Exploring the Role of Business Model for Social Entrepreneurship
- in the Philippine context -

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Abstract

Scholarly publications and discussions provide differing views on what Social Entrepreneurship is (or is not) that result to a knowledge gap wherefrom this study’s departure point is drawn. Such gap allows interpretation that the adoption of business model can not be fully disregarded as part and parcel of social entrepreneurship (SE). Moreover, entrepreneurial activities within SE is seen by some as a possible source of self-sustenance. Therefore, this research explores and seeks to provide an understanding of the role of business model for social entrepreneurship from a sustainability perspective.

Practical examples of social entrepreneurship in the Philippines are used where the context of the practitioners themselves are taken into account. Qualitative research with semi-structured interview that is compatible with social constructionism approach are employed to obtain contextual understanding of the role of business model for SE that this study aims to achieve. The findings indicate, among others, that the organisations studied are Social Enterprises precisely because they are able to apply business principles while doing social mission, and business model is a necessary sustainability ingredient for SE.

Keywords: Social entrepreneurship, business model/principles, entrepreneurial activities, social mission, sustainability, development beyond aid, aid grant/dependency, context, NGOs/NGDOs
Acknowledgement

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Acronyms

<table>
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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>APFTI</td>
<td>Advocate of Philippine Fair Trade, Inc.</td>
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<td>BM</td>
<td>Business model</td>
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<td>E</td>
<td>Entrepreneurship</td>
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<td>FP</td>
<td>For-profit</td>
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<td>FFTV</td>
<td>Filipinas Fair Trade Ventures</td>
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<td>G&amp;G</td>
<td>Gifts and Graces Fair Trade Inc.</td>
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<td>NFP</td>
<td>Not-for-profit</td>
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<tr>
<td>NGO/NGDO</td>
<td>Non-governmental/development organisation</td>
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<td>SE</td>
<td>Social Entrepreneurship</td>
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<td>SEI</td>
<td>Social Entrepreneurship and Innovation (course)</td>
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<td>SME</td>
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1 Introduction

This section introduces the subject of Social Entrepreneurship (SE), specifically the tension between whether or not business model (or entrepreneurial principles) falls within the parameter of SE, such tension owing to the differing views of what SE is (or is not). Consequently, using the tension within the views to be identified and therefrom base the problem discussion, the research objectives will also be presented along with the research question. Also in this section are Delimitations, Target Audience and Thesis Structure.

1.1 Research Background

Social Entrepreneurship, an entrepreneurial activity with an embedded social purpose, has been on the rise during the last decades (Austin, Stevenson and Weir-Skillern, 2006; Dees, 2007) and attracting increased attention from different sectors (Martin and Osberg, 2007) especially within the academe (Peredo and McLean, 2006). It is an emerging area of investigation within the entrepreneurship and not-for-profit (NFP) marketing literatures (Weerawardena and Mort, 2006).

Fowler (2000) examined whether or not the paradigm of social entrepreneurship offers a new source of inspiration as, among others, a paradigm for development beyond aid for non-governmental development organisations (NGDOs). With the marginal effect of trillions of dollars spent for over 30 years to improve the lot of the poor - where the existing paradigm and practice of aid has not delivered sufficiently in terms of poverty reduction, Fowler (2000) argues that social entrepreneurship offers a more risk-strewn framework for the future of NGDOs and development beyond aid. Aid is losing its value for global development in the eyes of policy makers hence its diminishing level or flow puts developmental initiatives in peril (ibid.). Through income-generating activities, Fowler (2000) sees SE’s potential of becoming self-sustaining and therefore its potential to put forward developments that are traditionally aid dependent (also in Boschee and McClurg, 2003).
1.2 Problem Discussion

Along with the growing interest in social entrepreneurship (SE) comes differing views. Some claim that SE is a mere extension of the mainstream entrepreneurship (e.g. Martin and Osberg, 2007). Others say that it is seen as differing from other forms of entrepreneurship in the relatively higher priority given to promoting social value and development versus capturing economic value (Mair and Marti, 2006). Moreover, that every enterprise is a social enterprise, just in different ways such that both have social and economic mission although in different magnitude1 (Trexler, 2008).

Due to the differing views, Martin and Osberg (2007) believe that a much sharper definition of social entrepreneurship is needed. They claim that: Social entrepreneurship is an appealing construct precisely because it holds such high promise. If that promise is not fulfilled because too many “nonentrepreneurial” efforts are included in the definition, then social entrepreneurship will fall into disrepute, and the kernel of true social entrepreneurship will be lost (Martin and Osberg, 2007:30). The discussions within Social Entrepreneurship as compared to Entrepreneurship shows that it is a commitment to providing social value that marks the divide between social and other forms of entrepreneur (Peredo and McLean, 2006). Peredo and McLean (2006:64) argue that there is no exact way of fixing the border below which the importance of social goals fails to qualify something as social entrepreneurship. For Venkataraman (1997), the creation of social wealth is as a by-product of economic value created by entrepreneurs in the traditional entrepreneurship context. While in SE, social value creation appears to be the primary objective, economic value creation is often a by-product that allows the organization to achieve sustainability and self-sufficiency. (Seelos and Mair, 2005)

The above discussion shows that the concept of SE is still poorly defined, and its boundaries to other fields of study remain unclear (Mair and Marti, 2006). Hence this provides a unique opportunity for researchers from different fields and disciplines, such as entrepreneurship, sociology and organizational theory, to challenge and rethink central concepts and assumptions (ibid.). Furthermore, and specifically, the differing views have led to the surfacing of ’for and against’ camps on whether or not the adoption of business model or entrepreneurial ingredient falls within the SE arena.

1 Where for SE the primary goal is social mission, it is economic mission for Entrepreneurship
According to Trexler (2008), whether an organisation actually engages in commerce is beside the point, the key value is devicing solutions to social problems that stretches beyond the limits of traditional philanthropy. For example, Ashoka, a leading force in the movement, defines social enterprise as a disruptive innovation in resolving social problems (ibid.). For Seelos and Mair (2005), defining SE is a challenge because “social” and “social needs” mean different things to different people. This ambiguity can be overcome by studying SE through the lens of a widely recognized and global goal with integrated social needs to which many institutions and businesses have committed themselves: the goal of achieving sustainable development.

The Role of Business Model
Building on the above opposing camps on the adoption of business model (BM), there are those who hold, at one end of the spectrum, that social goal(s) must be the exclusive aim of the social entrepreneur and that any wealth generated is merely a means to the social end, and therefore financial benefit to the (social) entrepreneur does not find room among the goals of the endeavor (Peredo and McLean, 2006). The association given to SE being not-for-profit (NFP) as indicated by a number of literature (e.g. Dees, Emerson, and Economy, 2002) brings about an idea of delivering some social good or service without engaging in any form of exchange, hence these are without ‘earned income’ activities. Anderson and Dees (2002:192) claim that "Social entrepreneurship is about finding new and better ways to create and sustain social value”. It is more about social entrepreneurs inventing ways for instance to deliver shelter, health or education, without necessarily charging fees or looking for any return from their beneficiaries or supporting their endeavors with earned income. (Peredo and McLean, 2006)

At the other end of the spectrum are those who consider combining the pursuit of financial and social returns as less problematic. NFP organizations taking this route are often described as "hybrids” (e.g. Davis, 1997) as they combine non-profit with for-profit organizational features. The Grameen Bank in Bangladesh (see Grameen Communications, 1998), and other microcredit lending agencies that extend small loans to the poor who would otherwise not qualify for credit with standard lenders, is one example of this form of enterprise. (Peredo and McLean, 2006) This loan is given
against an interest which is reminiscent of a business banking practice (profit-generating) hence considered as "hybrid".

Hence the problematization lies within what is and what is not social entrepreneurship. Although some authors are adamant about social entrepreneurship as belonging to not-for-profit initiatives and who see adoption of a business model being inappropriate in many ways and as a threat to the realization of the enterprise’s primary mission (e.g. Dees, 1998; Foster and Bradach, 2005 in Chell, 2007), there is no common agreed-upon restriction that constrains social entrepreneurs from adopting business approaches in order to fully or partially fund its social initiatives.

Drawing from this unclear SE boundary in being between completely ‘social’ or ‘social and entrepreneurial’, and the lack of consensus as to what Social Entrepreneurship is or is not (Martin and Osberg (2007), a loophole – a knowledge gap – is identified and therefore restricts utter antagonism or prohibition against the adoption of business model. Moreover, there have been unsatisfactory results from many years of aid-pumping and aid-dependency, which is partly the same reason (dissatisfaction) for the current decrease in aid volume and frequency that threatens the sustainability of social initiatives (Fowler, 2000).

Furthermore, Alvord, Brown and Letts (2004:279) say: the more we know about the forms that social entrepreneurship may take and the contexts within which such forms are effective, the more it will be possible to design successful future initiatives, as they seek to identify common patterns across a small set of successful social entrepreneurship initiatives. This, therefore, reinforces why this present research is needed where the context of the interviewed (social) entrepreneurs themselves may provide us with some insight on the role of business model for social entrepreneurship.

The entrepreneur and her/his context
The starting point for entrepreneurship is what Martin and Osberg (2007) call an entrepreneurial context. They have cited several cases where entrepreneurial contexts are highlighted and with which context has been one of the central cores of the entrepreneurial success. FedEx is one of these cases. Before FedEx came along, sending a package across country was anything but simple. This is the suboptimal
equilibrium that Fred Smith saw – the context of long-distance courier service with which FedEx courier solution came into being.

Entrepreneurs, according to Martin and Osberg (2007), are believed to have an exceptional ability to see and seize upon new opportunities, the commitment and drive required to pursue them, and an utter willingness to bear the inherent risks. Building from this theoretical base, Martin and Osberg (2007) believe that entrepreneurship describes the combination of a context in which an opportunity is situated, a set of personal characteristics required to identify and pursue this opportunity, and the creation of a particular outcome. Context, according to the PCDO\textsuperscript{2} Model, is defined as factors affecting the nature and outcome of the opportunity, but are outside the control of management, has considerable overlap for commercial and social entrepreneurship (Austin et al. 2006).

According to Barab and Squire (2004), context guides us on how to understand a situation. In the empirical study of this paper, the Philippine context will be in focus to gain understanding from a practical perspective (Mair and Martí, 2006), for instance, the social entrepreneurs’ motivations in doing what they are doing, how they regard social entrepreneurship and adoption of business model, etc.

This study will therefore take into account how social entrepreneurship is viewed in reality – by people who are ‘on the floor’, their own experiences, motivations, challenges and aspirations as social entrepreneurs. What the entrepreneur and her/his context can contribute to our understanding of social entrepreneurship as a field in relation to entrepreneurship, and particularly, the relevance of applying business-like processes within social entrepreneurship which is the primary aim of this study.

\textsuperscript{2} The people, the context, the deal and the opportunity.
1.3 Research Objectives and Research Question

The discussions above bring to our attention the following: that it is unclear what SE is or is not; that SE is dependent on context; that SE being entrepreneurial possesses sustainability potential. Hence this study explores and seeks to provide an understanding of the role of business model for SE from a sustainability perspective; taking into account what the context of the practical reality of (social) entrepreneurs in the Philippines offers.

By exploring the role of business model (BM), it is anticipated to find out if indeed organisations’ engagement in commerce is beside the point as long as solutions to social problems are devised as Trexler (2008) argues, or that SE with its entrepreneurial flair possesses potential of becoming partially or wholly self-sustainable (Mair and Martí, 2006; Chell, 2007) or of transforming NGOs/NGDOs into becoming self-sustaining, towards sustainability and development away from aid dependency (Fowler, 2000; Boschee and McClurg, 2003).

Here is an illustration on how the research problem has been identified and developed into a research question:

Differing views on what SE is or is not = Knowledge gap. Hence business principles can not be strictly excluded

What is the role of business model for SE?

Why?

Figure 1: (author’s own model)

Therefore, taking into account the research problem and to facilitate obtaining the research objective, this study seeks to find answers to the main research question:

What is the role of business model for SE, and why?
1.4 Delimitations

The concepts of definition, context and BM are introduced in this study in order to provide some idea as to what these concepts are and hence facilitate the understanding of their role in the field of Social Entrepreneurship. However, these concepts do not form part of the main theoretical focus of this study. Moreover, I was not able to identify examples of business models (such can be non-existing in the first place) that are currently being used within SE. For instance, a model similar to Sahlman’s (1996) PCDO3 model of entrepreneurship which according to Austin, et al. (2006) is in many ways applicable to the analysis of social entrepreneurship. Such model that can be used to study/analyse the entrepreneurial aspect of SE is unidentified and is therefore lacking in this present study. However, the empirical results are to provide us with some idea on the 'business model’ the organisations are using and hence can enrich our understanding of what business model is according to them, especially what it is for.

The organisations interviewed use fair trade and marketing-oriented type of business model. However, this paper does not focus on analysing the nature of their BM. The focus rather, is on the role of BM for the enterprises, in other words: why do they adopt (or do not adopt) business principles?

1.5 Target Audience and Expected Contribution

Considering that this study employs a combination of literature review and empirical study, the target audience is students, researchers, teachers, practitioners, entrepreneurs, NGOs, NGDOs and other organisations, as well as the government and business sectors that are, in one way or the other, involved or have interest in entrepreneurship and social entrepreneurship. Bringing a concrete and practical example of social entrepreneurship into the fore and by so doing enriching our understanding of the theory as against the real-life social entrepreneurship, it is anticipated that this study would capture interest among various actors in the fields of social and development studies, economics and business administration, organisation and leadership.

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3 The people, the context, the deal and the opportunity Model
This study is expected to contribute to our understanding of the role of business model for SE from a sustainability perspective, through finding out if the theories indeed occupy room in practice as what the empirical study aims to unleash.

1.6 Thesis Structure

This paper consists of six main sections. The first section, Introduction, is comprised of the Research Background where a discussion on the importance of definition of social entrepreneurship, what context is for and the role of business model, is provided. This is followed by the Problem Discussion, Research Objectives and Question, Delimitations, Target Audience and this sub-section Thesis Structure.

The Research Design can be found under Section 2, with two main sub-parts – Research Approach, comprised of Choice of Subject, Choice of Method, Theoretical Framework, Reflections on Sources and Literature; and Empirical Approach that includes the Field Study and Reflections on the Research Design.

Section 3 provides a Literature Review of the fields of Entrepreneurship and Social Entrepreneurship, and the sub-section Business Model towards Sustainability.

In Section 4 the Field Study is presented, with a brief presentation of some relevant information about the Philippines, followed by information about the organisations Gifts and Graces Fair Trade Inc. (G&G), Filipinas Fair Trade Venture (FFTV), and San Teodoro Women’s Cooperative, and the Empirical Results.

The Analysis follows in Section 5 and the paper is completed with the final section Conclusion that includes Contribution and Proposals for Future Research.
2 Research Design

Considering the nature and objective of this research, where the role of business model is to be explored through the experiences of the social entrepreneurs themselves, in order for us to achieve a better understanding of the role of income-generation (business model) for social entrepreneurship, this study employs both a literature review and an empirical research. This section presents the Research Approach and Empirical Approach.

2.1 Research Approach

As presented earlier, Martin and Osberg (2007) believe that entrepreneurship describes the combination of a context which an opportunity is situated, and that the starting point for entrepreneurship is called an entrepreneurial context. Context, according to Barab and Squire (2004), guides us on how to understand a situation.

Through practical perspectives, this present study is to take into account the context of the social entrepreneurs themselves in order for us to achieve greater understanding of what the reality tells us in comparison or relation to what the theories indicate. For this reason, this study adopts the social constructionism research approach, a philosophical approach compatible with qualitative research method where the study’s aim is to obtain contextual understanding of people’s reality (Bryman and Bell, 2007).

According to Easterby-Smith, Thorpe and Lowe, (2002:30) in social constructionism, reality is being determined by people rather than by objective and external factors and it also asserts that social phenomena and their meanings are continually being accomplished by social actors. The interaction between various players – such as between the interviewed organisations and their partner communities, as well as between these interviewed organisations’ representatives and myself as the researcher – is part and parcel of a constructed social world. The social world and its categories are not external to us, but are suggested to be built up and constituted in and through interaction (Bryman and Bell, 2007:24). Hopefully, through this approach, the context of the social entrepreneurs themselves can provide us with better understanding of the role of income-generating/entrepreneurial activities within social entrepreneurship.
The term constructionism also includes the notion that the researcher’s own accounts of the social world are constructions. The researcher always presents a specific version of social reality and this makes knowledge viewed as indeterminate (Bryman and Bell, 2007:23). This applies to my study as well which is anticipated to help, in some way, increase the validity and reliability of this study, bearing in mind that my own presence and contribution along and within the process is an inevitable component of the research (more on the role of researcher in the upcoming subsection Choice of Method).

2.1.1 Choice of Subject

The reason behind the choice of the study’s subject – exploring the role of business model for SE – is twofold. First because I am involved in (a small-scale) entrepreneurship hence I find entrepreneurship very interesting; and second because of my desire to establish a sort of platform for my ambition within research that is relevant to my background. Social entrepreneurship’s great potential as a research subject and as a social developmental initiative contributes to my interest in the field. Moreover, I find it interesting, in both practical and academic sense, to find out if SE, by being entrepreneurial, can be a sustainable tool for individuals (and/through the organisations they belong) to develop a sense of self, away from the dole mindset and dependence.

Fredrik Björk (course responsible) has been the 'can opener' leading to my decision to take the Social Entrepreneurship and Innovation (SEI) course, and to use my own practical experience as a complement for my master thesis. Before getting enrolled in the course, my travel to the Philippines to meet old and new/potential partners was already booked. As Fredrik suggested, I also used this meetings to gather empirical information for this paper. This twofold objective proved to be an effective process without which I could have not obtained the same level of interaction and insight on social entrepreneurship, and the context of social entrepreneurship in the Philippines. The main focus of my research, however, has evolved as I went through the research process.
2.1.2 Choice of Method

I have taken the task to explore and seek to provide an understanding of the role of business model or entrepreneurial activities for Social Entrepreneurship from a sustainability perspective. The research question – *what is the role of business model for SE and why* is for the purpose of inquiring, through the context of the entrepreneurs themselves, whether or not there is a need to adopt a business model within SE, and if so, why. It has to be noted that the terms business model, business principles, entrepreneurial activities and income-generation serve similar meaning in this paper and are used interchangeably. To facilitate finding the answer/s to the research question and consequentially achieve the objective of this study, Bryman and Bell’s (2007) research design is employed; a design that shows compatibility with the social constructionism approach and the semi-instructured interview method used in this research.

The four main steps in qualitative research are used in this study. The steps are: general research questions, selecting relevant site/s and subjects, collection of data, and interpretation of data (Bryman and Bell, 2007:405). However, since my interview respondents were booked before I started in the course, these steps were not followed in the same order but nevertheless did not affect the desired end-result of the research process.

**Literature search**

The literature search came about naturally as the SEI class progressed with its lectures and projects, where we came across a pool of credible and peer-reviewed articles. I have also used some independent articles: *The Meaning of Social Entrepreneurship* by Dees, 1998; *Toward a better understanding of social entrepreneurship: Some important distinctions* by Boschee and McClurg, 2003; *Merging Mission and Money: A Board Member’s Guide to Social Entrepreneurship* by Boschee, J. (1998); and *Social Entrepreneurship in Developing Nations* by Foryt, S. (2002) as I find that these articles (although not peer-reviewed) provide good insight, and that these authors seem credible, being cited by other authors (for example Boschee’s works in 1995 and 1998 are both cited in Mair and Marti, 2006).
The process of gathering information and data and thereafter deciding on the research question is in a way iterative in nature as it entailed reading, writing, re-reading and re-writing. The research strategy employed can be considered as deductive in nature because the theory guided and influenced the collection and analysis of data. The respondent organisations’ webpage served as secondary source of materials, as well as Världsbutiken in Landskrona which I visited on 18 March 2011 where I obtained some point of reference/comparison when it comes to a social enterprise (with similar organisational/business concept and product range) located in Sweden.

**Qualitative empirical study**

Apart from the study of the literature, this thesis used qualitative empirical research through semi-structured interviews. According to Bryman and Bell (2007:476) semi-structured interview allows the parties to have an extended conversation outside the margins of pre-determined line of questions and interview scope. This proved to be true during my interviews with the respondents. I had a list of seven open-ended questions that served as my guide, which were all raised but did not in any way limit the flow of information as I allowed the interviewees ample space and time to express points that they think were relevant in their context. As such, all the issues that I thought were necessary to be included were indeed included, plus an additional set of issues that enriched the total sum of the interview results. None of the respondents received the questions in advance which in a way gave guarantees that whatever was said during the interviews was the closest to what their reality or context could provide (in contrast to a scenario where respondents receive the questions ahead). Their context is important as it is anticipated to facilitate finding answer/s to the research question, and finally to achieve the objectives of this study. The questions raised during the interviews were mostly based on the academic discussions and literature studies we had in the course.

Easterby-Smith, Thorpe and Lowe (2002:86) claim that the primary purpose of interviews is to understand the meanings interviewees attach to issues and situations in contexts that are not structured in advance by the researcher. An interview provides the researcher an opportunity to probe deeply to cover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience (Burges, 1982:107 in Easterby-Smith et al., 2002:87).
Moreover, on qualitative research, the perspective of those being studied – what they see as important and significant – provides the point of orientation; and the researcher seeks close involvement with the people being investigated, so that he or she can genuinely understand the world through their eyes (Bryman and Bell, 2007:425). "Reality is determined by people rather than by objective and external factors”, therefore the task of a social scientist is ”to appreciate the different constructions and meanings that people place upon their experience” (Easterby-Smith, et al., 2002:30). Therefore, semi-structured interview goes well with the social constructionism approach that the present study adopts, as it allows myself (the researcher) understand reality from the context of the social entrepreneurs themselves.

**General research question**

The process of determining and deciding on the research question entailed several review and adjustments, as my consideration of the different views on the concept of Social Entrepreneurship progressed. The process circled around on the definition of SE, on context, and the role of business model within SE. In the end it produced the general research question: *What is the role of business model for SE, and why?* Asking the question *why* is for the purpose of getting a deeper insight on the reason/s why the respondent organisations apply, or do not apply, business model in their activities.

**Data analysis**

Coding method is used for the analysis of the data collected from the interviews, to search for patterns – common thematic elements – across everything that was said by the interviewees (Bryman and Bell, 2007). It has to be acknowledged that the coding approach has received criticisms. Some of the most commonly mentioned criticisms were that the social setting can be lost, or that the researcher may fail to give justice to what was heard or seen when and by plucking chunks of text out of the context within which they appeared. (Bryman and Bell, 2007:597) Despite this, the design of the present study shows requirement for coding as the most appropriate qualitative data analysis approach in order to understand the context of the interviewees. Understanding of the social entrepreneurs’ context can be obtained by finding themes that connects (or differs) them, which the coding system allows. For instance, being (social) entrepreneurs, do they have similar/different view on the adoption of business
model within social entrepreneurship? I am aware of the risk that in the process of interpretation and theorizing that I may contaminate the subjects’ words and behavior. However, although there is this risk, according to Bryman and Bell (2007: 597/98), "it has to be balanced against the fact that your findings acquire significance in our intellectual community only when you have reflected on, interpreted, and theorized your data". And in the same fashion Bryman and Bell, (2007) say it: I (as the researcher) was not there as a mere mouthpiece.

2.1.3 Theoretical Framework

The field of Social Entrepreneurship constitutes the main theoretical framework for this study. It is for the purpose of building my analysis framework on the role of BM against practical perspective. The field of Entrepreneurship on the other hand, is for the purpose of introducing SE considering their intimate relationship as fields of discipline. As mentioned earlier, the concepts of definition, context and BM are presented for the purpose of facilitating our understanding of these concepts in relation to its use in the field of Social Entrepreneurship, hence do not belong to the main theoretical framework.

With the current rising interest on Social Entrepreneurship, articles constitute a vital source of both contemporary and older materials on the development in this area.

2.1.4 Reflections on the Sources and Literature

In evaluating sources and literature, there are three criteria to be considered: tendency criterion, the criterion of contemporaneousness, and the dependency criterion (Alvesson and Sköldberg, 1994, in Holmgren, Schori and Wingård, 2003).

The tendency criterion is used for the purpose of determining the self-interest of the source in the question at hand, and how this might have distorted the information. The contemporaneousness criterion is about the use of contemporary articles, and seeing to it that the collection and transcription of data are secured as quickly as possible. The dependency criterion discusses if the sources and the literature used are interdependent. (ibid.)
Addressing the tendency criterion, quite naturally, students tend to use literatures that are being used in the class – both as recommended by the teachers and as searched and used by students for their individual and group works. For my case, the articles during the SEI course have been a good source of information, in addition to what I already have encountered during my past courses and thesis, and my own literature search while writing this paper. Often times, the concepts and theories in the available literatures corroborate or oppose each other. Once a decision to take a new literature is made, and found that this particular article is relevant and of good quality, it comes natural to check the authors/articles quoted which sometimes lead to another or new source. The research process provided an opportunity to consider several authors representing different views and approaches, and considering that the majority of the authors are recognized and established in their respective field, has in a way provided a more balanced evaluation of the sources using the tendency criterion.

When it comes to the primary sources, as I have done and acknowledged during my previous master thesis (Jönsson, 2008), I am aware that one’s own background and pre-conceptions could affect researcher’s objectivity. Being conscious about my own pre-conceptions enable myself to deal with my bias tendencies. For instance, when conducting an interview, it is crucial to give attention to interview bias that might influence the responses given (Easterby-Smith et al. 2002:93). Anyway, there is no 'objective’ view to be discovered which the process of interviewing may bias on since in-depth interviews are derived from a social constructionist perspective (ibid.). If I may say, each and everyone of us has pre-conceptions being a social being and therefore with socially constructed attributes. It is through these pre-conceptions that we in the first place come to a decision on what color of clothes to wear today, what career to pursue, who to marry (or not to marry), acquaint or befriend with. In the same way that I decided to study SEI and make use of my own entrepreneurship as a sort of point of reference. I acknowledge that this has something to do with my pre-conceptions but being aware of it cues myself to exercise a more prudent approach to facts against and in conjunction with practical knowledge and experience. As Buchanan (1980) argues, the researcher must be prepared to continually use his or her own judgment (Easterby-Smith, et al. 2002).
The primary sources and literature for this study consist of a major use of articles, a few number of books/e-books, and an empirical research in the form of qualitative semi-structured interview. Most of the articles and books are considerably new (written between 2000-2008) that makes the set of literature comply to the contemporaneousness criterion.

With permission, the interviews were filmed as I wanted to not just record the process, but to secure and capture the ’moments’ as well when the interviewees shared their (social) entrepreneurial experiences. By so doing, I was able to read their context during the actual interview, and able to re-visit this context during the transcription of the filmed data.

The sources and literature used for this paper are interdependent (dependency criterion) in varied degrees, as the authors either use each other as reference, use each other to corroborate with or to oppose against, or by merely having a similar topic using same or similar type of sources.

2.2 Empirical Approach

The empirical research conducted for this paper, as earlier mentioned, is for the purpose of exploring the role of business model for SE, through the experiences of the practitioners themselves.

2.2.1 Field Study

Considering the objective of this study and using Mair and Marti’s (2006) claim on the need to draw on practical examples, this study explores the role of business model through the practical reality of the people within the field. It is for this reason, as already mentioned under Choice of Method, that semi-structured interview type of qualitative research is employed where the approach tends to be much less structured and the researcher gets rich and detailed answers. In qualitative research/interviewing, there is much greater interest in the interviewee’s point of view. ’Rambling’ or going off at tangents is often encouraged as it give insight into what the interviewee sees as relevant and important; where interviewers can depart significantly from any schedule
guide that is being used, and therefore can ask new questions that follow-up
interviewees’ replies, can vary the order of questions and even the wording of
questions. (Bryman and Bell, 2007:473/4) This is important for the present study
because it is the interviewees’ point of view – their context – that I want to capture in
order to know what business model (or income-generation) really is for SE.

Following the guidelines in conducting semi-structured interview (Bryman and Bell,
2007), I had a list of questions on specific topics to be covered, but the interviewee
had a great deal of leeway as to how to reply. Based on the answers given, there were
times that I made some follow-up questions (that were not necessarily included in my
question list) which made the whole process richer. I also gave the respondents ample
time to dwell on issues that he/she thinks are interesting and relevant. All of these are
for the purpose of maximizing the benefits that can be had from semi-structured
interviews. Although there are areas that I have some ideas on prior to the interviews
(that the interviewees actually acknowledged by saying in essence: sure you are
familiar with this already!), I still allowed them to expound on their thoughts and
experiences, and raised questions as if I do not have any pre-conceived idea about the
area/s in order to really extract their context, and not mine.4

I had three sets of interview, conducted in February 2011 in different parts of the
Philippines. The first was with Love Gregorie Perez, Executive Director, Gifts and
Graces Fair Trade Foundation, Inc. (Gifts and Graces), Makati City, on the 17th of
February; followed by Socrates Apollo Botictic, Store Operations Manager, Filipinas
Fair Trade Ventures (FFTV), Quezon City, on the 18th of February; and lastly, with
Marina Bulaong, the coordinator and daughter of the founder of San Teodoro
Women’s Cooperative, on the 27th of February, Batangas. Based on my initial
assessment5, these three sets of interview are chosen from my pre-booked meetings6
totalling to eight, as they possess organisational identity that is reminiscent of a social
enterprise that I would like to study.

4 Taking the tendency criterion into account.
5 Again, it is only to acknowledge my tendencies based on pre-conceptions, however some selection
criteria had to be made. (see Easterby-Smith, et al., 2002:93)
6 Initially for my small company Maddiekay (www.maddiekay.se), in their capacity as existing or
potential business partners.
The questions raised are mostly based on what I find relevant within SE according to what the literature say, in conjunction with my own practical experience and prior relevant information about the organisations, for the purpose of achieving the objectives of this study. The general questions totalled in seven that served as a guide throughout the interviews, and which were assessed as sufficient to cover the important/relevant areas, on top of the follow-up questions as a response to their answers to the general questions. The questions were: how did the organisation start, what drives/motivates you, why fair trade, do you consider yourself as an entrepreneur, do you find any difference between SE and E, what is the entrepreneurship climate in the Philippines, what or how do you see SE and E’s relevance to socio-economic development compared to aid programs/projects.

It was pre-determined not to ask them for instance: 'do you consider yourself a social entrepreneur?', as I did not want to give their position a label that is exact to what I was trying to find out in the first place. In other words, I did not want to pose a leading question that would contaminate their reply. It was actually a relief and somewhat a source of thrill when they readily said, yes, I am an entrepreneur – a social entrepreneur!

2.2.2 Reflections on the Research Design

Prompted by the need to draw on practical examples (Mair and Marti’s (2006), this study includes not only theoretical considerations but empirical research as well. Considering the aim of this study, the people who are involved in activities that are reminiscent of social entrepreneurship (this label was not directly assumed but was to be checked and explored during the interviews) were interviewed. The design is qualitative using semi-structured interview that allows the parties to have an extended conversation beyond the margins of pre-determined line of questions and interview scope (Bryman and Bell, 2007:476) hence – through the social constructionism approach – brings the process closer to the reality that is determined by the social actors (interviewed entrepreneurs) themselves (Easterby-Smith, et al., 2002).

It is often suggested that the scope of the findings of qualitative investigations is restricted. The people participating in a qualitative interview are not meant to be representative of a population; instead, "the findings of a qualitative research are to
generalize to theory rather than to populations” (Bryman and Bell, 2007:423-24). What is decisive in considering the generalizability of qualitative research, is 'the cogency of the theoretical reasoning’ (J.C. Mitchell 1983:207), rather than statistical criteria (Bryman and Bell, 2007).

As I have acknowledged under Reflections on the Source and Literature, I would like to reiterate that I am aware of the influence my own entrepreneurship and background (pre-conceptions) on the choice of both the subject and method for this paper. (Easterby-Smith, et al., 2002) Moreover, motivation is a particularly important advantage of basing one’s research topic; lack of it causes many students to never finish their dissertations. A strong personal interest in the topic and in answering the research questions can counterbalance other challenges emanating from work, family obligations or procrastination. (Maxwell, 2005) Quoting Strauss and Corbin (1990:35-36):

“Choosing a research problem through the professional or personal experience route may seem more hazardous than through the suggested [by faculty] or literature routes. This is not necessarily true. The touchstone of your own experience may be more valuable an indicator for you of a potentially successful research endeavor.” (Maxwell, 2005)
3 Literature Review

In this section the main theoretical framework of this study, Social Entrepreneurship, is presented. Also provided is a brief historical information on Entrepreneurship as a way of introducing how Social Entrepreneurship has evolved. Specifically, this section is for the purpose of reinforcing and expanding the issues (as introduced under the Research Background and Problem Discussion) around SE, the adoption of BM or entrepreneurial ingredient for sustainability and development beyond aid, the legitimacy of this model, and other relevant issues surrounding NFP/FP activities.

3.1 Entrepreneurship

In the beginning of the 1980s, Burton Klein (1979) made some noise on the decline in productivity in America and equated it with a deterioration of entrepreneurship. Klein claimed that the US was losing its capacity to generate new technical and organizational alternatives to the status quo as the economy was in the process of changing from a dynamic to a static economy. Meanwhile academians and policymakers called for a revival of entrepreneurship as an acknowledgement of the waning productivity growth and increased global competition. (Hébert and Link, 1988) Quoting Ruben Mettler’s (1986:518) argument:

The challenge for managers of large and small companies is to learn how to develop (or buy) technology that is best for their specific purposes, how to control the cost of using it, and how to finance it, all while earning enough profit to continue to invest and compete and grow in world markets on a sustained basis. In short, the challenge is to be an entrepreneur. (Hébert and Link, 1988)

Small entrepreneurial enterprises accounted for more than 50% of the new employment opportunities in the US economy since 1982, according to a 1985 report, State of Small Business: A Report of the President, USA (Hébert and Link, 1988). According to Hébert and Link (1988), the history of economics have varied opinions on the nature and role of the entrepreneur. Entrepreneurship is recognized as an independent factor of production on a more-or-less equal footing with land and labor, as recognized by contemporary economic theory. The core place of risk and uncertainty in the theory of entrepreneurship however remains ambiguous, leaving
profit theory in a kind of analytical oblivion; and the exact relationship between entrepreneurship and economic development is also a matter of debate. (Hébert and Link, 1988)

Entrepreneurship usually has a special meaning in the research and academic context. It pertains to the actions of a risk taker, a creative venturer into a new business or the one who revives an existing business (Hébert and Link, 1988). The terms ‘entrepreneurship’ and ‘enterprise’ are derived from a similar root – the old French entrepris(e), the past participle of entrepren(e)dre from which the English language has derived the term ‘entrepreneur’ and empris(e), past participle of emprendre – to undertake. Therefore the terms ‘entrepreneur’ and ‘enterprise’ concerned originally as activity – undertaking projects. The term ‘entrepreneur’ came to be understood as someone who undertakes a commercial enterprise, often at personal financial risk; moreover, he/she may be the managing owner of the firm, for which he/she has supplied the capital, assumed the risk and controls the day-to-day operations. The entrepreneur appears to have assumed economic role and function, while ‘enterprise’, according to Chambers, emphasizes projects undertaken that are especially bold or dangerous. Hence, an enterpriser is an ‘adventurer’ who is ‘bold and imaginative’ and ‘full of initiative’. (Chell, 2007)

For Kirzner (1985) the essence of entrepreneurship is alertness to profit opportunities (Hébert and Link, 1988). However, there are arguments indicating that entrepreneurship, just like social entrepreneurship, also produces social benefits. As Venkataraman (1997: 133) puts it, “entrepreneurship is particularly productive from a social welfare perspective when, in the process of pursuing selfish ends, entrepreneurs also enhance social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs, and net increases in real productivity”. While the profit motive might be central for entrepreneurship, it does not exclude other motivations. (Mair and Martí, 2006) On the other hand, while social motive is central for social entrepreneurship, there is a tension if income-generation should be included or excluded in the other motivations of SE (Fowler, 2000; Chell, 2007; Trexler, 2008). This tension and more on SE are discussed in the next sub-section.
3.2 Social Entrepreneurship

Most definitions of entrepreneurship, as the Harvard definition, has tended to focus on the achievement of economic outcomes – capital accumulation and wealth creation while there are indeed social outcomes and benefits of entrepreneurship – work, employment, belongingness, community, friendship, self-respect, social standing and development of one’s capability (cf. Southern, 2001:265). This poses the question of whether or not we can differentiate entrepreneurship from social enterprise, and should they necessarily operate differently. In the past, social and community businesses have tended (1) to be grant-dependent, (2) to be non-selfsustaining, and (3) to employ non-entrepreneurial staff, which put the enterprise in jeopardy and may undermine its social value. Chell’s (2007) study promotes a model where social and community businesses should pursue their endeavours in a thoroughly entrepreneurial way, with this characteristic: not-for-personal-profit enterprises comprise business activity that generates value for social ends and wealth to enable reinvestment and sustainability of the business. (Chell, 2007)

Pursuing endeavours in a thoroughly entrepreneurial way, that is an entrepreneurship aimed at economic development, has long been given a great amount of scholarly attention (Martin and Osberg, 2007), while entrepreneurship aimed to foster social progress has only recently attracted the interest of researchers (Alvord, Brown, and Letts, 2004; Dees and Elias, 1998, in Mair and Martí, 2006). On the practical side, programs and implemented interventions to help impoverished and marginalized groups have been launched by agencies for years. Billions of dollars to support such initiatives (some of them were quite innovative) have been invested by government aid agencies and private foundations. However, the results of these initiatives have often times been disappointing in terms of both effectiveness and sustainability, including their capacity to scale up impacts into significant social changes (e.g. Cernea, 1987; Tendlar, 1989). (Alvord, et al., 2004) Solutions to social problems— such as sustainable alleviation of the problems associated with long-term poverty— usually require fundamental transformations in political, economic, and social systems. The challenge of business entrepreneurship is the creation of a viable and growing business organization, while the challenge of social entrepreneurship is the change in social systems that create and maintain the problem. (Alvord, et al., 2004)
In the 1980s the concept of 'social entrepreneurship' emerged from the work of Bill Drayton at Ashoka, funding social innovators across the globe, and Ed Skloot at New Ventures, helping non-profit organisations explore new sources of income (Dees, 2007). Some experts claim that a social enterprise is any initiative that generates earned income for public benefit, others argue that the term denotes non-profits that utilize efficient business metrics, while there are those who see it as a movement not intrinsically business-like at all – instead entrepreneurial in the sense of pursuing innovative solutions to social problems (Trexler, 2008). Peredo and McLean (2006) argue that social entrepreneurship should be taken to include undertakings where social goals are added to the firm’s objectives, even where they may not rank first in the firm’s priorities and may be taken on at least partly for instrumental reasons. Fowler’s (2000) two types of social entrepreneurship, integrated social entrepreneurship and complementary social entrepreneurship, according to Davis (1997) provide an idea on how NDGO has become a non-profit-for-profit 'hybrid'. (Fowler, 2000)

Two types of social entrepreneurship

Integrated SE is characterised when surplus-generating activities simultaneously create social benefits and sometimes additional benefits for the NGO itself. Through integration, developmental agenda are combined with market opportunities and are managed properly so that they are synergetic not draining. If the surpluses generated do not produce social benefits but are simply a source of cross-subsidy (for example holding shares in a company or running a commercial franchise) this can be considered as complementary social entrepreneurship. By adding an enterprise dimension, this type of entrepreneurship aims to diversify clients and income streams that does not necessarily engender a social benefit. The enterprise generates a surplus that can cross-subsidise development activities that are in themselves not economically viable and it can also be used to finance the NGDO itself. To manage a non-profit-for-profit organisation 'under one roof' is a more complex organisational type and requires a specific type of capability. A for-profit subsidiary constructed as a separate legal entity is less demanding but may have financial implications, such as taxes on products. (Fowler, 2000)
**NFP or FP?**

Recognizing that a number of authors (e.g. Alvord, et al., 2004) have emphasized the not-for-profit (NFP) nature of social entrepreneurial activities being a distinctive feature of social entrepreneurship, Mair and Martí (2006) argue that social entrepreneurship can take place equally well on a for-profit basis. Their examination of various for-profit and not-for-profit initiatives suggests that the choice of set-up is typically dictated by the nature of the social needs addressed, the amount of resources needed, the scope for raising capital, and the ability to capture economic value. Among the examples they cited were: 1) the Institute One World Health (IOWH), founded by Dr. Victoria Hale in 2000 – the world’s first not-for-profit pharmaceutical company that develops drugs for neglected diseases ([http://www.iowh.org](http://www.iowh.org)). The specific business model that Dr. Hale has chosen for IOWH and the particular (basic social) needs that the organisation addresses clearly favor the adoption of a NFP operating scheme; while 2) the business model that Muhammad Yunus developed for the Grameen Bank or Dr. Abouleish chose for Sekem, fits well with a for-profit scheme. The profits generated by their main activities are re-invested in new social ventures: Grameen has launched ventures such as Grameen Telecom or Grameen Energy, while Sekem has launched several social ventures, including a university and a hospital. (Mair and Martí, 2006)

The nature of the entrepreneur and the entrepreneurial process have defied consensual definition, in part due to differing social, economic and political discourses around the terms ‘enterprise’ and ‘entrepreneur’ throughout the 20th century. It is argued that social enterprises have been modelled on tenets of ‘not-for-profit’ charitable organizations that have attracted human and social capital with pro-social, community-spirited motives, and have engendered survival strategies premised on grant dependency. (Chell, 2007) However, Chell (2007) argue that social enterprises should be self-sustaining and therefore entrepreneurial in their endeavours and from these premises, suggests modification of the definition of entrepreneurship to include the creation of ‘social and economic value’ and hence may be applied to both private, entrepreneurial ventures as well as social enterprises.

Up to this time only economic value has been counted when evaluating the entrepreneurial process. What is counted depends on who is doing the counting and
for what purpose. According to Chell (2007), there is a balancing of social and economic behaviour that creates both social and economic value within the entrepreneurial process. The social and the cognitive aspects of entrepreneurial behaviour are shown to work together: the intellectual related to the entrepreneurial mind and the ability to realize different kinds of opportunity; the practical related to the resource capability of a given entrepreneur and their (subjective) ability to capitalize those resources in a characteristic and highly personalized way; and the social, the ability to draw upon extant social and personal relations when necessary. (Chell, 2007)

There is a type of social enterprise that highlights pro-social motives that drive the primary mission and emphasizes social outcomes, shoving aside surplus that may be reinvested in the enterprise as a business hence assuring its sustainability. This enterprise requires aid grants to survive – ironically a charitable enterprise dependent on charity for its survival; a type of social enterprise with principle that shuns away or discourages wealth generation (profit-making) activity. There are however, some social enterprises that do not follow this model of aid dependence. Through the introduction of commercial activity, NFPs receive pressure to become sustainable suggesting that there is a possibility for social enterprises to move from purely philanthropic to purely commercial (Dees, 1998:60). (Chell, 2007) Social enterprises may need to make a surplus that will assure their survival, and to do so in the long term they should behave entrepreneurially and adopt a business model. But this suggestion has been questioned as inappropriate in many ways and as a threat to the realization of the enterprise’s primary mission (Dees, 1998; Foster and Bradach, 2005). Chell (2007) cites as examples RSPB, English Heritage, and the National Trust, that while relying heavily on donations, also have some commercial activity (retail outlets, cafeterias, etc.) to provide services for visitors. The combination of donations, volunteer labour and modest commercial activity is apparent and is the backbone of sustainability of the charitable body. At this point it would appear appropriate to distinguish between organizations with charitable status (as the examples), and social enterprises with creation of social benefit as its first mission but do not necessarily have charitable status. (Chell, 2007)
Foryt’s (2002) research showed that very few firms have so far attained the “double bottom line” of social mission and profits, especially in developing countries. But many of the firms identified show how success can be achieved, and perhaps serve as a model for future efforts. Similar to Dart (2002), Foryt (2002) has identified in her study some structure that combines for-profit and non-profit entities. David Green, the founder of the Lumbini Eye Care Program and Project Impact, has made his ventures work through such an arrangement. In each case, he first creates a non-profit that can more easily receive funds from private foundations, etc. Later on, he creates a for-profit entity that reaps the profits of the undertaking. In order to avoid a conflict of interest, Mr. Green does not hold an equity stake in the for-profit venture which claims as “compassionate capitalism where profit is the means to an end, not the other way around. There is also the Agro-Electric Technology Systems that uses a joint for-profit and non-profit institution (and even Grameen Bank). According to Professor Dees (2002), “These partnerships and hybrid structures can help alleviate some of the potential tensions between profit making and social benefit. It is often very hard to take social objectives seriously and still provide a market-rate return to investors”. (Foryt, 2002)

It is apparent that the discourses – both leaning on and skeptical against the entrepreneurial (profit-gaining) aspect – within Social Entrepreneurship are influenced by different disciplines and schools of thought (e.g. institutional theory, Dart, 2004; applied behavioral science, development studies and organisation theory, Alvord et al., 2004; entrepreneurial process theory, Chell, 2007; capacity building, Loza, 2004; management and business research, Mair and Martí, 2006; etc).

The issue of legitimacy
With the discussions around the emphasis on value creation as against income generation within social entrepreneurship, Dart (2004) suggests to examine the concept of legitimacy in order to understand social enterprise as an emerging organisational form. "Legitimacy is the property of a situation or behavior that is defined by a set of social norms as correct and appropriate” (Scott, 1992:305). It tells us the way we believe things should be, apart from any other rational or functional calculus. Suchman (1995:574) on the other hand defines legitimacy as “a generalized
perception or assumption that the actions of an entity are socially desirable, proper or appropriate within some socially constructed system of norms, value, beliefs and definitions”. (Dart, 2004) Since this present study aims to enhance our understanding of the role of entrepreneurial principles for social entrepreneurship, the issue of legitimacy is relevant. Is the legitimacy of adopting a business model also an issue for the practitioners themselves? Or would their view on this provide us with some influence on how to regard SE being entrepreneurial (or non-entrepreneurial)?

There are three different kinds of legitimacy according to Suchman (1995): pragmatic legitimacy, the most basic form of legitimacy, is based on a kind of exchange calculation of the expected value of a focal organization’s activity to immediate stakeholder groups; moral legitimacy refers to legitimacy that is normative and based on an evaluation of whether an activity of a focal organization is the proper one (relative to external norms) rather than whether it specifically benefits those who are making the evaluation; and cognitive legitimacy, which refers to legitimacy at the level of taken-for-grantedness rather than the level of evaluation. (Dart, 2004)

According to Dart (2004), moral legitimacy is accorded with reference to sociopolitical values and value change. The Organization for Economic Cooperation and Development (OECD) nations, and particularly the United Kingdom and the United States, have seen in recent years the decline of the welfare-state ideology (with the organizational forms that evolved in its context (see Salamon, 1995) and the birth of a renewed and pervasive faith in market and business-based approaches and solution. Even social-sector organizations can be accorded legitimacy by adopting the language, goals, and structures of this form if business values, business models, and business language have become dominant and are the sociocultural environment’s preferred modes of problem solving and preferred structures of organizing. In the United Kingdom and the United States, government-dependent social welfare organizations are considered less legitimate than initiatives that apply a more businesslike model framed as entrepreneurial generating revenue. Business structures and market models have become organizing models sine qua non (Kuttner, 1997), and sociopolitical or moral legitimacy is accorded to social-enterprise initiatives that imitate them. The moral legitimacy perspective frames social enterprise not just as something that generates revenues or achieves outcomes but as something that is a
preferred model of organization. (Dart, 2004)

**Becoming self-sufficient by being entrepreneurial**

Just like the legitimacy issue, the relations between business and society and what is needed to reduce fragmentation are now being considered by sociologists who focus on societal issues (Kent and Anderson, 2003). This suggests that theories about entrepreneurs as agents of change and the creation of social as well as material value should enter our theories of entrepreneurship. It can be argued that such thinking should go beyond the academic to include the stakeholders in social enterprises (Southern, 2000). The ‘opportunity recognition’ as an entrepreneurial attribute (Gaglio, 1997, 2004; Hills, 1995; Kirzner, 1979, 1985) and the goal-oriented behaviour that may be summed up in the phrase the ‘creation of something (of value)’ is where the consensus appear to be more. Hence, the ‘creation of something of value’ to a given community or a cause is the possible link to the social enterprise. (Chell, 2007) According to Boschee and McClurg (2003:1):

"Unless a nonprofit organization is generating earned revenue from its activities, it is not acting in an entrepreneurial manner. It may be doing good and wonderful things, creating new and vibrant programs: but it is innovative, not entrepreneurial. Only earned income will ever allow a nonprofit to become sustainable or self-sufficient. Innovation is a precious resource and it served as the primary engine of nonprofit growth through the 1970s and 1980s. But innovation can take a nonprofit only so far. It’s one thing to design, develop and implement a new program -- and quite another to sustain it without depending on charitable contributions and public sector subsidies."

Indeed it can be considered that social enterprise is a simple term with a complex range of meanings (Trexler, 2008). Considering the different notions surrounding the relevance (or irrelevance) of entrepreneurial ingredients within social entrepreneurship – such that SE is a term that denotes non-profits that utilize efficient business metrics, that it employs both not-for-profit and for-profit models (the so-called hybrid) (Trexler, 2008), or that it is a movement not intrinsically business-like at all (Fowler, 2000; Mair and Martí, 2006; Trexler, 2008), it brings us to a state where the blurred boundary (Dart, 2004) opens room for taking into account that there is more to non-profit, non-entrepreneurial, traditional third sector. Not to be neglected is the increasing recent development where aid grants have taken the backdoor
leaving many aid-dependent organisations in danger of meltdown (Fowler, 2000). Therefore the adoption of entrepreneurial ingredients to generate income to fully-finance or partly subsidize SE (e.g. Mair and Martí, 2006; Alvord et al., 2004) should not only be considered, but should also be given support (Dees, 2007). I would like to lead the discussions on the dwindling flow of aid grants, and the disappointing results derived from the many years of aid programs despite billion of dollars invested (Alvord, et al. 2004; Fowler, 2000), into what this present study aims to achieve. Through the context of the social enterprises/entrepreneurs themselves, I would like to inquire on the significance of aid grants in social entrepreneurship, SE without aid grants – where the organisations must depend on their own ingenuity (e.g. through application of business processes), and how this in turn shape the organisations in terms of capacity-building and empowerment. This is therefore anticipated to lead us into locating the role of business model for Social Entrepreneurship.

3.2.3 Business Model towards Sustainability

With the discussions above, it can be surmised that although there are some reluctance on the application of BM or entrepreneurial activities to generate income for SE, its role can not be totally ignored and indeed possesses great potential (Dees, 2007). In the USA, only 39% of small businesses are profitable, and 50% fail in the span of 5 years. For social enterprise the situation is harder due to conflicting priorities and the lack of a business perspective (Foster and Bradach, 2005). The challenge is for social enterprise to reshape itself from philanthropy dependence into an organization with a commercially generated income stream. This does not mean though that it is an impossible task. To cope with the transformation, the NFP leader should consider the strategic issue of positioning the social enterprise, e.g. in relation to its mission and examine operational issues encompassing the change. According to a DTI publication (DTI, 2002:19), commercially successful US-based NFPs often have a business-led Board, with recruited key managers from the business sector and have a strong business culture – practices that are usually not existing in their British counterparts. (Chell, 2007)
Muhammad Yunus provides a good point for us to understand the previous state we were in before SE is seen as a sustainable alternative:

"When we want to help the poor, we usually offer them charity. Most often we use charity to avoid recognizing the problem and finding a solution for it. Charity becomes a way to shrug off our responsibility. Charity is no solution to poverty. Charity only perpetuates poverty by taking the initiative away from the poor. Charity allows us to go ahead with our own lives without worrying about those of the poor. It appeases our consciences." (Dees, 2007)

This is no longer the exact case today. Leading social entrepreneurs are focused on achieving sustainable results and will use whatever tools are most likely to work; they embrace innovation, value effective management, and are open to adapt a wide array of operational and business models when these will help. Their willingness even include the use of for-profit forms of organization or hybrid structures that include for-profit and non-profit elements. (Dees, 2007) Moreover, social entrepreneurs will happily craft market-based solutions that rely only on self-interest if possible, allowing scarce philanthropic or government resources to be allocated to areas that genuinely need subsidy. They will enthusiastically work on an overlooked market opportunity that also improves social conditions. Grameen Bank is an example of a legally for-profit institution owned by its borrowers and is now financially self-sustaining. Recognizing that for-profit or hybrid organizations may play an important role in creating better social conditions, some new philanthropists are ignoring old sector boundaries. Recently, the Internet search company Google decided that instead of creating the typical nonprofit company foundation, it would create its philanthropic arm as a for-profit capable of investing in nonprofit or for-profit ventures with a social purpose, such as more fuel-efficient vehicles. The wall between for-profit and nonprofit is breaking down as social entrepreneurs and entrepreneurial philanthropists look for new ways to tackle social issues ranging from alternative energy to improvements in health care. (Dees, 2007)

Pomerantz (2003:26) states that the key to social enterprise involves taking a business-like, innovative approach to the mission of delivering community services. Developing new social enterprise business ventures is only one facet of social entrepreneurship. Another facet is maximizing revenue generation from programs by applying principles from for-profit business without neglecting the core mission.
Standing and building on a similar premise, Dees (2007) says that we have not openly embraced social entrepreneurship as a society, do not appreciate the crucial differences between social entrepreneurship and charity, and have not yet built the kinds of cultural and institutional mechanisms social entrepreneurs need to be effective. The work of today's social entrepreneurs is still inhibited by the old norms and assumptions of alms-giving charity that permeate the sector though they represent a break from this very sentimental, alms-giving charity. Even they feel they can adopt a for-profit legal form, they do not find the kind of support they need to blend social and financial objectives. (ibid.)

Dees (2007:28) argues that if we want to capitalize on this current wave of interest and test the potential of social entrepreneurship, we need to create an environment conducive to success. Social entrepreneurs must be supported with a more efficient and robust infrastructure, appropriate public policy, and a change in the culture of the social sector. Furthermore, a culture that accepts failure as essential for learning and that honors effectiveness and efficiency as much as the culture of charity honors sacrifice is also needed. A culture that does not make it shameful to earn a decent living serving social purposes. It will not be easy to build the necessary support system but it is essential if this approach is to achieve its potential. For social entrepreneurship to thrive, public policies that recognize and deliberately harness its potential are needed. These policies should allow social entrepreneurs to innovate and experiment, manage the risk of this experimentation, entice private investors to support this activity, and give those involved opportunities to harvest appropriate rewards for their success. (ibid.)

Furthermore, Dees (2007) suggests that as social entrepreneurs experiment with new business models, we may need new legal forms of organization, such as the "community interest company" category recently created in the United Kingdom; we may also need changes in the legal structures and rules for doing the kind of investing philanthropists and other financial backers experiment with the best ways to use their resources to support social entrepreneurs.

Drawing from the findings of their study, Weerawardena and Mort (2006) suggest that the social mission is not a sacred goal as has been believed traditionally. Instead,
the role of social mission must be understood within the competitive environment where the organizations operate. They observe that the role of social mission goes hand in hand with the sustainability of the organization; citing a particular case:

I have to run a $45 million business with a clear social aim. My job is to make sure that that aim creates economic benefit to both this organization, and also the broad society, has a good social outcome for its staff as well as for those people it is serving, and it is to do that in an environmentally strong context.

The social mission is central to the organization because it guides overall strategy to pursue e.g. what businesses and services are initiated, what services are grown, how fast they are grown. Sustainability as a result obtained from a balance of the entrepreneurial drivers of innovativeness, proactiveness and risk management is not regarded as an end in itself, rather sustainability is focused on ensuring the continuation of the organization because of its social mission. (Weerawardena and Mort, 2006) The demands of the marketplace are offering both opportunities and threats to the social entrepreneurial organization hence NFPs are generally in a period of transition. This has led some researchers to advocate increased ‘marketization’ or the use of market-based models in the management of social organizations. However, this approach is feared to be harmful to the core ideals and values of the social enterprise. Weerawardena and Mort’s (2006) findings suggest that social entrepreneurs can indeed remain competitive while fulfilling their social mission. (ibid.)

The issue of sustainability is vital and cuts across all definitional lines, despite all the apparent differences. Adopting entrepreneurial process within SE is seen from a sustainability point of view. Social entrepreneurs strive to promote a sustainable environment, a sustainable social order, sustainable for-profit or not-for-profit enterprises – a pool of goals often described as the triple bottom line. (Trexler, 2006) According to Boschee and McClurg (2003), as long as nonprofits continue to be dependent on contributions, grants and subsidies from individuals, foundations and government, respectively, they will never become sustainable or self-sufficient. A growing number of non-profits have discovered the importance of paying their own way, and became genuine social entreprenuers who understood the difference between 'innovation (doing something new) and 'entrepreneurship’ (doing something
that makes money) as traditional source of funding became less during the 1980s and 1990s. Becoming ever dependent on the generosity of others is a risk social entrepreneurs are not willing to take. They are passionate about their mission just as passionate to becoming financially sustainable or self-sufficient, in order to do more mission. (Boschee and McClurg, 2003)

### 3.3 Related Previous Research

There is a good number of research on Entrepreneurship and Social Entrepreneurship, many of which are used in this paper (e.g. Fowler, 2000; Martin and Osberg, 2007; Trexler, 2008; Chell, 2007; etc). The focus of these studies range from discussions on the meaning or definition of both E and SE, the similarities and differences between them and why entrepreneurial principles (business model) should or should not be applied within SE. However, there are just a few that I have identified that use or at least include the Philippines in their study, and they are with varied focus: Nelson, 1977 (entrepreneurship education in the developing countries); Co, 2004 (the formal institutional framework of entrepreneurship in the Philippines), Rao, 2008 (environmental initiatives in the Philippines); and Nielsen and Samia, 2008 (development of bottom of the pyramid – BOP – marketplace in SE). Although the Philippines is part of these studies, they do not focus on the role of business model or entrepreneurial principles within SE, which is what the present study would like to explore.
4 Field Study/Interviews

This section contains a brief history and information about the Philippines for the purpose of providing some basic idea about the country and its socio-economic situation that may help us understand, for instance, why social entrepreneurship is rising (even) in the Philippines. Ultimately, this section presents the qualitative interview results from the interviews as described in Section 2.

Considering that both Gifts and Graces Fair Trade Foundation (G&G) and Filipinas Fair Trade Ventures (FFTV) are NGOs and into fair trade, it is not surprising to find more common thematic elements between them compared to San Teodoro Women’s Cooperative. Moreover, it is to be noted that the interview with the Cooperative has somehow taken a slightly adjusted format compared to the first two interviewees, partly owing to the mentioned nature of the organisation, and partly due to the fact that the original intended interviewee was represented by her daughter in a coordinator capacity. I will however bring them together in the Analysis and find some denominator common to these three organisations, and what differs them whenever possible, in order to arrive at what this research aims to achieve.7 The interviewees shall be referred to interchangeably according to the name of the interviewee and the organisation: Greg/G&G, Socrates/ FFTV, Marina/Women’s Cooperative (or Cooperative).

4.1 The Philippines

The history of the Philippines can be divided into four distinct phases: the pre-Spanish period (before 1521); the Spanish period (1521-1898); the American period (1898-1946); and the post-independence period (1946-present). (www.state.gov/r/pa/ei/bgn/2794.htm)

Government and Political Conditions

The Philippines has a representative democracy modeled on the U.S. system. The 1987 constitution, adopted during the Corazon Aquino administration, reestablished a

7 Also, the product of the Cooperative is called luntian bags which the women are associated with. As this study is focusing on the organisation (and not the product), I am addressing the organisation as the Women’s Cooperative.
presidential system of government with a bicameral legislature and an independent judiciary. The president is limited to one 6-year term. Provision was also made in the constitution for autonomous regions in Muslim areas of Mindanao and in the Cordillera region of northern Luzon, where many aboriginal tribes still live. (www.state.gov/r/pa/ei/bgn/2794.htm)

Economy
Since the end of World War II, the Philippines has been on an unfortunate economic trajectory, going from one of the richest countries in Asia (following Japan) to one of the poorest. Growth after the war was rapid, but slowed as years of economic mismanagement and political volatility during the Marcos regime contributed to economic stagnation and resulted in macroeconomic instability. A severe recession from 1984 through 1985 saw the economy shrink by more than 10%, and political instability during the Corazon Aquino administration further dampened economic activity. (ibid.)

Today's Economy
The Philippine economy proved comparatively well-equipped to weather the recent global financial crisis in the short term, partly as a result of the efforts over the past few years to control the fiscal deficit, bring down debt ratios, and adopt internationally-accepted banking sector capital adequacy standards. The Philippine banking sector--which includes 80% of total financial system resources--had limited direct exposure to distressed financial institutions overseas, while conservative regulatory policies, including the prohibition of investments in structured products, shielded the insurance sector. Although direct exposure to problematic investments and financial institutions was limited, the impact of external shocks to long-term economic growth, poverty alleviation, employment, credit availability, and overall investment prospects remains a concern. (www.state.gov/r/pa/ei/bgn/2794.htm)

Entrepreneurial climate and support system
The study of Co (2004) is one of the few available studies on entrepreneurship, that focuses on the Philippines. The Philippines’ entrepreneurial objective is the development of Small Medium Enterprises (SME) which is characterised by two overriding factors — a definite policy bias for SMEs which is rooted in the country’s
recent legislative enactment, Republic Act (RA) No. 9178, and a deliberate effort on the part of government to give SMEs a strong and coherent voice that commands the attention of the highest legislative and executive bodies of the nation.

Enacted in 1997, the Magna Carta for Small Enterprises RA No. 8289, is the landmark legislation reflecting the current policy promoting a dynamic SME sector, particularly rural and agricultural-based manufacturing ventures. It calls for enhancing the Filipino entrepreneurial spirit by providing a climate that minimises regulations while assuring stable operating rules. RA No. 8289 also requires close coordination of the work of government institutions involved in SMEs with those of the private sector so that there is coherence in both policy thrusts and implementation of action programmes. It also created the Small Business Guarantee Finance Corporation (SBGFC) charged with the task of widening the scope and reach of alternative financing modes for SMEs, that include direct and indirect project lending, venture capital, financial leasing, secondary mortgage and rediscouning of loan papers to small businesses. The SME Development Framework for 1993–2003 had as its goal to help increase incomes, productivity and access to resources among small entrepreneurs, farmers and fishermen. A globally competitive small enterprise sector is to serve as the main vehicle for the national goal of improving the quality of life of every Filipino. (Co, 2004)

RA No. 7882 particularly recognises the special role of women in development and supports women entrepreneurs who are engaged in manufacturing, processing, service and trading businesses. Government financing bodies are required to provide financial assistance to NGOs engaged in developing women’s enterprises to a limit of $50,000, provided the NGO has an operating track record of at least one year. Up to an upper limit of US $1,250 are received by existing women’s enterprises, and the limit of US $625 each for potential women entrepreneurs with sufficient training. Regulatory agencies exist, however, within a socially responsible framework, to help ensure efficient business operations and encourage private initiative. A competitive climate that assures a level playing forum for businesses is desired irrespective of firms being based in urban or rural environments. Among these are fair trade laws that define operating boundaries within which businesses can conduct their affairs while protecting the interest of consumers and business name registration. (Co, 2004).
4.2 The Organisations

**Gifts and Graces Fair Trade Foundation (G&G)**

Established in 2006, Gifts and Graces Fair Trade Foundation, Makati City, the Philippines, is a non-profit social enterprise with Gregorie ‘Greg’ Perez as the Executive Director. Greg started working at another non-profit organisation that was directly working with urban poor before assuming her post at G&G. The organisation has 5 employees – an accountant, a messenger, a designer, the executive director, and soon to be hired marketing officer. G&G is a social enterprise because it combines capacity building and community development with a revenue-generating through marketing business model (www.giftsandgraces.com).

**Filipinas Fair Trade Ventures (FFTV)**

FFTV was represented during the meeting by Socrates Apollo P. Botictic, Store operations Manager (who participated actively and answered all the questions), and accompanied by Nolan Getalado, Production Development Officer. The organisation is comprised of both regular employees and consultants. FFTV is the trading arm of the Advocate of Philippine Fair Trade, Inc (APFTI). A member of the Philippine Fair Trade Forum and Asia Fair Trade Forum, FFTV promotes fair trade practice (www.fftv.ph).
San Teodoro Women’s Cooperative

The cooperative started from the initiative of Ichay Bulaong in Christmas of 2007. Ichay holds a corporate day job in Manila and often times spends the end of the week at their weekend house in San Teodoro, Batangas. Since Ichay was young, she has always been an environmentalist and liked to dive (still does). She saw the importance of keeping the ocean clean. With it came the idea of reusable bags in order to minimize the use of plastic ones. Realizing that there are women in the community of San Teodoro who know how to sew but do not have anything to sew, the idea of helping them organize themselves and produce reusable bags came about naturally. The cooperative has 24 women members, one of them is Ichay’s caretaker.

At the founder’s weekend house, the Cooperative’s meeting point. At Aling Guring’s house. The members sew the bags at their own home.

The public school. The concrete fence was painted by children/students of the community.

3 women of the Cooperative with their children. The children of the neighborhood. (Notice the condition of the area; traces of landslide are apparent)
4.3 The interview results

To facilitate the analysis of the empirical study against the theories (and vice versa), this sub-section presents the interview results under thematic headings.

The challenges of the NGOs

The civil society in the Philippines is active, a lot of NGOs have sprung up to fill in the gaps in the society within health, education and advocacy. One of the common challenges of NGOs and non-profit organisations is that they set up livelihood programs but do not necessarily have the financial, human and technical resources and are not as effective as it could be, therefore the promise of a better income is not fulfilled. This is the gap that G&G has identified and wants to fill-in. Similar financial, human and technical constraints are raised by FFTV, together with the challenge of Small-Medium Enterprises (SMEs) who produce fair trade products but without a buying market, and the dwindling of aid grants which is a general challenge of NGOs.

Goals, business strategy, partnership and capacity-building

The idea behind G&G and FFTV’s initiatives is to assist the communities or SMEs to have a regular source of income and to become empowered. Once empowered and have improved production processes, the communities/SMEs tend to get out of the dole mindset. The idea is not to give a dole out, not to give a handout but a hand up; their role is to help people help themselves. The communities are taking the initiatives to do something, make something and earn something through their hands. The organisations function as market facilitator by providing the recipients with training in production, product development, design and quality, selling and marketing skills, etc. Through capacity building, the over-all production and market process is improved and therefore the products sell not just because of the cause behind them but also because they have market appeal and value and therefore making the initiative sustainable. Greg of G&G shares a story of how rewarding it was to see the look on the community members’ faces when they see their products being sold for example in exhibits. One mother said: "My bags are good enough to be in Greenbelt!". This according to Greg is something extra for the community members – the idea that they

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8 An upscale shopping area in Makati City
can create something of value that people are willing to pay for makes a difference. Having have worked with the urban poor prior to working at G&G, Greg was able to witness how money – or the capacity to earn money, empowers people, changes the dynamic between husband and wife, how they obtain a voice – especially women – within the community and become role models to young girls.

The goal of the Cooperative according to Marina is to produce re-usable bags hence contribute to the environment at the same time provide a source of extra income for the members. They are otherwise unemployed women\(^9\) married to fishermen or laborers, who now take pride in being productive and earning additional income for their families. Marina adds that in the area, there is really not much to do. Therefore, everybody helps out when they are not doing anything. A factory-line style of producing the bags where each sewer only does one task was not possible because the women live far away from each other (some live up in the mountains and some by the beach) and because they also have household chores to do and kids to take care of. They devised a system where the cooperative members pick up the materials and deliver the finished bags from and to the common meeting place.

Marketing of their products is through word-of-mouth and internet because of the cooperative’s lack of resources. Marina shares that in most of Manila, the campaign against the use of plastic bags is very strong, and plastic bags are now prohibited in some areas. The campaign took off in 2007 when the whole world started to pay attention to this (no plastic bag campaign) advocacy. This development has helped the cooperative receive market attention and has generally increased awareness among people. According to Marina, there are many factories in the capital city (Manila) that can do the same bags as theirs but what differs them is that their project, although small, is regarded with personal conviction and community advocacy. The community sense is strong in the area and even Bulaong family’s friends who live around the area also help out by bringing/transporting the materials, silk screen designs, etc. from Manila to Batangas or the finished bags back to Manila. Marina considers the project as a common initiative of the community.

\(^9\) The cooperative has a (male) silk screener “King” who is also a tricycle driver. King takes care of picking up the bags for printing and delivering it back after printing.
**Income-generation and sustainability**

Both G&G and FFTV sell their fair trade products as their main source and partial source of income, respectively. On top of this, FFTV survives mostly because of donors from Europe, and from fair trade and religious organisations. According to Socrates, the money generated locally through product sales makes FFTV sustainable and they believe they are able to hurdle obstacles and obtain their objectives. The idea of fair trade is that the social enterprise (G&G and FFTV) pays the communities competitive price and at the same time they should be able to sell to the market and get their margin, because the enterprise also needs to be sustainable. Moreover, FFTV emphasizes how most of the generated income goes to the SMEs and FFTV keeps only a small portion to cover for the administrative and other related expenses. For the Cooperative, the purpose of the project is to contribute to the environment by promoting the use of reusable bags instead of plastic ones, and to generate extra income for the cooperative members.

**Motivations**

The people at FFTV want to see richer lower class. Socrates says that SMEs in the country comprise 99.6% of all businesses (official figure according to the Department of Trade and Industry, DTI). Most of the profit goes to the .4% which is the reason why the small remains small and the poor gets poorer. He adds; "We want to change that – we want equititable distribution of wealth. That is our goal, that is why we want to survive within FFTV". Greg of G&G on the other hand says: "At the heart of it is the idea that we are fighting for social justice, everyone should have food on their table, one can send their children to school, access to health care, the marginalized are able to voice out and have their voice heard, and that everyone has the opportunity to pursue their dreams. By doing this I am doing my part. This is a whole big picture and requires all the different actors and stakeholders to come together."

According to Marina of the Cooperative, her mom is an advocate who feels strongly for what she believes in. By organizing the women cooperative, Ichay and family are able to “give back” to the community; it is a bit for the environment and a livelihood program for the women. Marina adds: "I guess this business is not very big, but with our own little help we are able to help a few families even in a little way. It’s quite relevant even in a small way. There are plenty of factories in Manila, but then this is

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10 Urban poor, people with disabilities, former inmates, former street children, etc.
somewhat more personal. It is nice you get to talk to them yourself, you know them and that they are good people and that they need extra help and that you know you can help them.”

**The idea behind the fair trade choice**

Fair trade as a social innovation and business model makes organisation run businesses fairly, honor the people behind the products, give them fair pay as compared to putting them in sweat shops. Fair trade is a holistic way of doing business, it is about fair wages, care for the environment, it promotes the idea of stewardship, making sure our communities have good working condition, capacity-building and partnership. It is simply going back to the basics – where the producers gain more and better profit than the trader. There are partners/consultants who help the organisations for instance in seeing to it that fair trade guidelines are adhered to. They pay the communities 50% downpayment, and the other 50% upon completion of orders unlike the traditional way where the producers are paid long after the products are delivered.

**Entrepreneurial climate in the Philippines**

The Philippines is moving towards the idea that SE is becoming a valid career path, it’s growing, even in the educational system. The whole idea of setting up one’s own business regardless of class (with the possible exception of the upper class) is growing. But many people are still risk-avoiders; the usual mentality is to study well, get good grades, and get an employment until retirement. People are more after getting high education and focus less on skills. And that is why lawyers and doctors are still semi-gods in the Philippines. Entrepreneurship has not been promoted but that is changing now, for instance social entrepreneurship is to become a part of the curriculum.

According to Greg since the 1980s it’s the underground economy that is keeping the economy. The marginalized are often times un-educated that makes it difficult for them to find a job. Selling goods through small stores (called sari-sari11) is not necessarily an enterprise but is all about trade. According to both Greg and Socrates, practitioners and advocates would like to see the country moving beyond trade. Micro

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11 Literally means varied. Sari-sari stores sell basic products/necessities and they are usually found along busy smaller streets and villages.
entrepreneurship is more driven by necessity due to poverty and lack of proper education. They would like to see that people are able to take risk and set-up something, produce something instead of just being involved in trade; as how the island of Cebu is developing into, where entrepreneurship is common. The goal is to go away from trade and support production. It is encouraging that people are becoming more interested in putting up their own business, and are becoming more enterprising.

**For-profit or not-for-profit structure**

Greg says that SE should not necessarily be non-profit. G&G actually encourages people to be social entrepreneurs. Greg says: "*it has to make sense to them, beyond the gratification and fulfillment. Profit is not bad, it’s a tool*". Money empowers you to do more things, either set-up a new one, scale up, or re-invest around 30% of the money back to the community for capability initiatives. Profit is not the most important thing though according to Greg. "*It’s not about how much you earn, it’s about the social impact. As long as you don’t lose your way despite the profit you earn. In fact scaling is important in order to increase social impact.*"

Socrates on the hand says that in the process of finding ways on how to alleviate poverty, the men and women at APFTI wanted to become entrepreneurs – to make business and money out of what they are doing but were not allowed because the organisation is non-stock, with an NGO not-for-profit- structure. For this reason they started the FFTV company and this takes care of the business side. This has now become the bread and butter of the organisation, the business side making fair trade products ordered by fair trade buyers. Everything that the social enterprise gains are given back to the producers.

According to Marina, the cooperative is not registered formally but they try to generate profit to keep the business going and therefore it can not exactly be regarded as NFP. Profit for them is important because one of the purposes of the cooperative is to help the women earn money. Through some profit, they will be able to also organise events, like Christmas party, to make the members happy and to show them how their work is appreciated. The members do not really have anywhere to go or
anything else to do and community event makes it possible for them to have a common celebration.

**Aid and/or social entrepreneurship**

For Greg of G&G, the function of aid depends on how the money is used. Aid can be of great help for infrastructure and education. Without proper infrastructure that helps for instance the farmers to get their fresh products to the market in good time and good transportation condition (that allows the products to stay fresh), the lot of the farmers will not improve. She argues that giving aid should have proper metrics: are we targeting the cause or just the symptom – are we really targeting the problem? Moreover, aid should be monitored. The government or the international funders should talk with people, it should be a partnership, there should be a dialogue because communities know what they want and need. Aid is not bad, it is necessary but there is a need to know how to use it. Considering the current situation of the country, both aid and social entrepreneurship are needed because there are gaps in the value chain. *"The poor needs food on their table, and without it they don’t have time to think of anything else. It is the same with health and education needs".*

Like Greg, for Socrates aid and social entrepreneurship go together – hand-in-hand, giving their case at FFTV as an example being a recipient of aid funding and also one that practices social entrepreneurship. He readily adds though: *"But in the long run if the funding dwindles, the social enterprise should be able to sustain. Our predicament at the moment is that aid funding is dwindling and SE is affected. But our goal is to become self-sustainable through our SE activities".*

Marina acknowledges that there are people who just wait to receive help (aid) but she thinks that doing something is more sustainable. She says: *"I guess it is really good that we are able to do this, not just get aid because by this we are able to sustain".*

**Scaling**

Scaling is part of G&G and FFTV’s development plan. G&G is putting up their own store this year in Greenbelt or Ayala Mall¹², and in other major malls and they hope to be able to franchise the model. Their focus right now is Metro Manila. 70% of the

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¹² Both are upscale malls in Makati City
poor are in the provinces, therefore the organisation hopes to be able to replicate in the provinces. In maybe 10 years they hope to work with India, Thailand and other countries, and together with Ten thousand villages. Greg says that if for example they are able to scale up and collaborate with other countries, then success is good. They are able to extend social impact.

FFTV on the other hand already has 4 fair trade shops across the country. They intend to establish a concept similar to SevenEleven where fair trade products are available everywhere. Quite poetically, Socrates adds: "We are still at the beginning stage, it's a journey of a thousand miles and we have just taken our first steps". He continues by sharing that whenever an SM department store\(^{13}\) is established in an area, every small store dies because it can’t compete against an entity like SM. FFTV is working with Philippine Amalgamated group of supermarkets, Philippine association of supermarkets, which are the competitors of SM and Robinsons\(^{14}\) that have shown interest in carrying FFTV’s products and whom they have entered some agreements with. When asked if they are making a headway he says: "Yes, we are making a headway but still we have just punched a hole but have not penetrated the mainstream yet – and that is our eventual objective. If we are in the mainstream, our products will be in most stores and the choice between fair trade and non-fair trade products will be easier for people to make."

Scaling efforts at the Cooperative is not part of their current plan. However, the members are hopeful on the very recent partnership entered with MaddieKay where the bags are to be sold in Sweden.

**Entrepreneur or Social Entrepreneur?**

With my curiosity as to how they regard themselves, I asked Greg if she considers herself as an entrepreneur. She says: "Yes, I am an entrepreneur, a social entrepreneur. I used to consider myself as a social worker, but when I moved to G&G I was able to use business principles to meet social goals so I consider myself a social entrepreneur."

\(^{13}\) Biggest shopping mall conglomerate in the Philippines. SM used to stand for ShoeMart, but it has turned to become an orchestra of products and services (with cinema and amusement parks) all under one roof, and are located in almost every corner of Metro Manila and major cities in the Philippines.

\(^{14}\) Robinsons is a smaller counterpart of SM
When Socrates was asked, he readily answers: "We are social entrepreneurs. The normal entrepreneur makes money for himself, for the growth of his company – he goes into business to make money. But a social entrepreneur makes a bit of money for himself but more for the producers. We try to make business for them and a little for us."

According to Marina, her mother had an advertising company before but she also has her advocacy. The cooperative is the first concrete manifestation of Ichay’s advocacy. The advertising venture is an entrepreneurship, but since the cooperative is more for a social cause by helping the community, Marina therefore considers her mother as a social entrepreneur.
5 Analysis

This section presents the analysis of the above empirical results as compared with and analysed against the theories earlier presented, in order to determine if such theories find room in the practical situation of the interviewed organisation representatives. Moreover, this analysis is to help determine if the research question and objectives of this study are answered and met, and shall consequently be briefly summarized in the following section, Conclusion.

Adhering to what the literature suggests, this study has drawn on practical examples of SE to identify and elaborate on the essential components (Mair and Martí, 2006). Through the interviewed representatives from Gifts and Graces (G&G), Filipinas Fair Trade Venture (FFTV) and San Teodoro Women’s Cooperative, I have explored the role of business model or entrepreneurial principles for SE through the context of the practitioners themselves.

To be able to analyse these empirical findings, I would like to refresh our memory by reiterating some of the theoretical discussions/views highlighted earlier (and introducing other views, not necessarily mentioned earlier, whenever applicable), to determine whether the literature and empirics support or contradict each other, and to finally determine if the research question is answered and the research objectives are met.

The main issue that this present study focuses on came about from the unclear boundary between Social Entrepreneurship and Entrepreneurship (Mair and Martí, 2006) where the discussions show that there is no exact way of fixing the border below which the importance of social goals fails to qualify something as social entrepreneurship (Peredo and McLean, 2006). While social motive is central for SE (Mair and Martí, 2006), there is a tension if income-generation should be included or excluded in the other motivations of SE (Fowler, 2000; Chell, 2007; Trexler, 2008). Hence there is a loophole or a knowledge gap as to what SE is or is not (Martin and Osberg, 2007), which therefore curbs the reluctance, even antagonism, against the adoption of business model or income-generating activities within SE. Using this as a departure point, the present study has explored the role of business model or income-generation for SE from a sustainability perspective. I shall analyse the empirical
results against the theories through four headings: Business model: a means to meet social goals, and self-sustainability, Aid grants and dependency mindset, FP or NFP or "hybrid" structure, and The legitimacy issue.

**Business model: a means to meet social goals, and self-sustainability**

The empirical findings show that income-generation is an integral part of the organisations, a source of their sustenance (partially or wholly), and even descriptive of their role of being social entrepreneurs. For Greg (G&G) and Socrates (FFTV), they are social entrepreneurs precisely because they are able to use business principles in order to meet social goals, and in order to generate profit to help the producers get out of poverty, respectively. Hence, the ultimate role of business model is income-generation for the benefit of the communities and the sustainability of the organisations themselves. This supports what Boschee and McClurg (2003) claim that unless a nonprofit organisation is generating earned revenue from its activities, it is not acting in an entrepreneurial manner . . . Only earned income will ever allow a nonprofit to become sustainable or self-sufficient. Moreover, what Kuttner (1997) claims that business structures and market models are becoming organising models sine qua non (in Dart, 2004) is therefore reinforced. Likewise, the founder of the Women’s Cooperative is a social entrepreneur because she combines advocacy to care for the environment while supporting the women to help themselves and earn extra income. These are in harmony with what Chell (2007) claims that social enterprises should be self-sustaining and therefore entrepreneurial in their endeavors.

Greg of G&G even raised the unmet goals within NGOs where social workers are assigned to run a livelihood program. This failure finds some explanation from what Jed Emerson (from The New Social Entrepreneurs) says: “Social workers ... are raised by experience and training to distrust money, business and capitalism. We develop a mind-set that views money as evil. Grow up.”, and Bill Shore (from Revolution of the Heart): “Too many nonprofit organizations are financially stagnant, raising and distributing funds the same way they have for decades .... A nonprofit that is run for profit sounds like a contradiction in terms. But it doesn’t have to be.” (Boschee, 1998)

Similar to how commercial businesses make use of community partnership and
capacity building as a tool or model to a more efficient business operations (Loza, 2004), the social organisations have identified the same need for such model and are currently applying it. They acknowledge the benefits that partnership and cooperation provide – almost regarding it as an inherent part of the operations, and the powerful role of capacity-building and empowerment it give to the communities.

**Aid grants and dependency mindset**

The current decrease in aid volume that threatens the sustainability of social initiatives (Fowler, 2000) is proved to be happening through/in the case of FFTV. Although FFTV has a high aid-dependency, Socrates is sanguine about FFTV’s chances of sustaining through their entrepreneurial initiatives and being able to hurdle the obstacles to come. NGOs/NGDOs, by being entrepreneurial, indeed possess potential to develop and become self-sustaining beyond aid (Fowler, 2000). For Greg, aid grants are needed to improve infrastructures and education. This finds a fit from what Dees (2007:28) says that *if we want to capitalize on this current wave of interest and test the potential of social entrepreneurship, we need to create an environment conducive to success*. Social entrepreneurs must be supported with a more efficient infrastructure, appropriate public policy, and a change in the culture of the social sector. Therefore the social entrepreneurs must be given an opportunity to break loose from the old norms and assumptions of alms-giving charity that permeate the social sector (Dees, 2007). According to G&G and FFTV, this alms-giving and dependency mindset is a part of what they want to change by supporting the communities and SMEs to produce their own products, earn a living and become their own agents of change. Moreover, Greg also emphasises the need for international funders to involve people (communities) as real partners when driving projects. Aid grants should be a tool/means to achieving change and not a mere allocation to satisfy statistics.

**FP or NFP or ”hybrid” structure**

The three organisations studied employ business-like methods in their daily operations. These take form in product development, design and quality improvements\(^\text{15}\), marketing, costing/pricing, management and organisational skills, etc. in order to improve sales hence better income for the communities/producers; and

\(^{15}\) The need to adapt the products to meet market preference (products with market appeal affecting customers’ purchase decision) has also been raised by one of the staff at Världsbutiken in Landskrona.
for the organisations to be able to cover their margins necessary for their own sustainability. G&G and FFTV are examples of the Integrated type of SE identified by Fowler (2000), where developmental agenda are combined with market opportunities creating social benefits not only for the targeted recipients but sometimes additional benefits for the NGO as well. They are even into scaling (a business strategy) to increase sales in order to strengthen its social impact, while the Cooperative has taken a step to sell their bags abroad to also increase sales. Hence, this finding is concomitant with the findings of Weerawardena and Mort’s (2006) that suggest that social entrepreneurs can indeed remain competitive while fulfilling their social mission. It also strengthens what Mair and Martí (2006) argue that social entrepreneurship can take place equally well on a for-profit basis, where the organisations’ structure – whether FP or NFP or combination (the so-called "hybrids") is merely a way or means of obtaining the social goals (also by Davis, 1992, in Peredo and McLean, 2006); and that commerce is beside the point where the key value is in devicing social solutions to social problems (Trexler, 2008). Moreover, the finding is in harmony with what Dart (2004) says: "As business becomes a more preeminent organizational model and as increasingly wide swaths of human society become conceptualized as markets, then the businesslike hybrid face of social enterprise is legitimate and in fact responsive to the times."

The legitimacy issue

The way Greg of G&G speaks freely of the importance of getting their margins from their entrepreneurial activities shows that earned income for SEs/NGOs is not seen as odd or morally illegitimate. This shows that similar to the United Kingdom and the United States, where government-dependent social welfare organizations are considered less legitimate than initiatives that apply a more business-like model framed as entrepreneurial generating revenue (Dart, 2004), the Philippines seems to traverse and progress along a similar path. The organisations studied show that applying business model and generating income in order to pursue their social goals and ensure the organisations’ sustainability, are integral to the organisations. Hence, apart from business structures and market models becoming organizing models sine qua non, the sociopolitical or moral legitimacy is accorded to social enterprise initiatives that imitate them, as Kuttner (1997) claims (in Dart, 2004). It is clear that G&G is not dependent on contributions or grants, applies business principles, and has
completely discovered the importance of paying their own way to become a genuine social entrepreneur who understands the difference between 'innovation' (doing something new) and 'entrepreneurship' (doing something that makes money), and therefore is sustainable and self-sufficient (Boschee and McClurg, 2003). In the case of FFFT, they are partially funded through aid grants and partially through their entrepreneurial activities. Moreover, both G&G and FFFT are into fair trade, into production and product selling, and are using a 'revenue-generating through marketing business model'. Although they are in principle NFP NGOs, they engage in commerce as it is how they can address the specific needs in front of them, making use of the resources/capabilities that the communities and SMEs possess. This reinforces what Mair and Martí (2006) claim that the choice of social entrepreneurs between a not-for-profit or a for-profit vehicle usually depends on the particular business model and the specific social needs addressed.

Indeed the issue of sustainability is vital and cuts across all definitional lines, despite all the apparent differences (Trexler, 2006). Accordingly, now we know from the social enterprises studied that being entrepreneurial means earned income which is a way or means to achieving their social goals, and serves as a key to their own sustainability, especially in the event of decreased aid grants. Sustainability as a result obtained from a balance of the entrepreneurial drivers of innovativeness, proactiveness, etc. is not regarded as an end in itself, rather sustainability is focused on ensuring the continuation of the organization because of its social mission (Weerawardena and Mort, 2006).
6 Conclusion

Both the theoretical and the empirical materials tell us that the sustainability of organisations dependent on aid is at risk due to the dwindling or unstable grant decisions. The organisations studied provide us with contextual reality of social entrepreneurs where their motivations to achieve social change fuel them to engage in a business-like or entrepreneurial way of conducting their operations in order to transform their (communities’) products into income for the financial sustainability of the communities and the organisations themselves. By adopting business and organisational approaches – be it in terms of product development, marketing, capacity-building, partnerships, etc. – they are able to not only produce products that are market-competitive that give financial benefits, but also empower them (through self-help, community organizing, etc.) as individuals and members of the communities in a manner that may be difficult to witness if they are mere aid recipients. Not to neglect that if organisations become self-sustaining, it means that aid and developmental funds can instead be allocated to projects that have more pressing needs where recipients have less or no capacity at all to help themselves.

It is of relevance to note here that according to the study, aid grants are still needed and go hand-in-hand with SE. However, it should be monitored, be earmarked to solving the heart of the problem, and be used for support system such as infrastructure to assist farmers, etc. There is also a need for mechanisms allowing SEs to generate income (like the creation of FFTV to take care of the business side of APFTI). It is also of importance for international funders to actively involve the communities in the process to increase success factors. Moreover, there is a need for structure change where for instance social enterprises (should) involve or hire staff that are equally social and businesss oriented. My exploration generated findings that show, as what the literature indicates, that SE – by being entrepreneurial – possesses potential of transforming NGOs/NGDOs into becoming partially or wholly self-sustaining towards development beyond aid. If indeed decrease in aid grants continues, being able to generate income to meet social goals through Social Entrepreneurship seems to be the very right model that the society currently needs. Specifically, the field is Social Entrepreneurship precisely because it applies entrepreneurial or business principles while doing and in order to do social mission.
Concluding here by answering the research question: *What is the role of business model for SE, and why?* The role of business model for SE is (for) sustainability through income-generation so that they can fill in the gaps in society that they embrace to achieve. By becoming self-sustaining, social entrepreneurs are able to continue doing more social mission. Business model is a necessary ingredient if SE is to be taken from a sustainability point of view. The illustration below can help us make this progression vivid:

![Social Entrepreneurship + Business Model](image)

*Figure 2: SE business model-sustainability cycle (source: author’s own model)*

**Reflections, and what I have learned on the side**

From the onset until the final stage of writing this research, I have been titillated by what context can provide us as members of society in obtaining some level of understanding beyond what we see in our immediate surroundings – be it in our neighbourhood, the organisations we belong, the literature we read, the professional and personal affiliations we have, the socio-economic background we have. By going deeper into what the interviewees shared, consciously or unconsciously, verbally and through body language, and incorporating it with my own pre-conceptions, my own view of reality (ontology) and of facts (epistemology), there are many minor – nonetheless crucial – details that can be extracted from the experience I had from this research.\(^\text{16}\) What struck me the most can be summarised into two headings: the social entrepreneurs’ goals and motivations and their close anchor to their reality.

\(^\text{16}\) Hence justifies the qualitative/interview type of research and social constructionist approach employed in this study.
Goals and motivations

There is no question that the social entrepreneurs are doing what they are doing because they have a genuine will to make a difference. It is refreshing and kind of awakening to hear Greg say that she hopes for the future to work and collaborate with other countries in Asia to increase the social impact of their undertakings. This shows that their social objectives transgress territorial borders. There is a huge lesson that can be learned from this, especially for us who live in a welfare society. It is moving to hear a blind wishing to lead another blind, so to speak.

Reality

Both Greg and Socrates show optimism without losing grip on their reality. They know for a fact how much is needed to be done in the country, and how much they can do as individuals, as members of the organisation and as members of the society. They also know what they can do using what they have. The Philippines with its socio-political-economic history has its internal and identity contradictions. To discuss this requires another master thesis or even a PhD dissertation. Nevertheless, despite the fact that Socrates admits the organisation’s dependence on aid grants (and admits simultaneously its decrease), he counterclaims, with much optimism, that they are to withstand trials and obstacles because they are (becoming) self-sustaining. His statement shows contradictions and it is only to speculate that the phase of aid-dependence has left an imprint on them, not to mention the country’s current state. Although something is being done about it (through social entrepreneurship), it may take time for some to really focus on their own potential to become their own complete agents of change.

Another ‘reality’ extracted from the context is that of the Women’s Cooperative. Their case shows that people, despite, or maybe because of their different socio-economic status (the initiative-taker/family compared to the Cooperative members), are able to organise themselves to initiate change. Their initiative has, paradoxically, made them come together as one at the same time reinforced each respective place/function in society.
6.1 Contributions

The practical implication based on the analysis and conclusion contributes in general by giving us an alternative position away from the perspective of some that business activities occupy no room within the social sector. Particularly, this study has an academic contribution through sealing the knowledge gap that existed on what SE is or is not by showing that the organisations studied are social enterprises (what SE is) precisely because they are able to apply business model to meet social goals. Everything is evolving and that includes the range/scope of social needs and the resources to meet these needs. With the birth of Social entrepreneurship, the social sector is no longer traditional. SE provides a solution beyond the traditional way. It is forming a more open perception and attitude among us on the role that income-generation plays within social entrepreneurship and other non-governmental and developmental initiatives. Moreover, this study contributes by reinforcing what the literature says on the potential of SE in transforming NGOs/NGDOs into becoming partially or wholly self-sustaining towards development beyond aid; that business principles allow organisations to become sustainable in order to pursue more social mission; that income-generation is necessary – an organising method sine qua non.

6.2 Proposals for Future Research

Now that the role of business model for social entrepreneurship has been explored, it would be a valued contribution to research on how the process from aid-dependency to self-sustainability (especially from full aid-dependency to full self-sustainability) progresses in more/various organisations. It can be of greater value to include organisations in countries where welfare is not a given and therefore the role of aid and SE might have a different meaning and dimension compared to countries where there are functioning social welfare services. Consequently, this future research topic can include or be extended by incorporating if SE (being entrepreneurial) can transform people’s mindset from being passive and dependent into becoming their own masters, their own active agents of change.

It is equally interesting to research if Social Entrepreneurship, with its entrepreneurial flair that generates income for its social goals and own sustainability, is a business model in itself.
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Visited NGO in Sweden
Världsbutiken, Landskrona