the one hand, they are a useful source for analysis. On the other hand, they are worthwhile from a conceptual point, because of the important role that Ashoka plays in shaping the concept of social entrepreneurship.

The sample analysed in this thesis consists of 126 companies of which 55 are founded by fellows in Germany and 71 founded by fellows in South Africa. An exhaustive list of the analysed companies can be found in Appendix I. It is crucial to note that this is not necessarily a representative sample of businesses engaging in social entrepreneurship. First, there is no

universal understanding of social entrepreneurship or different types of businesses engaging in it, which makes it impossible to determine or set a sample that is representative. Second, the firms of social entrepreneurs that are selected as fellows have gone through a very competitive selection process. Therefore, these businesses may represent the preferences of Ashoka and only businesses that are rather well developed. However, characterizing and identifying the distinct types of business models in the sample offers a valid approach and stylization, which will unveil different modes of how businesses engaging in social entrepreneurship structure their business. Apart from the Ashoka database, webpages of the companies, press releases and yearly reports as well as annual financial statements have been used to enrich the analysis.

To identify business model innovations that allow companies to generate income while following their social mission and increasing their social impact, seven semi-structured or scripted interviews have been conducted with founders or CEOs of the companies. Of these seven interviews six have taken place with a founder and Ashoka fellow, one has been conducted with a CEO, which is not the founder. An overview of the interviewed firms can be found below. Table 1 exhibits the interviewed companies that have been identified as based on SBMT 3 and Table 2 shows the interviewed companies that are based on SBMT 4. A very basic form of the question set can be found in Appendix II. All questions have been adapted to and personalized to each company that was interviewed. Additional information on the interviews such as date, length and the mode the interview can be found in Appendix III.

<b>Name of Company</b>	Dialogue Social Enterprise	discovering hands	Future Farmers Foundation	Open Africa
<b>Interviewee</b>	Dr. Andreas Heinecke, CEO	Dr. Frank Hoffmann, CEO	Judy Stuart, CEO	Noel De Villiers, CEO
<b>Industry</b>	Social Inclusion	Health Care	Agriculture	Tourism
<b>Founding Year</b>	Founding of GmbH 2008	Founding of gUG 2012	2006	1995
<b>Founder</b>	Dr. Andreas Heinecke	Dr. Frank Hoffmann	Judy Stuart	Noel De Villiers
<b>Number of Employees</b>	50 full- and part-time	8 full- and part-time	6 full-time, 5 mentors	12 full- and part-time
<b>Number of Customers/Beneficiaries</b>	860,000 visitors, 100 disabled guides	12,000 women, 18 blind examining women	approx. 200 to 300 interns; about 150 cooperating farms	2,610 businesses; 28,490 jobs created
<b>Revenue (year)</b>	900,000 Euro (2016)	347,122 Euro (2016)	650,000 Euro (2016)	< 1 mil. Euro (2016)

Table 1: Examined companies based on Social Business Model Type 3

Source: Author's own conception based on interviews (2017)

<b>Name of Company</b>	Eletrizitätswerke Schönau eG	WIZZIT International	Regionalwert AG
<b>Interviewee</b>	Sebastian Sladek, chairman of eG	Brian Richardson, CEO	Christian Hiß, chairman of AG
<b>Industry</b>	Electricity Industry	Financial Services	Regional Development
<b>Founding Year</b>	Start of Initiative 1990, Founding of eG 2011	2004	2006
<b>Founder</b>	Ursula Sladek	Brian Richardson	Christian Hiß
<b>Number of Employees</b>	115 full- and part-time	60 full-time	2 full-time
<b>Number of Customers/Beneficiaries</b>	175,000 electricity customers, 12,000 gas customers	6 to 8 mil. account holders; 8,500 WIZZkids	650 shareholders
<b>Revenue (year)</b>	163 mil. Euro; 6 mil. Profit (2015)	not specified	120,000 Euro (2016)

Table 2: Examined companies based on Social Business Model Type 4

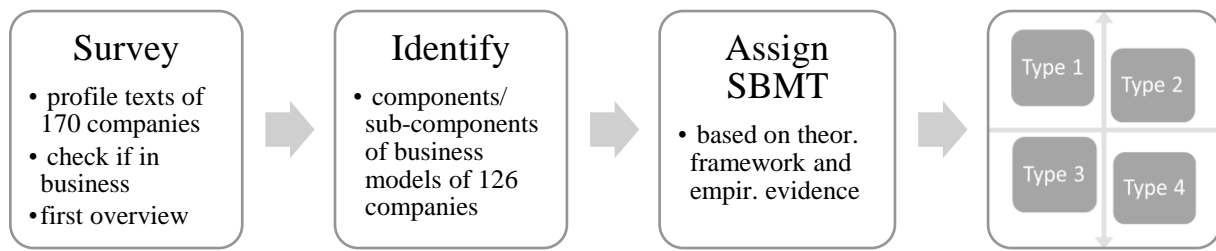
Source: Author's own conception based on interviews (2017)

## 3.2. Methodology

### 3.2.1. Social Business Model Typology

As discussed above, Yunus et al. (2010) argue that a social business model is made of four components: value proposition, value constellation, economic profit equation and social profit equation. Yet, for the actual analysis these rather abstract components have to be broken down into and operationalized as sub-components. The value proposition is divided into sub-components that exhibit the problem that the company attempts to solve, the social mission it follows, the service or good it delivers as well as who are the customers and beneficiaries. The value constellation is determined by the internal value chain such as staff and their qualification, the external value chain such as partners, funders or suppliers, and the mode of constellation, which exhibits the position and relations of customers and beneficiaries on the consumption and/or the production side. The social profit equation encompasses the dominant mode of value creation (social or economic), the rationale through which this value is created and the kind of capital the social mission leverages. The economic profit equation is defined by the financial sources and expanded by – if information is given on - the mode of monetization, budget or turnover and the utilization of financial profits. Additionally, information on the company name, the founder, year of founding, location, type of business entity, web address and the topic attribution given by Ashoka are gathered. A full list of definitions and examples for each of the sub-components can be found in Appendix IV. The analysis is broken down in three steps as illustrated in Figure 2: surveying, identifying and assigning.

Figure 2: Analysis of Business Model Taxonomy



Source: Author's illustration (2017)

First, all 170 profile texts of companies in Germany and South Africa that are found in the Ashoka database are screened and the companies are checked if they are still in business. This is done by consulting the company's webpage, social media such as facebook and linkedin as well as press releases. In the case that there is none of this available or none of it has been updated within the last 3 years, it is assumed that the company is no longer in business and therefore eliminated from this study. By doing so, failures are excluded from the sample at last. Yet, this has rather a feasible rationale than a conceptional or theoretical rationale. The main reason for this is that only companies that are still in business can be reached and interviewed for the second part of the study. Moreover, as the aim of the study is to investigate how companies combine social and economic value creation, successful cases are of particular interest. After the initial screening, the sample that initially included 170 profiles has been reduced to 126 companies.

Second, each profile text has been broken down into and its content related and matched to the sub-components that have been generated through operationalization. Doing so, the business model components and sub-components of each of the 126 companies have been identified. Additionally, company webpages including annual reports and financial statements if available have been consulted. The gathered information has been processed and organized in Excel. Herby, a detailed database of all the relevant information on each of the 126 companies has been set up and generated.

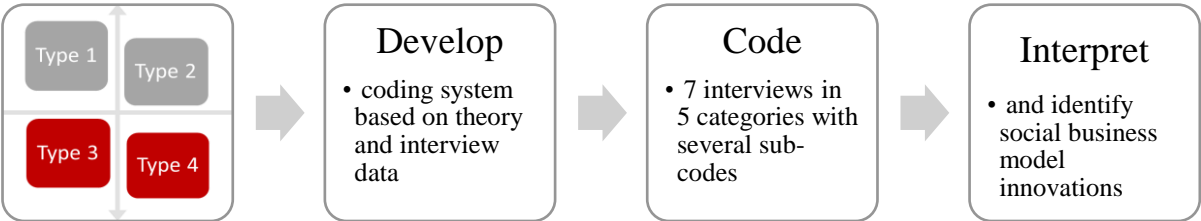
Finally, company by company, social business model type has been assigned based on the mode of financing, the value they create, the mode of value constellation and the capital they leverage on. The findings of this process are outlined and discussed in chapter 4.1.

### 3.2.2. Social Business Model Innovations

The second part of the analysis is the identification of business model innovations that allow companies to generate income while sustaining and growing their social mission. Figure 3 illustrates the three main steps of the analysis that will be outlined in the following: developing

a coding system based on theory and interview data, coding and interpretation. For this part of the analysis, companies that are based on financing from the social mission are of interest. This is the case with companies that are based on SBMT 3 and SBMT 4. 20 of 33 companies of interest have been approached with interview requests. 7 of these companies agreed on an interview. 5 of these 7 interviews have been conducted via Skype, recorded and transcribed. 2 of these 7 interviews have been conducted in written form via email with question sets and follow-ups while the conversation developed. While the Skype interviews took between 30 and 60 minutes depending on the available timeframe of the interviewee, the scripted version usually included between 20 to 30 questions including follow-ups.

Figure 3: Identification of Social Business Model Innovations



Source: Author’s illustration (2017)

After transcription and gathering of all interview data, the text analysis took place with the help of the qualitative analysis software MAXQDA. The analysis is based on business model innovations that have been identified in the literature (e.g. Yunus et al. 2010; Spiess-Knapf et al. 2015; Gebauer et al. 2017). Therefore, the applied coding is centred around issues such as financing, stakeholders, scaling and growth. Several reading successions have been followed by a first round of coding and gradually expanding the coding tree with sub-codes. The coding process has ended with 266 coded segments in 5 main categories with several sub-codes. As not every category has been endowed with a sufficient number of coded segments to build up a valid example, the final interpretation took place with the following 3 categories that are outlined in the section 4.2: social business model innovations aimed towards financing, stakeholder as well as scaling and growth. Overall, 8 social business model innovations have been identified and applied by the examined companies.

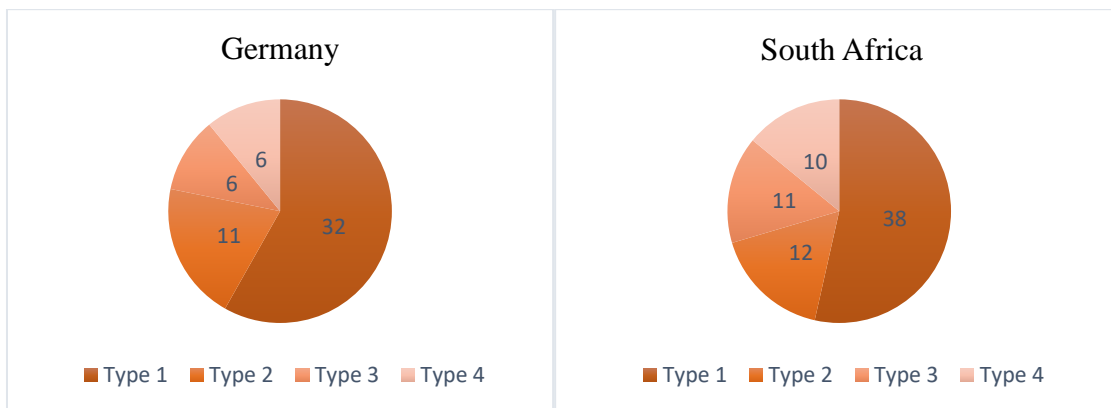
## 4. Results and Discussion

In the following chapter, the results of the two parts of analysis will be outlined, discussed and put into context. First, the findings of the taxonomy of social business model including 126 companies engaging in SE will be revealed. Afterwards, the identified social business model innovations that enable companies to generate income while sustaining and growing their social impact will be explained and outlined.

### 4.1. Social Business Model Types

The analysis of this study entails the business models of 126 companies engaging in SE in Germany and South Africa, thus making it fairly challenging to discuss each business model extensively. The most important quantitative findings are presented in the following paragraph and Figure 4. Thereafter, the qualitative findings of each SBMT will be outlined and discussed. As noted before, not each and every company's business model will be discussed. Yet, the aim is to review the proposed theoretical framework enriching and deepening it by augmenting it with the empirical findings of this study. Therefore, key findings of each business model type will be highlighted and put into context. An extensive list of all examined companies, their business model types and additional information can be found in Appendix I.

Figure 4: Distribution of Social Business Model Types among German and South African Sample



Source: Author's illustration based on taxonomy analysis (2017)

Figure 4 displays the distribution of SBMTs among the German and South African sample. SBMT 1 is the most prevalent type in both Germany and South Africa. Of the examined 126 companies 70 companies exhibit a business model that is regarded as type 1. In Germany, nearly two thirds (32 of 55) of all companies and in South Africa more than half (38 of 71) of all companies exhibit a type 1 as business model. 23 of the studied 126 companies are regarded as SBMT 2, 11 of them are found in German companies and 12 in South African companies. Both, SBMT 3 and 4 have been identified in 16 companies each. While 6 companies in Germany



exhibit SBMT 3, in South Africa there are 11 of this kind. Furthermore, 6 companies displaying SBMT 4 have been identified in Germany and 10 companies in South Africa.

#### **4.1.1. Social Business Model Type 1**

Social Business Model Type 1 is the most prevalent type of business models in the German and South African sample. The central value proposition of this type is the company's social mission, which tackles a social problem by satisfying a social target group's consumption need. The social mission of these companies ranges from fostering children's learning development, supporting peacebuilding activities and HIV treatment to empowering young women and helping first-time parents with the challenges of raising children. While firms in Germany focus on the development of rural areas, the integration of immigrants, long-term unemployed and disabled individuals into society as well as educating and improving learning of the youth, South African businesses focus on engagement in local communities, empowerment of women, orphans and disadvantaged youth, education and health issues such as HIV and sexual abuse. Although the social missions of companies in both countries differ, their beneficiaries and customers are rather similar. In both countries, the paying customers of the social mission are donors, social investors or local, national and international governments and institutions. In the case of beneficiaries, certain groups of societies are targeted in both countries: youth, women, disabled or elderly people as well as people living in remote or rural communities.

SBMT 1 is characterized by a value constellation mode referred to as two-sided consumption, which means both customers and beneficiaries consume the social mission of a company. While the customers pay for philanthropic activities of the company, the beneficiaries consume the services and goods that the company provides for no or very little cost. This kind of value constellation mode is prevalent in all companies that have been identified as type 1. A South African example is Siyafunda CTC which empowers communities by providing computer and internet access combined with e-learning and training. While local communities exhibit the beneficiaries of this social mission, the government as well as companies such as Microsoft exhibit the paying customers. A German example is streefootballworld gGmbH, which brings dozens of organisations together using football as a tool of social change in the field of integration of immigrants, peacebuilding and gender equality. While the social mission of the company is funded by companies (e.g. CocaCola), sports organizations (e.g. FIFA) and public institutions (e.g. European Commission), the beneficiaries are disadvantaged youth that engage in the company's activities. This reveals how important a company's network is in order to deliver its social mission to customers and beneficiaries. While the internal value chain is crucial to organize and manage the social mission, the external value chain is inevitable to

deliver value to customers and beneficiaries. More precisely, to create value internally, most companies exhibit a team of experts on the specific field and staff that organizes their outreach projects and activities. In some cases, also volunteers are involved and support the company in fulfilling their social mission. Yet, to reach a magnitude of beneficiaries the external value chain is necessary. Each company's partners, sponsors and funders are important not just in financial terms, but also in consulting, networking and lobbying.

The social profit equation of SBMT 1 is characterized by social value creation and leveraging on social capital. The social value created by these companies in Germany and South Africa is based on activities such as civic engagement, education and learning, health issues as well as the engagement of underprivileged groups in society. By engaging in their activities these companies leverage social capital as the use of social networks, trust and community-building are crucial factors for the achievement of their social missions.

The economic profit equation of type 1 is based on financing for the social mission. All of the 70 companies identified as type 1 depend on donations and/or funding. Yet, a small number of companies generates minor income through activities which are not part of their core business such as consulting, training or charging membership fees. All financial sources are used to recover the costs of personnel, infrastructure, supply and materials. None of the examined companies generates any financial profit, which is also reflected in the types of business entities. While most of the South African companies are registered as non-profit organizations and some also as public-benefit organizations, there is a diverse mix between "eingetragener Verein" (registered association), public-benefit organization (gGmbH) or foundation in the German sample of SBMT 1.

#### **4.1.2. Social Business Model Type 2**

SBMT 2 has been identified in 11 companies in the German sample and 12 companies in the South African one. The central value proposition of this type is the social mission, which is characterized by satisfying a social target group's consumption need, while satisfying a social target group's production need. The social mission of these companies ranges from building democratic movements, engaging citizens in public policy-making and creating networks for lobbying to exploring new ways of decision-making. While companies in Germany focus on bringing transparency into democratic processes and financial support systems, equipping students with tools to have an impact on their education and fostering the health of immigrants by building health care information networks, companies in South Africa create integrated networks of youth and students to solve personal issues and improve their education, support

social groups to organize and mobilize themselves as well as giving a voice to underprivileged groups of society. While the customers in both countries are rather similar and as in type 1, consisting of mainly public and private donors as well as public institutions, the beneficiaries differ. In Germany, beneficiaries on the consumption side are students, citizens, immigrants or local communities, while beneficiaries on the production side are individuals trained as volunteering mentors, politicians or individuals of the same social group as the beneficiaries on the consumption side, yet, taking a input producing position. In South Africa, depending on the social missions of the examined companies, beneficiaries on the consumption side are students, women, HIV-positive individuals and sex workers. The beneficiaries on the production side are individuals of a beneficiary group on the consumption side that act as mentors, coordinators or run a committee. It is important to note, that the beneficiaries on the production side are different to the volunteers in SBMT 1 due to the fact that they explicitly benefit from the social mission they contribute to. A German example is [arbeiterkind.de](http://arbeiterkind.de), which gives youth from lower income and educational backgrounds a collective identity. Consumers in this case are donors and foundations (e.g. Vodafone Foundation) as well as government institutions (e.g. German Federal Ministry for Education). “Arbeiterkinder” which are children with non-academic parents are beneficiaries on the consumption side, which benefit from beneficiaries on the production side which are individuals who have been part of the initiative for longer and act as mentors and coordinator. A South African example is the Community Sanitation Project/ Clean Shop, which creates a healthy environment for students by convincing teachers, parents and students to take ownership of the sanitary conditions of community schools. The customers are mainly donors (e.g. Danish Embassy), but also parents and other people in the local communities that buy toilet paper which is offered by the students to make money to sustain materials to keep the toilets clean. Students attending the school exhibit the beneficiaries on the consumption side, while students that sell the toilet paper and keep the toilets clean are regarded to as beneficiaries on the production side.

The value constellation of SBMT 2 is characterized by the mode regarded to as consumption-production. As outlined earlier, beneficiaries are positioned at the consumption and the production side. The social mission in type 2 explicitly generates value for the social target group on the production side, while they provide free, but valuable production support to the consuming social target group. This mode of value constellation is prevalent in each of the 23 business models regarded to as type 2. The internal value chain takes an important part in delivering a social mission in this type. This is due to the fact that in this type of business model the beneficiaries are a core element of the internal value chain. Hence, they are responsible to

reach their peers, coordinate and organize networks and activities while receiving input from the respective company. Additionally, through the external value chain the companies are supported to reach their social goals with help of their networks partners and their institutional counterparts.

The social profit equation of SBMT 2 is distinguished by economic value creation and leveraging on political capital. These companies generate economic value through overcoming a lack of resources, access knowledge and engage in consulting activities. Furthermore, they leverage political capital as these companies address law and justice issues, engage in community outreach projects and focus on creating a mutual and political identity.

The economic profit equation of SBMT 2 is based on financing for the social mission through donations and/or funding. Yet, the need for donations and/or funding is lower due to the free production input of beneficiaries. Moreover, some companies may ask for a fee to participate in certain programmes. For instance, the German company Chancenwerk which attempts to create bridges between schools, immigrant students and parents by employing students as tutors and mediators, charges 10 Euro for each child every month. These fees are used to pay external teachers and finance extra activities for the students. A similar model is used by Ikamva Youth in South Africa which organizes after-school programmes that support young learners. They charge 5000 Rand (~340 Euro) per learner per year, which includes organizational, administrative and material costs. Another source of income are consulting activities of some companies. Similar to SBMT 1, donations and/or funding is provided by private donors and public institutions.

#### **4.1.3. Social Business Model Type 3**

SBMT 3 is characterized by a value proposition that follows a social mission by satisfying a production need of a social target group positioned on the production side and the consumption need of a market group. Depending on the company's social mission the market group on the consumption side can also be regarded to as beneficiaries of the social mission. Yet, they pay for its consumption. The social mission of these companies ranges from training blind people and bringing them into employment, educating youth for future careers through internship programmes and open universities to developing opportunities to cut down on CO2 emissions. While South African companies of this type mainly aim their social mission towards youth training and education, German companies of this type support the inclusion and employment of disabled, elderly and criminal youth. Consequently, the beneficiaries on the production side differ in both countries according to each company's social mission. Moreover, this is also the

case for the customers or beneficiaries on the consumption side. Yet, they are too diverse to simplify or generalize. For that reason, two example firms will be outlined in the following. A German example company is Dialogue Social Enterprise, which attempts to change the shortfall image of disabled people by revealing their potentials in an experiment-like exhibition setting. In Dialogue in the Dark, blind people guide visiting individuals through an exhibition in the dark. Here, blind people are the producing beneficiaries, while the visitors exhibit the customers by paying an entrance fee. Yet, they are also the consuming beneficiaries which benefit from the shared experience and shift of mindset. A South African example is Open Africa, which offers a pan-African network of tourist routes operated by local communities. Here, people in local communities that provide accommodation, guidance and activities to tourists exhibit the beneficiaries on the production side, which receive money for providing services. The tourists visiting these communities are regarded as paying customers.

The value constellation of SBMT 3 is characterized by the mode referred to as production-consumption. As emphasised earlier, the beneficiaries on the production side generate revenue by satisfying a consumption need of a market target group on the consumption side. Mission drift is a potential issue of this type of business model. This is due to the fact that companies may prioritize the needs of paying customers over the need of employed beneficiaries. Depending on the individual firm, some companies employ thorough recruiting processes in order to find the best suited individuals to spread and foster their social mission, while others give the beneficiaries on the production side a fair degree of self-reliance and autarky, which is reflected in encouraging them to be entrepreneurial themselves. In this respect, the organization and management of the internal value chain depends on the respective degree of autonomy of the producing beneficiaries. As for the SBMTs analysed earlier, the external network is crucial for a company to fulfil its social mission. This is the case not just in terms of pro-bono work, that compensates for limited resources of the companies, but also sponsors, connection to government bodies or private companies.

The social profit equation of SBMT 3 is defined by social value creation and companies leveraging on human capital. These companies exhibit a focus on social value creation due to their training and inclusion activities. Moreover, they leverage human capital as their activities actively employ and heavily depend on a production input of beneficiaries. Thus, these companies utilize the beneficiaries' unique skills and competences to fulfil their social mission.

The economic profit equation of this type is based on financing from the social mission due to the fact that the social target group offers production input and the market target group enables

the creation of a revenue stream. While the generated market revenue is expected to cover all the expenditures for supply, personnel and infrastructure needed to create value with the social mission, this is not the case with every examined companies. In some cases, the generated income only covers the expenditures that are needed for the beneficiaries on the production side to fulfil their tasks and cover their occurring costs. In this case, overhead costs of the company as well as infrastructure and staff employed directly by the company has to be financed through sponsoring or donations. In other words, the social mission in respect to customers and beneficiaries finances itself, however, the cost for the administration and management needed is not always covered by the generated income.

#### **4.1.4. Social Business Model Type 4**

SBMT 4 is characterized by a value proposition that follows a social mission by satisfying a consumption need of a market target group, which is located on the consumption side. In this case, the beneficiaries are clients paying for a service or good provided by the company. The social mission of companies of this type ranges from producing cheap and nutritious supplements, providing access to financial products such as micro-loans and mobile banking to social and environmental ratings and citizens-owned local supply infrastructure. While companies in the German sample mainly foster community ownership of infrastructure such as energy production and the regional value chain, employ information and communication technologies to overcome geographical and organizational distance as well as disabilities, companies in the South African sample provide low-income and unbanked people with new banking solutions, financial products and services, offering products and services that improve the health, mobility and general wellbeing of underprivileged groups in the South African society. As social missions differ, the customers of the German companies are different to the customers of the South African companies. While the South African companies target predominantly low-income and poor people, German companies mainly aim for local communities as well as companies and institutions that are interested in sustainability and social change.

The value constellation of SBMT 4 is based on the constellation mode referred to as one-sided consumption. It is referred to as one-sided due to the fact that the customers and beneficiaries of a company's social mission are the same. In other words, the targeted social groups pay for the services or goods provided, yet, in a way that it is socially acceptable and affordable to them. A German example is Vebravoice that offers web-based translation services for deaf and hearing impaired citizens that drastically reduces the cost of transcription services. Here, deaf individuals exhibit the paying customers, but also the beneficiaries not just due to the service

provided, but also through dramatic cost reduction, which makes this service affordable to a larger group of people. A South African example is the Small Enterprise Foundation, which offers micro-credit programmes with long-term, low-cost expansion focus to South African entrepreneurial women. Here, women running a micro-business exhibit the customers as they pay interest for their loans, but also the beneficiaries as they are enabled to sustain their business and receive affordable financial products. Also for companies that have been identified as SBMT 4, both internal and external value chain add to the fulfilment of the social mission. Yet, as these companies are rather similar to market-based companies they are exposed to competition in their respective market. Managing the balance act between being competitive and reaching the customers is crucial and displays one of the challenges of SBMT 4. For that reason, partners and stakeholders have to be picked carefully and strategically in order to sustain the social mission. As in every other business model type, companies referred to type 4 operate in networks of actors distinct to their social mission.

The social profit equation of SBMT 4 focusses on economic value creation and companies leverage on economic capital. A clear focus on economic value creation is argued due to core activities of the companies such as seizing economic issues such as lack of access to markets and resources as well as fighting poverty. Hereby, these companies leverage economic capital due to offering and providing services and goods with high spill overs such as energy, financial services and consultation. Eventually, these companies attempt to improve the economic situation of their customers by supplying them with tools to participate in the market economy and enabling them to improve their current life situation.

The economic profit equation of type 4 is based on financing from the social mission through generating market-based revenue. This means, companies have completely replaced donations and grants from social investors with generated income. However, they differ from commercial firms through their social mission, but also in respect to the way they provide their services and goods. These companies apply different modes of monetization to keep their products and services affordable. This is done by generally reducing the cost through applying modern technology such as ICT, selling smaller units, allowing direct investment in the company's social mission or cross-substitution.

## **4.2. Social Business Model Innovations**

The second part of the analysis is the identification of social business model innovations (SBMI) that allow companies to generate income while sustaining and growing the impact of their social mission. This includes SBMT 3 which enables beneficiaries to generate their own

income while the company may still depend on funding and SBMT 4 which is exclusively sustained by generated market revenue. In the analysis which has been based on prior research (see e.g. Yunus et al. 2010; Spiess-Knapf et al. 2015; Gebauer et al. 2017) the examined companies exhibited SBMI in the fields of financing, stakeholders, growth and scaling. In the following section, SBMIs that have been identified and are applied by the examined companies are described and outlined.

#### **4.2.1. Financing**

“Foremost, money is an obstacle when dealing with social change” (DSE, 2017). Therefore, in the following, SBMIs that are closely related to financing of the studied companies are described. While five of the interviewed seven companies cover all their costs through generated revenue, Future Farmers Foundation and Open Africa depend on funding, yet, their beneficiaries are enabled to generate their own income. However, this exhibits certain issues for the latter. While Open Africa has been totally reliant on donor funding, though they would like to get away from that. Yet, doing so is difficult since the people they help do not generate large volumes of cash and to the extent that their turnover is commissionable. Apart from that collection costs make this unviable as they work with remote communities. Therefore, they have to deal with fundraising, which is besides being difficult, not knowing what income to expect and denies them the benefit of budgeting. Even more troublesome is the fact that the people they employ have to spend half their time thinking about where to get funding from (OA, 2017). In respect to funding, Future Farmers Foundation has developed a method to deal with the shortage of funds, which will be outlined below. Afterwards, innovations such as essential appliances and smart donation will be explained.

##### ***Recycling Funds***

Future Farmer Foundation fosters young people from impoverished communities in following their passion about farming by offering a three-year apprenticeship including a year overseas training and experience. While Future Farmers Foundation (FFF)ʼs running expenses are covered through co-funding by Bayer, funding and sponsoring from government, farming associations and companies is needed to send young people abroad and cover costs such as insurance and travel. Yet, from the beginning the idea was not to do hand-outs. Therefore, they developed a concept of recycling funds. FFF pays all costs up-front, but as the interns are paid good salaries abroad, they are asked to pay half of their salary back until the advanced money is fully refunded. As soon as the money is back, which usually takes about four to five months, the next intern is sent abroad. It is a model that fosters the interns to take responsibility not just



for themselves, but also creates a sensitive responsibility to their sponsor and to one another. Moreover, from a funding point of view this reuse is advantageous, “because the money is getting used over and over and over again. It’s not getting grovelled up” (FFF, 2017). Recycling funds depicts a sustainable mean to increase the social impact of funding without actually raising its volume. However, in the case of Future Farmers Foundation, funding and the acquisition of new government funds exhibits one of their main challenges. “There’s a massive amount of potential. The need is there, the farmers want it and the young people want it. It just can’t be done without money” (FFF, 2017). Yet, they came up with a model that partially approaches these issues.

### *Essential Appliances*

Discovering hands uses a simple, but efficient way to generate income without limiting its social mission and impact. While their core activity is the training of blind women to detect breast cancer, they ensure financial sustainability with appliances that are crucial for blind women to fulfil their job correctly. This is based on adhesive stripes that help the examining blind women to orientate centimetre by centimetre and locate abnormality of a woman’s breasts. Hereby, they can precisely inform the doctor where the abnormality is located. These stripes are fed into the patient’s bill as equipment and paid by the health insurance. With every examination conducted by any blind woman trained by discovering hands a certain amount is fed back to the company. This mode of financing allows discovering hands to be independent from funding, while satisfying their beneficiaries production need through training and employment as well as following their social mission to improve breast cancer detection, which in return helps their consuming beneficiaries.

### *Smart Donation*

While the Elektrizitätswerke Schönau (EWS) cover all their expenditures by generated income, they found a possibility to boost their social mission. This is done through a support programme that is based on the so called “Sonnencent” (engl. sun cent), which is a small premium that customers pay per kilowatt hour. After 20 years running, the programme’s volume has increased to approximately 1.5 mil. Euro per year. The money is used entirely for activities that are directed towards their customers and beneficiaries. These include the so called Rebellenkraftwerke (engl. rebel power plants) which are small power plants such as photovoltaic facilities that are run by customers as well as consulting and advise for customers how to save energy (EWS, 2017).

#### 4.2.2. Scaling and Growth

Scaling and growth is another field in which business model innovations have been detected. Growth in revenue, employees, customers and beneficiaries goes along with growing responsibilities (DSE, 2017). While this may enlarge the group of targeted beneficiaries, balance has to be kept between social mission, financial sustainability and delivering value to all involved stakeholders and partners. While this balance may be the ideal state of affairs, some have a more realistic view on this: “The reality in the end is that they (stakeholders) don’t all benefit and one has to accept that” (OA, 2017).

##### *Social Franchise*

Social Franchise constitutes “a finance-un-intense manner (..) to spread social impact by adapting our idea to local conditions and commit ownership” (DSE, 2017). While the Dialogue Social Enterprise was one of the first companies to accidentally develop and use this mode of scaling beginning of the 90s, discovering hands deliberately decided to apply a social franchise model to scale their business when establishing their company in the early 2010s. In the case of Dialogue Social Enterprise, the idea to this mode of scaling originated from a request to hold an exhibition in France. Yet, they did not have French-speaking staff at hand nor equipment that could be shipped to Paris right away. But they possessed the know-how and knowledge how to set up and organize an exhibition. Therefore, in cooperation with the French partners, the first franchise has been set up, which has not been referred to as franchise that time. As time passed by, Dialogue Social Enterprise professionalised their concept through developing established methods, quality standards and guidance such as franchise handbooks. In other words, they set up “all the things, which you simply do to safeguard a certain consistency” (DSE, 2017). Discovering hands bases its international scaling on a social franchise mode. The decision to do so was not just guided by the clear structure of the scaling model, but also by the opportunity to spread the social entrepreneurial spirit to other countries through partner organisations or entrepreneurial individuals. While at the moment the German discovering hands guides all scaling in Germany and abroad, it is attempted to set up a department which only focusses on international scaling and acts as franchise provider. The reason for this is that they currently face many requests, and through a clearly structured franchise they hope to be able to deliver constant quality and not dissipate this process.

Knowledge transfer and quality management are key factors to a successful scaling and of importance for social franchising. Therefore, Dialogue Social Enterprise’s organization is set up to monitor and master prolific and effective scaling. One of the core elements is their

consulting firm, which organizes the international distribution and accommodates every partner through a selection and preparation process. This includes assessment of the partner's abilities, understanding of complexity and financial reliability. A first-hand experience of a running exhibition is mandatory before the final phase of planning including recruiting, marketing and final setup can be entered. In the case of discovering hands the producing beneficiaries are at the core of their business. Hence, the training of blind women to detect breast cancer is crucial. The apprenticeship takes 9 months and the passed final examination is proved with a diploma. Yet, to secure consistent quality, re-examination is required every two years.

While there are benefits and advantages to base one's scaling on social franchising, this also has its limitations. While it is a comparably low-cost undertaking for the franchise providing company, the organization or entrepreneurial individual that wants to take the franchise has to be in possession of sound financial resources as initial, know-how transfer and licence fees apply. Moreover, while social franchising offers structured growth options for a social mission, every franchise taker is different and so is the context in which it is transferred, may reach limits of adaptability and overhead for the franchise provider in return. Thus, Dialogue Social Enterprise reflects on moving towards Open Source in the long-run, which would enable a lot more people to participate in the social mission and eventually reach more individuals. Yet, this step would possibly erode the company's current business model which has been proven to be successful for the past 20 years.

### ***Experimentation***

Many of the studied companies focus on one main business activity while engaging in side activities that support and complement their core business. While multiple business models may be the outcome of a coordinated and planned processes or the result of an accidental and casual development, experimentation plays a crucial role in both. In the case of Dialogue Social Enterprise there is no market research or marketing to identify potential opportunities. They develop concepts based on personal interest, driven by intuition, while the business model will be conceptualized afterwards (DSE, 2017). In a similar manner, discovering hands experimented with its business model in the beginning. Since there was no comparable concept existent, they had to figure out how to organize and frame the training of blind women to detect breast cancer. They were reliant on advice of peers and experts in the field as well as partners such as medical associations and health insurance companies to balance out an adequate and vital business model (DH, 2017). In the case of WIZZIT, the business model first has been tested, experimented with and proofed in South Africa to ensure that there was a strong business

case in fostering financial inclusion. After a successful implementation in South Africa, and as financial inclusion is a global issue, the model has been adapted to accommodate international requirements. In this respect, they benefited from not approaching this issue from a theoretical or conceptual base, but from a practical hands-on base (WI, 2017).

### ***Multiple Business Models***

Some of the examined companies such as Dialogue Social Enterprise and Elektrizitätswerke Schönau (EWS) are made up of a consortium of subsidiaries and holdings in other companies. For EWS it is not just a regulatory requirement to organize the activities of a grid operator from those of a electricity generator in separate entities. The structure of EWS (EWS eG possesses five subsidiary companies registered as GmbH) allows them to follow their social mission on several levels. While they started off as grid operator, they expanded to becoming an electricity generator and provider of green energy. As their aim is decentralized and citizens-owned electricity, they support small businesses engaging in the electricity industry such as hydropower plants, grid operators or wind power plants. They support them by taking minor shares (up to 40 percent) in these companies where they act as advisor, maintain their administration or just help small players to stay or get started in the market. While in the end, these companies exhibit competitors, the focus of EWS is to support them to guarantee a decentralized electricity supply in Germany (EWS, 2017). Multiple organizations offer the benefits of formally separating activities from each other. Yet, the business has to reach a certain size to be able to handle such organizational structures efficiently and more importantly, this may not apply to every industry.

Additionally, some companies such as Regionalwert AG and Dialogue Social Enterprise engage in add-on activities, which enable these companies to generate additional income that can be used to increase the company's social impact. For instance, Regionalwert AG finances partially from services such as consulting, project development and research projects (RA, 2017).

### **4.2.3. Stakeholders**

The involvement and engagement of stakeholders in the fulfilment of a company's social mission is essential for its success. Partners and cooperating organizations and institutions are crucial for sustaining and growing a business. "It is clear, if we did not have partners, we would be unemployed fairly soon (...) this means we are strongly dependent on finding partners of course, sustaining relations to our partners in the long-run. Well, partners are actually the key, the hinges of our entire company" (DSE, 2017). Therefore, most interviewed companies put a

high level of effort into growing their networks from the beginning and continue doing so. May that be with pro-bono partners, foundations such as Ashoka and Schwab, consulting and law firms or institutional partners and associations. However, in the analysis of the interviews a different group of stakeholders stood out and is of certain interest for further investigation: customers and beneficiaries. While the first SBMI involves the producing beneficiaries in the social mission in an entrepreneurial way, the second SBMI engages customers in a financial long-term investment to secure and sustain social change.

### ***Entrepreneurial Spread***

Open Africa and WIZZIT encourage beneficiaries on the production side to engage in their social mission by becoming entrepreneurial themselves. While this allows the beneficiaries to work and generate their own income, it also puts the entrepreneurial risk on them. Open Africa “assists emerging entrepreneurs who are outside the mainstream (tourism) for reasons of their remoteness (rural mostly), smallness, and technological exclusion among other reasons associated with being marginalised. These are people/enterprises that are of little interest to brokers and tour operators commercially” (OA, 2017). The entrepreneurs are entirely autonomous in respect to pricing and running their operations as they are self-employed. WIZZIT engages its beneficiaries in South Africa in a similar manner through a concept called WIZZkids. WIZZkids are prior unemployed youth that act as agents that build trust in the community they operate in and sell WIZZIT accounts to the people of the community. Hereby, the WIZZkids act entrepreneurial by being self-employed and growing their own customer base. Their doing is based on commission with a clear focus to spread WIZZIT and foster financial inclusion. Furthermore, the social franchising models of discovering hands and Dialogue Social Enterprise can be viewed as another dimension of entrepreneurial spread. Yet, as discussed in the section on social franchise, here, not the customers or beneficiaries are the ones who spread the entrepreneurial spirit, but organizations or individuals that set up an entity under the franchise, which are regarded as partners.

### ***Financial Engagement***

Regionalwert AG and Elektrizitätswerke Schönau eG apply a different type of stakeholder involvement, which is referred to as financial engagement. As Yunus et al. (2010) point out it is essential to identify and commit social profit-oriented stakeholders, these companies found a way to involve their customers not just in terms of consuming their services and goods, but also to become part of the undertaking by buying shares and investing long-term in the company’s social mission. Regionalwert AG attempts to commit citizens to their local food supply,

therefore, they organized themselves as citizen stock company that offers shares to the local community and supports local farms and food companies. The shares of the Regionalwert AG cannot be recalled, but sold to another shareholder. This offers the Regionalwert AG financial security and a long-term planning horizon. The EWS is set up in a comparable manner, yet, as eingetragene Genossenschaft (engl. registered cooperative). The difference to a stock company is that while it is intended to invest long-term, the in shares invested amount of money can be recalled. The major benefits of this is a source of financial capital and long-term binding of customers by creating a sense of responsibility and commitment.

## 5. Conclusions

This chapter will summarize how companies engaging in social entrepreneurship combine social and economic value creation. The synopsis is following the two steps of the analysis. First, the main findings of the social business model taxonomy and its four distinct types of social business models will be outlined, its two dimensions contrasted, as well as the logic and mechanisms the social business model types are based on revealed and examined. Second, the identified social business model innovations are defined, it is explained how these enable businesses to create social and economic value, and why they are regarded as key facilitators allowing businesses to spread their social mission in a more vital and sustainable manner.

### 5.1. Social Business Model Types

In the beginning of this thesis a business model taxonomy has been outlined, which has been based on four distinct business model types that have been identified in the literature. With the help of this theoretical framework business models of 126 companies engaging in social entrepreneurship in Germany and South Africa have been investigated. With empirical evidence, it has been shown that the established four social business model types are not just any theoretical construct, but can be found in businesses engaging in social entrepreneurship - in both settings, developed and developing countries, here, Germany and South Africa.

Each of the examined four business model types differs in value proposition, value constellation, social and economic profit equation on an analytic and stylized level. The analysed taxonomy is based on a value creation dimension and a financing dimension. Each social business model type can be differentiated by its way of financing along the financing dimension reaching from financing for the social mission based on donation- and/or fund-based income in SBMT 1 to financing from the social mission through market revenue in SBMT 4. SBMT 3 and SBMT 4 exhibit a mix of both. While companies of SBMT 2 predominantly finance on donations and funding or sponsoring and rarely generate any income that can cover the expenditures, companies of SBMT 3 are less dependent on donations or funding due to financing from their social mission. This means, the social mission in respect to customers and beneficiaries finances itself. Yet, the cost for the administration and management needed is not always covered by the generated income in SBMT 3.

While the differentiation based on financing is rather straightforward, the differentiation based on value creation is more complex. Both SBMT 1 and SBMT 4 are rather distinct, therefore, they exhibit both ends of the scale and have clear focus on either social or economic value creation (with minor impact of the other). Yet, SBMT 2 and SBMT 3 have shown to create

social and economic value rather simultaneously. Meaning, that it is difficult to clearly differentiate their activities in social and economic value creation. For that reason, generalisation based on the value creation dimension should be taken carefully. Therefore, it is argued that companies based on SBMT 1 clearly focus on social value creation and economic value creation is of minor interest. Yet, SBMT 2, 3 and 4 combine both social and economic value creation, albeit each to a different degree. SBMT 2 tends more towards economic value creation due to activities such as providing access to resources. Yet, they lack the financial sustainability and do not generate a sufficient amount of income. SBMT 3 tends more towards social value creation through activities such as integration and empowerment of excluded social groups into society. Yet, these companies generate financial income from their social mission by creating employment or income opportunities for their beneficiaries. SBMT 4 tends more towards economic value creation due to financial capital creation and offering goods and services that enable their beneficiaries to participate in the society and improve their socio-economic position. Yet, as beneficiaries and customers exhibit the same group of people, tensions in attempting to combine economic and social value creation may arise in form of stakeholder conflicts or pricing issues.

Each of the four types of social business models can be distinguished based on value proposition, value constellation, social and economic profit equation. However, some components are more characteristic to the individual company than to the type of social business model. This is the case with the value proposition, which is rather difficult to discuss on an abstract or more general level. One of the reasons for this is that the social mission of a firm is at the core of the value proposition. Yet, each company follows a unique and singular mission. Another sub-component of the value proposition is the product or service these firms provide. One could categorize these products and services, but at least in this analysis it was not possible to allocate or identify distinct types of products and services to each of the four social business model types. Moreover, customers and beneficiaries constitute another sub-component of the value proposition. Yet, again, it was not possible to identify homogeneity within the social business model types and distinction between them in respect to customers and beneficiaries.

Maybe the most distinguishing component of each social business model type is the mode of value constellation. It exhibits the position and relations of customers and beneficiaries on the consumption and/or the production side. The results presented in this study show that each of the 126 examined companies can be appropriated to one of four modes of value constellation. First, each company that has been referred to as SBMT 1 is based on the mode called two-sided consumption, which means both customers and beneficiaries consume the social mission of a



firm. Customers do so by consuming “doing good” and donating or funding, while beneficiaries consume the social mission through the goods and services they receive. Second, all firms in SBMT 2 are based on a mode referred to as consumption-production, which means that beneficiaries on the production side offer free, but valuable input for the beneficiaries on the consumption side. Third, each firm characterized as SBMT 3 is characterized by a mode of value constellation called production-consumption. This means that beneficiaries are employed on the production side, while customers exhibit a market target group on the consumption side. Fourth, all companies in SBMT 4 are based on a mode referred to as one-sided consumption, which means that customers and beneficiaries exhibit one and the same group of people that is located on the consumption side. These findings are in line with Dohrmann et al. (2015) who characterized social businesses based on the position of the social target group, what here is referred to as beneficiaries.

Furthermore, social and economic profit equation are distinguishing components of each of the social business model types. It is argued that each type of business model leverages on a distinct type of capital, which is a sub-component of the social profit equation. In this respect, the proposed organization of companies engaging in social entrepreneurship by Mair et al. (2012) has been proven to be applicable to the German and South African sample of companies. First, SBMT 1 is characterized by leveraging social capital due to companies utilizing social networks, community-building and trust as essential factors to achieve their social mission. Second, SBMT 2 is defined by leveraging political capital due to the fact that these firms address law and justice issues and focus on fostering a political identity. Third, SBMT 3 is characterized by leveraging on human capital due to their firms depending and utilizing beneficiaries as production input while enhancing their beneficiaries’ skills and competences. Fourth, SBMT 4 is defined by leveraging economic capital as they provide goods and services with high spill-overs such as financial services or energy with the final aim to improve the economic situation of their customers. Moreover, as discussed earlier in respect to the financing dimension, each of the four business model types can be distinguished based on its economic profit equation and the way they finance.

While the 126 companies can be divided into the German sample with 55 companies and the South African sample containing 71 companies, with both countries exhibiting two rather distinct environments and economies, the difference between the business model types of each sample are rather minor. The most distinguishing characteristic between companies in the German and the South African sample is the value proposition and social mission they follow. While German firms foster rural development, the integration of immigrants, long-term

unemployed and disabled individuals into society, South African companies focus their activities on supporting children’s education, peacebuilding and HIV treatment and prevention. One of the major reasons for this difference in social missions might be the different set-up of the welfare system in each of the countries. Although companies in Germany and South Africa follow different social missions, they tend to focus on the similar groups in society: youth, disabled, unemployed and sick individuals. Furthermore, value constellation, social and economic profit equation of German and South African companies are similar. Moreover, the distribution of SBMTs among the two samples is similar in both. SBMT 1 is by far the most prevalent SBMT accounting for about two thirds of the firms in both samples. SBMT 2, 3 and 4 make up the remaining third in both countries. Consequently, it is argued that while the environment in which these companies operate are very different from each other as well as the social missions in which they engage, SBMTs in Germany and South Africa are alike and the business model taxonomy worked and has been confirmed in both settings.

## 5.2. Social Business Model Innovation

The second part of the analysis presents an explorative study of different types of social business model innovations. The findings of this analysis are based on a sample of seven companies engaging in social entrepreneurship in Germany and South Africa that have been identified as SBMT 3 and SBMT 4. Based on literature and as a result of the empirical analysis, eight social business model innovations have been identified and are defined in Table 3. To qualify as social business model innovation, it must depict as a novel combination or constellation within or between components of the social business model that enables a business to react to its environment and sustain its social mission while aiming to benefit the organisation and its stakeholders.

Social Business Model Innovation	Description
Recycling Funds	Reuse of funds by finding ways for beneficiaries to pay back financial support through generated income
Essential Appliances	Exploitation of additional financial sources by introducing appliances and materials that are crucial to fulfil service, but not hinder the fulfilment of social mission
Smart Donations	Utilization of a premium to boost social mission
Social Franchise	Application of a commercial franchise system to achieve social change, rather than financial profits
Experimentation	Exploration of new combinations of business model components and experiment with business models to improve social impact
Multiple Business Models	Application and combination of various business models to increase social impact

Entrepreneurial Spread	Engagement and support of beneficiaries to become entrepreneurial and find new ways of employment
Financial Engagement	Financial involvement of beneficiaries through owning shares of the business, which can also be used as additional financial source

Table 3: Social Business Model Innovations

Source: Author's conception (2017)

Each of the eight identified social business model innovations enables a company to generate income either directly or indirectly while sustaining its social mission and improve its social impact. While SBMIs like Recycling Funds, Essential Appliances, Smart Donations and Financial Engagement have a direct impact on a firm's balance sheet by increasing the firm's financial income, the other four SBMIs improve a company's financial endowment by either spreading financial risk, including add-on activities to their business that generate income or focus on experimenting with new ways of value creation. Yet, not every social business model innovation may be appropriate for each social business model type and every company. The application and introduction of a SBMI always depends on the intention, social mission and aim of the firm. For instance, to involve stakeholders, to foster the social mission and to enable income generation firms can apply SBMIs such as Entrepreneurial Spread or Financial Engagement. To spread the social mission and thereby increase the social impact, SBMIs such as Social Franchise and Entrepreneurial Spread can be used. While Social Franchise exhibits a comparably low-cost way for companies to increase their impact, Entrepreneurial Spread enables individuals to become social entrepreneurs in a similar, but more independent way. Moreover, the identified SBMIs respond to challenges concerning finance, sustainability and environment. While SBMIs Multiple Business Models or Experimentation can be seen as an option to deal with a highly-regulated environment, SBMIs such as Social Franchise and Entrepreneurial Spread enable firms to sustain and grow their business.

In line with Mair and Marti (2006) it is argued that businesses in social entrepreneurship that generate income are more sustainable and vital due to their financial independency. The identified SBMIs help firms to be more financially independent from donators or funders. Thus, they offer ways to generate income independently and based on their social mission. Yet, money must come from somewhere. Therefore, focus shifts to the beneficiaries and customers, which are engaged in different ways in companies based on SBMT 3 and 4. Thus, it is argued that financial involvement of beneficiaries and customers is more sustainable as they directly benefit from the firm's social mission. Investors and funders of companies based on SBMT 1, 2 and 3 do support a firm's social mission, yet, they do not directly benefit or depend on the firm's

social mission. In other words, a social investor or a sponsoring company might be more likely to exit the undertaking than it might be the case with beneficiaries or customers that engage and directly benefit from the social mission. Also, the involvement of high number of beneficiaries and customers might be a more beneficial and more democratic approach to the fulfilment of a social mission than engaging one or two main funders or donors. Due to these reasons, it is argued that the identified SBMI are key facilitator that allow firms to spread their social mission in a more vital and sustainable manner.

The findings from the second part of this study are in line with findings from other researchers. As the analysis was based on topics identified in the literature (Yunus et al. 2010; Spiess-Knapf et al. 2015; Gebauer et al. 2017) it is not surprising that there are certain similarities. For instance, Entrepreneurial Spread is very similar to what Spiess-Knapf et al. (2015) refer to as Opportunity Creation. However, due to the applied and rather narrow definition of SBMI, some business model innovations identified by Spiess-Knapf et al. (2015) are not regarded as SBMI here. For instance, this is the case with Inclusive Production, which they define as “inclusion of disabled persons or persons with special skills in the production process” (Spiess-Knapf et al. 2015). In this thesis, the inclusion and employment of beneficiaries as production input is a characteristic of SBMT 3, which can be disabled or individuals with special skills. In this respect, the author would not refer to this as SBMI.

### **5.3. Limitations and Future Research**

While this study has been set up carefully and achieved its aim, there are limitations and shortcomings that shall be pointed out in the following. Generally, this study focuses on how firms engaging in social entrepreneurship combine social and economic value creation by investigating how these companies design, organize and innovative their business model. This is a very complex undertaking and for that reason, not each business model of the 126 examined companies could be discussed extensively. Hence, social business models have been discussed and mechanisms revealed on a more abstract and stylized level. With this goes along, that one loses a lot of detail information. However, the level of abstraction was appropriate to discuss distinct social business model types and their core components. Moreover, a more detailed discourse would have exceeded the aim and particularly the length of this thesis.

Another limitation of this thesis is that the sample used for the business model taxonomy is not necessarily a representative sample of German and South African firms engaging in social entrepreneurship. This is due to two instances: On the one hand, there is no universal definition of social entrepreneurship or distinct types of social business models, which makes it impossible

to determine a sample that is representative. On the other hand, as the sample is based on the Ashoka database, these firms may represent the preferences of Ashoka and only businesses that are rather well developed. Yet, it is argued that characterization and identification of the distinct types of social business models in the sample offers a valid approach and stylization, which did unveil distinct types of how firm design and structure their social business model.

Moreover, the number of interviewed companies that the social business model innovations are based on is rather low. This means that it cannot be guaranteed that if another sample of companies was interviewed, the same social business model innovations will be detected. Therefore, the identified eight social business model innovations should be regarded as characteristic for the studied companies. Yet, as pointed out earlier, there are similarities between the SBMIs in this study and SBMIs that have been identified in the literature before. This allows to assume that the identified eight SBMIs can and are also applied by other than the examined businesses engaging in social entrepreneurship.

This thesis contributes to the research on business models and business model innovations in social entrepreneurship. Particularly, it adds new insights to the understanding of how firms in SE organize and design their business model. In respect to the social business model taxonomy future research should canvass the established taxonomy in other countries than Germany and South Africa or apply different databases to prove consistency and tenability of the framework. In respect to the identified social business model innovations, the need for a further development of the definition is given and should be prioritized. As pointed out earlier, the understanding of social business model innovations differs and makes it difficult to compare studies and certain business model innovations.

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# Appendix

## Appendix I

### Examined Companies

Name	Founder	Country	SBMT
1to1 Agency of Engagement	Jhono Bennett	South Africa	1
Abalimi Bezakhaya	Rob Small	South Africa	2
abgeordnetenwatch.de	Gregor Hackmack	Germany	2
ADAPT Agisanang Domestic Abuse Prevention and Training	Mmatshilo Motsei	South Africa	1
Altered Attities	Flick Asvat	South Africa	2
apeiros	Stefan Schwall	Germany	1
ArbeiterKind.de	Katja Urbatsch	Germany	2
Berufsparours	Karin Ressel	Germany	1
betterplace.org	Till Behnke	Germany	4
Bibbibear	Jackie Branfield	South Africa	1
Border Rural Committee	Ashley Westaway	South Africa	1
Box Girls International	Heather Cameron	Germany	1
Buddy e.V. Forum für neue Lernkultur	Roman Rüdiger	Germany	1
Centre for Advances Studies of African Society	Kewsi Prah	South Africa	1
Centre for Conflict Resolution	Laurie Nathan	South Africa	1
Centre for Criminal Justice	Winnie Kubayi	South Africa	3
Chancenwerk	Murat Vural	Germany	2
Children Resources Centre	Marcus Solomon	South Africa	2
co2online	Johannes Hengstenberg	Germany	3
Community Action Towards a Safer Environment	Lane Benjamin	South Africa	1
Community Exchange System	Timothy Jenkin	South Africa	4
Community Sanitation Projects/ Clean Shop	Trevor Mulaudzi	South Africa	2
Conquest for Life	Glen Steyn	South Africa	2
COPESSA Community-based Prevention and Empowerment Strategies in South Africa	Nobs Mwanda	South Africa	1
Das macht Schule e.V.	Bernd Gebert	Germany	1
Democaris GbR/ Democaris e.V.	Dagmar Schreiber	Germany	2
Deutschland rundet auf	Christian Vater	Germany	1
Dialogue Social Enterprise	Andreas Heinecke	Germany	3
Discovering Hands	Frank Hoffmann	Germany	3
DORV	Heinz Frey	Germany	1
Econocom Foods	Basil Kransdorff	South Africa	4
EFCNI European Foundation for the Care of Newborn Infants	Silke Mader	Germany	1
Eltern AG	Meinrad Armbruster	Germany	1
Empowering Children and The Media	William Bird	South Africa	1
Enke	Pip Wheaton	South Africa	1
Equal Education	Doron Isaacs	South Africa	2
Essbare Stadt Andernach/ Wesentlich GmbH	Heike Boomgaarden	Germany	1
ETC Education Training Counseling	Linzi Smith	South Africa	4

Ethno-Medizinisches Zentrum e.V.	Ramazan Salman	Germany	2
EWS Elektrizitätswerke Schönau Eg	Ursula Sladek	Germany	4
Extra-Mural Education Project	Jonny Gevisser	South Africa	1
Fieldworks	Myrna Wajsman-Lewis	South Africa	1
Flechtwerk 2+1	Annette Habert	Germany	2
Frauen Helfen Frauen EN e.V., GESINE	Marion Steffens	Germany	1
Future Farmers	Judy Stuart	South Africa	3
Gefangene helfen Jugendlichen e.V.	Volker Ruhe	Germany	1
Gemeinnützige Initiative für transparente Studienförderung gUG	Dr. Mira Maier	Germany	2
Generationsbrücke Deutschland	Horst Krumbach	Germany	1
goldyouth.org	Susannah Farr	South Africa	3
Greater Good South Africa Trust	Tamzin Ractliffe	South Africa	4
Gründer 50 Plus	Ralf Sange	Germany	3
Hand-in	Rupert Voss	Germany	3
HLGC Homeloan Guarantee Company	Charlene Lea	South Africa	4
Hlokomela Training Trust (HTT),	Christine du Preeze	South Africa	1
Home Language Project	Margaret Owen-Smith	South Africa	1
Ikamva Youth	Joy Olivier	South Africa	2
Ikhayalami	Andrea Bolnick	South Africa	4
International Centre for Eyecare Education	Kovin Naidoo	South Africa	3
iq consult	Norbert Kunz	Germany	1
Irrsinning-Menschlich e.V.	Manueal Richter-Werling	Germany	1
Khulisa Child Nurturing Organisation	Lesley Ann Van Selm	South Africa	1
Kind in Diagnostik	Claus Gollmann	Germany	1
KISS Program	Joachi Körkel	Germany	1
Kopanong Bed and Breakfast	Thope Lekau	South Africa	3
LEAP Science and Maths School	John Gilmour	South Africa	1
Life College	Patmanthan Pillai	South Africa	3
Maharishi Institute	Tony Blecher	South Africa	3
Masimanyane Women´s Support Centre	Lesley Foster	South Africa	1
Media in Cooperation and Transition	Klaas Glenewinkel	Germany	1
MFM-Project	Elisabeth Raith-Paula	Germany	1
Mhani Gingi Social Entrepreneurial Network	Lillian Masebenza	South Africa	3
MiniChess	Marisa van de Merwe	South Africa	1
Mothers 2 Mothers	Mitchell Besser	South Africa	2
Mütterzentren	Hildegard Schooss	Germany	1
Natural Justice	Harry Jonas	South Africa	1
North Star Alliance	Paul Matthew	South Africa	1
O.C.R. Organization of Civic Rights	Iqbal Mohamed	South Africa	1
Oekom Research and Oekom Publishing House	Jacob Radloff	Germany	4
Open Africa	Noel De Villiers	South Africa	3
Open Disclosure Foundation	Andile Carelse	South Africa	1
OpenSpace-Online	Gabriela Ender	Germany	4
P.E.A.C.E. Foundation	Nora Tager	South Africa	1
Papilio e.V.	Heidrun Mayer	Germany	1

Perinatal Mental Health Project	Simone Honikman	South Africa	1
Projektfabrik e.V.	Sandra Schürmann	Germany	1
Regionalwert AG	Christian Hiss	Germany	4
Restorative Justice Center	Mike Batley	South Africa	1
R-Labs	Marlon Parker	South Africa	3
Schlau Schule	Michael Stenger	Germany	1
Science Lab e.V.	Heike Schettler	Germany	1
Seeding Food Security, Sovereignty and Culture	Munyaradzi Saruchera	South Africa	1
Shonaquip/ Uhambo Foundation	Shona McDonald	South Africa	4
Sikhula Sonke	Wendy Pekeur	South Africa	1
Siyafunda Community Technology Centers	Ahmed Smiley Ismael	South Africa	1
Small Enterprise Foundation	John De Wit	South Africa	4
Sonke Gender Justice	Dean Peacock	South Africa	1
Soul City Institute	Garth Japhet	South Africa	1
South Africa Grannies' Football Association (SAGFA)	Beka Ntsanwisi	South Africa	1
Sozialhelden e.V.	Raul Krauthausen	Germany	2
Stiftung Agrarkultur leben gGmbH	Christian Vieth	Germany	2
streetfootballworld gGmbH	Jürgen Griesbeck	Germany	1
SWEAT (Sex Worker Education and Advocacy Taskforce)	Shane Petzer	South Africa	2
Swim Bildung UG	Robert Greve	Germany	1
Tactical Technology Collective	Stephanie Hankey	Germany	1
TEAM U	Attila von Unruh	Germany	1
The Africa meets Africa Project	Helene Smuts	South Africa	1
The Combat Trust	Janice Webster	South Africa	1
The Rural Women's Movement	Lydia Ngwenya	South Africa	2
The Sustainability Institute	Mark Swilling	South Africa	4
The Tomorrow Trust	Kim Feinberg	South Africa	1
The Topys Foundation	Duke Kaufman	South Africa	1
Treatment Action Campaign	Zackie Achmat	South Africa	1
Tshwane Leadership Foundation	Stephan de Beer	South Africa	1
Ubuntu Self Help Educare Ressource Center	Shadrack Tshivahase	South Africa	1
umthombo Youth Development Foundation	Anrew John Ross	South Africa	3
Väter e.V.	Volker Baisch	Germany	1
Verbavoice	Michaela Nachtrab	Germany	4
Victory Sonqoba Theatre Company	Bongani Linda	South Africa	2
Violence Prevention Network e.V.	Judy Korn	Germany	1
Was hab ich?	Anja Bittner	Germany	2
Wash United	Thorsten Kiefer	Germany	1
Waves for Change	Timothy Conibear	South Africa	2
Wellcome	Rose Volz-Schmidt	Germany	1
WIZZIT International	Brian Richardson	South Africa	4
XPER Regio	Franz Dullinger	Germany	2
Yesil Cember/ Gründer Kreis	Gülcan Nitsch	Germany	1

## Appendix II

### Interview Questions

*Note: These questions exhibit the very base of each question set. Every question has been adapted to and personalized for the respective company before conducting the interview.*

1. What makes your company different to any other commercial/conventional company in the same industry?
2. What does “social” mean to you? How is this reflected in your company?
3. Did you change your social mission over time? If yes, can you describe the impact it had on your business?
4. Have you been facing conflicts between stakeholders (e.g. employed beneficiaries and customers or between investors and your management)? How did you solve them?
5. How do you ensure that all stakeholders benefit from the social mission?
6. Looking back, what have been the biggest challenges in sustaining/growing your company so far? How did you solve the issues that came up?
7. How do you sustain your business financially? What are your sources of income? How did this change over time?
8. How do you establish pricings and make sure it is affordable for your customers? Do you experiment with different pricing strategies?
9. Do you experiment with your business model? How do you adapt to new advances and changes in your business environment?
10. How do you deal with financial profits or loss?
11. What role does your network of partners (e.g. giving personalized examples) play in fulfilling your mission? In which aspects do you benefit from your partners? How did this change over time?
12. How do you measure your social impact? What are the issues you face in doing so?
13. How do you improve your services? For instance, do you use any feedback or quality management to improve your business?
14. Where do you see your company in five year? How will you get there?

## Appendix III

### Interview Partners

Name of Company	Name of Interviewee	Position	Mode of Interview
Dialogue Social Enterprise	Dr. Andreas Heinecke	CEO and Founder	Skype, 11/04/17, 34:32 min
Discovering hands gUG	Dr. Frank Hoffmann	CEO and Founder	Skype, 29/03/17, 31:52 min
Elektrizitätswerke Schönau eG	Sebastian Sladek	Chairman of eG	Skype, 13/04/17, 60:43 min
Future Farmers Foundation	Judy Stuart	CEO and Founder	Skype, 30/03/17, 77:58min
Open Africa	Noel De Villiers	CEO and Founder	scripted
Regionalwert AG	Christian Hiß	Chairman of AG and Founder	scripted
WIZZIT International	Brian Richardson	CEO and Founder	Skype, 30/03/17, 34:32 min

## Appendix IV

### Definitions and Examples of Sub-components

Component of Analysis	Sub-Component	Definition	Examples
Value Proposition	Problem	The problem defines the social issue the company attempts to solve	In South Africa, more than 11 million people are “unbanked” and do not have access to financial services
	Social Mission	The social mission is at the core of the company and defines how they solve a social issue	Empowering people in poor communities by giving them access to banking and lending services
	Customers	The customers are organizations or individuals that pay for and consume the social mission of the company	Donors, Governmental Institutions, Travelers, People in local communities, ...
	Beneficiaries (on consumption or production side)	The beneficiaries are the individuals or social groups that benefit from the social mission of the company. They can either be positioned on the consumption side while consuming the social mission or they are positioned on the production side, while contributing production input to the social mission	Disabled individuals, low-income borrowers, rural youth, convicts, ...
	Product or Service	The product or service that is offered by the company	Mobile payment services, afterschool education, treatment action campaign and advocacy for HIV treatment
Value Constellation	Mode of Constellation	The mode of constellation is defined by the relation and position of consumer and beneficiaries on either consumption or production side	Two-sided consumption, consumption-production, production-consumption, one-sided consumption
	Internal Value Chain	The internal value chain exhibits internal resources and competences of the company	33 offices; 300 staff; active in 400 communities in Western Cape, ...
	External Value Chain	The external value chain exhibits external resources and networks of the company	Network with churches, Embassy of Sweden, UNICEF, Sponsors, ...
Social Profit Equation	Mode of Value Creation	The mode of value creation defines whether a focus is given to social or economic value creation	Social value creation, economic value creation

	Rationale of Mode	The rationale of mode is justifying the mode of value creation	Community Building, Lack of Resources, Training, ...
	Leveraging Capital	The leveraging capital exhibits the kind of capital a company is leveraging on. This is done based on Mair et al. (2012)	Social, Political, Human, Economic
Economic Profit Equation	Financial Sources	The financial sources exhibit the main sources of income of a company	Government funding, sponsoring, donations, generated income, ...
	Budget or Turnover	The budget or turnover defines the annual revenue or budget of a company (if data available)	14.3 mi. Rand, 4 mil. Euro, ...
	Monetization	The monetization exhibits the mode through which the company generates income	Cross-subsidies, funding strategies, scholarships, ...
	Financial Profit	The financial profit provides information on how the company is dealing with financial profits (if applicable)	Full reinvestment, pay maximum dividend of inflation rate, ...
Additional Information	Name of the Initiative	Name of the initiative as provided listed on Ashoka website	Empowering Children and The Media
	Name of the Company	Registered and current name of the company	Media Monitoring Africa
	Founder	Name of the Founder and Ashoka Fellow	Harry Jonas
	Founding Year	Year of Founding of the company (and start of initiative)	2000, 1998, 2011, ...
	Location	Current registered address of company	Berlin
	Legal Form	Type of business entity as registered per commercial law	South Africa: NPO, PBO, ... Germany: eG, GmbH, ...
	Topics (Ashoka)	Ashoka defines its own categorical topics for fellow companies, which give a first insight of what the company and its social mission is about	Income generation, Philanthropy, Business & Social Enterprise, ...
	Website	Current web presence of the company as accessible during time of analysis	<a href="http://www.peacefoundation.org.za/">http://www.peacefoundation.org.za/</a>