

EPOKA UNIVERSITY

Is Social Business the Cure to Capitalism?

Master Thesis

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I certify that this thesis satisfies all the legal requirements as a thesis for the degree of Master of Science (MSc).

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I certify that I have read this study that is fully adequate, in scope and quality, as a thesis for the degree of Master of Science (MSc).

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Abstract

Even though there have passed many centuries since the introduction of Capitalism to the world economy, the problems faced by the current population are very serious. Some of the biggest challenges and problems we have to face are poverty, disease, hunger and environment destruction, some get worse every year. I believe that one of the main reasons of the failure to solve these problems has to do with the ideology of the current economical system, which has failed to merge the economic values with the social values.

In order to counter this failure, there are new innovative business models which have been created with a goal to integrate the social values with the economic profits. These businesses are referred as Social Businesses. The main goal of this thesis is to argue that Social Business model is a great opportunity to go beyond the dominant idea that social and economical developments are mutually exclusive objectives. In order to demonstrate such claim, I will question the ideological and structural boundaries, which limits the interaction between the private, nonprofit and public sectors.

Keywords: MSc candidate, Thesis, Social Business, Capitalism, Nonprofit, Social Development

Abstrakt

Edhe përse kanë kaluar disa shekuj nga prezantimi i kapitalizmit në sistemin ekonomik botëror, problemet të cilat kemi përballë janë shumë serioze. Disa nga problemet dhe sfidat më të rëndësishme me të cilat po përballemi janë varferia, sëmundjet, uria, shkatërrimi i ambjentit, dhe keto po përkeqësohen nga viti në vit. Unë besoj se arsyeja kryesore e dështimit për të zgjidhur këto probleme ka të bëjë me ideologjinë e sistemit ekonomik aktual, i cili ka dështuar në shkrirjen e vlerave ekonomike me vlerat sociale.

Në mënyrë për të kundërsulmuar këtë dështim, modele te reja krijuese janë krijuar me qëllim për të integruar vlerat sociale në përfitimin ekonomik. Këto biznese konsiderohen si Biznese Sociale. Qëllimi kryesor i kësaj teme është argumentimi se modeli i Biznesi Social është një mundësi e madhe për të tejkaluar idenë sunduese se zhvillimi social dhe ai ekonomik janë objektiva që përjashtojnë njeri tjetrin. Në mënyrë që ti përgjigjem këtij pretendimi, unë do të hetoj ideologjinë dhe kufinj të strukturor, të cilët pengojnë bashkëveprimin midis sektorit privat, jo-fitimprurës dhe atij public.

Fjale Kyce: Kandidati MSc, Tema Diplome, Biznes Social, Kapitalizem, Jo-Fitimprures, Zhvillim Shoqeror.

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DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed (candidate)

Date

STATEMENT 1

This thesis is the result of my own investigations, except where otherwise stated. Where correction services have been used, the extent and nature of the correction is clearly marked in a footnote(s). Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed (candidate)

Date

STATEMENT 2

I hereby give consent for my thesis, if accepted, to be available for photocopying and for interlibrary loan, and for the title and summary to be made available to outside organizations.

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Date

Contents

1. Introduction

When we consider the human history, in the last two centuries, the most successful nations have had an unprecedented generation of wealth and resources. Unfortunately, such economic development has not been witnessed in all countries and also it doesn't represent the social progress. Gregory Dees has said "A cursory look at the world affairs should convince any thinking and caring person, regardless of political ideology, that we have considerable room for improvement" (Gregory Dees, 2007). He also has said "we may not all agree on our vision for an ideal world, the gap between reality and our notions of the ideal is still enormous" (Gregory Dees, 2007).

If we take a look of our planet, the picture is not as beautiful as we like to think. There are very developed countries, but, every year around the world nearly 10 million people die as a result of hunger, the number of children not enrolled into schools is as high as 69 million. Children born in developed countries are 15 times more likely to survive in the first 5 years, then those born in developing countries. Nearly one third of the human population lives without the proper sanitation, where 34.6 million people are diagnosed with HIV, every 30 seconds one child dies from malaria. In order to achieve the Millennium Development Goals (Human Development Report, 2008), the budget of US100\$ billion needs to be doubled. As our society is faced with such difficult problems, there have been an enormous amount of attempts to create a better world. While many projects have been successful, much more have failed to achieve the results we hoped.

The reason why these problems are so difficult to deal with, is in the ideological limitations that our society has constructed (Yunus, 2006). In other terms, the narrow interpretation and vision of capitalism has created ideological limitations, which prevents us from creating a more social economic environment. One of the key reasons of this failure is the division between two basic entities, nonprofit and for-profit sectors. The segregation created between the economic values

and social values, has created a system where the two different entities have failed to capture and integrate the multi dimensional nature of the human being. As a result it has not been possible for these sectors to efficiently meet the social needs.

It is being increasingly more difficult for the nonprofit sector do deal with the financial pressure and the skepticism, which mainly comes from the failure of this sector to incorporate the positive element of the free market in its structure (Johnson, 2000; Pallotta, 2009). On the other hand, dissatisfied groups are increasing the pressure towards the for-profit sector as a result of their inability to deliver an important social benefits. As a result of this increasing tension, the society needs to find a common ground solution, where the social and economical benefits of these two entities are merged together to generate a better system.

During the last four decades a new term has been used, “Social Business”, this tries to address the difficult social and market needs, by using the tools of the entrepreneurial sector. There are two different views regarding Social Business, on one hand we have the group which sees Social Business as a new ideology, which is capable to merge both the economic and social elements. On the other hand we have the other group, which sees Social Business as a trick to make profit using social problems. I am conducting this research in an attempt to determine if Social Business is capable to solve the problems created by Capitalism.

With the help of Social Business I truly believe that the social values can be implemented in a system which has become dehumanized. With the help of this new ideology we can change the boundaries between the private, public and nonprofit sector. Even though this new ideology will not have a tangible result in the short run, Social Business is really an important movement toward the way we think about development, globalization and capitalism, which should result in the structure transformation of business and nonprofit organizations.

Even though there are enormous question regarding the legitimacy of Social Business, with the help of this research I will try to demonstrate the potential of this ideology to create a new inclusive economical system, where one of the key important traits is the ability to value the human content. Social Business might, or might not be the solution to the biggest problems our economic system is experiencing in the present, but with the examples I have used in this thesis, I strongly believe that Social Business is the key to accelerate our social development and cure Capitalism.

1.1. Research Question

The primary goal of this thesis is to understand the capabilities of Social Business and what role can it have in the current economical system. Being aware of the fact that the popularity of the Social Business is increasing fast, I believe that this new ideology has the potential to make a big difference for our current economical system. As a result I am interested to know if Social Business can improve our current system.

The main question in will try to answer is:

- Can Social Business be the cure for Capitalism?

In order to find an answer to the main question, there is a number of question and topics that I must investigate.

1. Is Capitalism Sick?
2. Is Social Business just another name for the nonprofit sector?
3. Why should we choose Social Business?

After I found the answers of these questions, I believe it will be easy to determine if Social Business is the next evolutionary step of Capitalism.

1.2. Assumptions and Limitations

The goal of this thesis is to understand Social Business and use it as a new organizational structure, which can be used in both the developed and developing countries, as a tool to cure the market inefficiencies as of today. (Nieuwenhuys, 2006). I believe that this research will help us to surpass the barriers that the current ideology has created, and truly understand the real social potential of Capitalism. This thesis is not an anti globalization, or anti capitalist, but a research in understanding the problems that the system is currently facing and cure them in order to achieve a sustainable system. “All humans’ institutions are imperfect, and the challenge for each is to learn from the success and failures” (Joseph Stiglitz, 2007). Even though the world has been facing a global economic development, the wealth gap between the rich and the poor has been increasing constantly, also “a large part of the world’s populations is deprived of fundamental

labor standards, the right to work and an adequate standard of living, health and education” (Nieuwenhuys, 2006). There are numerous cases, where the economical values have had the prioritization over the social values, as a result it is very important for the society to reflect and change their assumptions regarding the priorities.

The social illnesses that the world is facing are a result of different reasons and there is agreement on the effect that countries have in this case (Weil, 2008). One of the reasons might be that, “developers and donors from rich countries do not properly take into account how local survival mechanisms in developing nations work” (Michael Rosberg, 2005). Arguably we can assume that corruption and political instability, created as a result of military conflicts and colonial dominations are also a reason. Understandably there are also other factors, such as geographic and climatic conditions that can determine the success and development of a country. A lot has been written and debated regarding these topics, and it is true that development inequality might be a result of any combination of the factors discussed, and such a topic needs an in-depth analysis. On the other hand, the purpose of this research is demonstrate that the goals, values and assumptions of the free market, does not reflect and capture the values and goals of the society, as a result the current system is not capable to meet the needs of the society.

The popularity of Social Business is increasing, as a result there are many examples being developed around the world, also this topic has attracted the attention of many scholars. We also should consider that as at the moment, the idea of Social Business is not yet fully developed, and it needs time to become a definitive concept. Social Business is a relatively new concept, since the data about this topic has been developed only in the last 30 to 40 years.

This research is not specific to a particular region; it does not have any geographical boundary. In order to complete this research I have studied many cases from around the world, and also reviewed literature. We should take in consideration that the majority of the research done regarding the nonprofit sector is of Western origin. Also I want to point out that most of the examples and case studies that I have researched were found in existing databases and foundations. As a result this research focuses only on the most successful cases of Social Business. During my research, I have noticed that Social businesses mostly identify themselves legally as nonprofit organizations. I believe that one of the main reasons of this trend is the fact that there is not clear legal infrastructure regarding the Social Business sector. Clearly as the Social Business ideology develops, it will need a new legal framework. In order to conduct this

research I have taken in consideration organization which identifies themselves as Social Businesses.

There are other synonyms terms used to express the similar ideology with Social Business, such as social capitalism, social entrepreneurship, venture philanthropy, caring capitalism (Walesh, 1997; Yunus, 2006; Steurerle, 2009). As a result the term Social Entrepreneurship will be used in some cases, which has a slightly different ideology with Social Business.

2. Methodology

The main question I am trying to answer in this thesis is strongly connected with the inefficiencies of the current economical system, and if there is a suitable alternative which can cure such problems. This is basically a theoretical question, and as a result the answer must

reflect the same approach. The analysis of this topic is the result of the interpretation of the literature written by some of the most influential scholars and researchers on the field of capitalism, nonprofit ideology and Social Business. During my research I have tried to complete the work is a holistic approach to the current economic system.

When we consider Social Business, it is a relatively a new field for scholarly research, which “provides a unique opportunity to challenge, question, and rethink concepts and assumptions from different fields” (Mair & Marti, 2008). It has been considered by the same authors as a “fascinating playground for different theories and literature” (Mair & Marti, 2008). Researchers have conduct their research in a way which “to provoke further exploration of the emerging phenomenon of social business, which they believe can make a great difference in the next century of human and societal development” (Alvord, Brown, & Letts, 2004). This paper is the result for the calls to provide a deeper exploration and a different approach to the topic of Social Business.

When we consider Social Business in practice, it needs the help of scholars, businesses and nonprofit professionals, and governments to make it all work, while when we consider academic study of Social Business, it needs a combination of different fields of study. As a result, to conduct this research literature and theory from 3 different fields have been studied; economics, development studies and nonprofit management. In order to better understand the Social Business ideology, the integration of these fields is needed.

The connection of Social Business with development studies, represent an important gap in the current literature. Information regarding the definition of Social Business has never been short, but there is very little information regarding its increase popularity and the effects that it can have on social development, programs, strategies and ideologies.

In order for me to address this problem, I have paid particular attention to the connection between economics and social development and also focusing on the market inefficiencies demonstrated by Joseph Stiglitz, so that I can evaluate Social Business correctly. Also by understanding and identifying the current ideological and principle failures of the current capitalist system and the nonprofit sector, I will try to demonstrate how Social Business is the key to overcome such difficulties. Additionally, by using a different number of academic works focused on international development, I will try to identify the challenges and make recommendations regarding the future of Social Business.

In summary, the present research type is a conceptual research based on the interpretivist paradigm. From the ontological viewpoint this research relies on constructivism and relativism, emphasizing the role of the social business as an alternative to the obsolete capitalism and market inefficiency. Therefore, it overcomes the “objective belief” that exists only one reality. Furthermore, it shows as a dangerous illusion the fact of perceiving only one reality (Nardone and Watzlawick, 2005). Instead, it promotes the philosophy of multiple realities and invented ones (Corbetta, 1999; Watzlawick, 1984).

From epistemological standpoint, the present research focuses on non-dualism, subjectivism, holism, quest of the possible. Thus, the effort is made to search the meaning of phenomena and not precise laws of experimentation.

From the methodological perspective, the focus is on constructivism and constructed realities. Hence, the concentration is on the empathy of interaction between the observing system and the observed one (Foerster, 1981).

In conclusion, this study uses the qualitative methodology and the methods of literature review and theory development.

3. Defining Social Business

Since Social Business is a relatively new topic, there is little consensus on the exact definition. I believe there are two reasons why, first the literature regarding this topic is relatively new, and also the term Business is in itself quite complex. “Similar to entrepreneurship in its early days as a field of scholarly endeavor, social entrepreneurship research is still largely phenomenon-driven...existing studies are typically based on anecdotal evidence or case studies, applying diverse research designs and methods and introducing insights from other disciplines” (Mair & Marti, 2008). As a result, in the current popular academic literature, Social Business is considered as a large range of initiatives and activities.

In this section, I will provide information regarding the emergence of Social Business and also explain some of the most important definitions identified by some of the most important scholars and organizations. I will also explain the history, structure, prevalence and the connection to social development of Social Business.

3.1. History and Prevalence

Some of the researchers believe that the roots of Social Business might be as deep as religions themselves. “All religions encourage the quality of helping others in human beings, making social welfare an integral part of human history” (Yunus, 2006). On the other hand there are other individuals who consider Social Business tightly connected with “Victorian Liberalism” (Johnson, 2000; Mair & Marti 2006; Skoll Foundation, 2008). According to (Ashoka, 2008), individuals like John Muir, Florence Nightingale and Maria Montessori are historical examples for their approach to create social value. “Historians remind us that there has been a long standing involvement of nonprofit organizations in commercial activity in the United States, suggesting that the blurring of the boundaries is an evolutionary development... and not a discrete break from the past” (Cordes & Steuerle, 2009). On the other hand there are other individuals who argue that the concept of Social Business we know today was created in the 1980s by the founder of Ashoka, Bill Drayton.

Even though the origin of Social Business is not clear, “social enterprise is thought to be something important, and something distinct from classical business and traditional nonprofit activity” (Young, 2009). In other words Social Business is not considered totally a new idea but “it has gained renewed currency in a world characterized by a growing divide between the haves and the have-nots” (Skoll Foundation, 2009). Social Business has been receiving an increasing attention in the last four decades, which is an indication that the idea is gaining momentum. Some of the greatest universities in the world have started to have an interest in this ideology. Universities such as Harvard, Oxford, Stanford, Columbia and many other have started to develop their study programs in this area. A former adviser to four different US presidents, currently a professor at Harvard, David Gergen, has considered Social Business as the “new engines of reform” (Dees, 2001). There also a numerous number of international organizations such as the World Bank, which has referenced this ideology multiple times in the recent years. There are other organization such as, Organization for Economic Cooperation and Development (OECD) which are aware for a new ideology which can reconcile the economy and the society,

and as a result they have prepared a large number of publications regarding the importance of Social Business (Clarence & Noya, 2007).

In recent years there have been an increasing number of major foundations which have been created as a result of Social Business. These organization include The Skoll Foundation, established by the former president of EBay, Jeff Skoll, also there are other examples such as The Schawab Foundation, PBS Foundation, Acumen Foundation, Grameen Foundation, and many others. Also the number of investors which invest in Social Business is rapidly increasing. Companies such as Good Capital, Calvert Social Investment Foundation, Phoenix Fund, and many others, are focused in investing in Social Business projects. Another key sector where Social Business is found is the public sector. As demonstrated in the US, where there has been created a governmental agency in order to promote the Social Business initiative (Obama.com, 2009). Another key actor, the Media, is increasingly featuring Social Business in their articles. Some of these medias are; The Economist, The New York Times, The Times, The Washington Times, The Business Times Singapore, and many others.

Since we can see that there is a large variety of geographical, national and cultural context, we can determine that Social Business is a global phenomenon, an ideology which attracts a variety of people around the world.

The founders of these initiatives come from rich and poor backgrounds, from industrialized and developing countries. Some founders are individuals and some are teams; some are men and some are women. They include lawyers, professors, manager, and grassroots organizers. No immediately obvious and highly visible characteristics distinguish there leaders by background, country of origin, gender, and occupation, or even as individuals or groups (Alvord, 2004).

Even though we are experiencing an increase interest in Social Business, its evolution varies greatly from one country to another. One of the pioneers of this ideology once said: “In some countries, social business has grown out of the social economy, in others; there have been very strong links with the public sector” (CASE, 2008). When we compare the development of Social Business in Europe, we can see that there are very closely relate, “Social business in Europe arises from evolution of the welfare state and the imperative to find a new way to control public-sector costs and address unemployment of marginalized population” (Young, 2009). The same author also wants to point out the fact that, “In the United States, we are fixated on nonprofits and for-profits... there is less concern in Europe about the strict separation of for-profit and nonprofit forms and more emphasis on governing arrangements that help ensure that an

enterprise pursues the right combination of social and private goals”(Young, 2009). When we consider the developing world, “there is a long history of what is essentially social entrepreneurship - businesses of all sorts with social purpose” (CASE, 2008).

Even though there are a variety of interpretations, the ideology is still relevant. In other words we can say that Social Business is on the “forefront of the movement, distinguishing themselves from other social venture players in terms of ultimate impact and are poised to make a substantial difference in the way we think about business, nonprofit organizations, and development in general” (Skoll Foundation, 2008).

3.2. Definitions and Characteristics

Social Business can be described as a movement to solve social problems, by encouraging an evolution of the current ideologies. Also Social Business can be summarized as an “emphasizes problem solving and social innovation – developing radical new approaches to solving old problems” (Johnson, 2000). There are two different views regarding Social Business. On one hand there are individuals who see Social Business as the incorporation of business ideology into the nonprofit organizations, and on the other hand there are individuals who see it as a way to implement social values into the economy. Both of these interpretations are plausible, since there is no final definition for the ideology of Social Business (Light,2008). Even though there might be a different number of interpretations when we consider Social Business, there are some very important themes emerging.

Social Business can be characterized by the following; Social Impact, Social transformation, Innovation, challenging existing ideas, building a better system, sustainability. One of the best definitions I was able to find to explain Social Business came from Oxford Said Business School:

Social Business is the product of individuals, organizations, and networks that challenge conventional structures by addressing failures and identifying new opportunities in the institutional arrangements that currently cause the inadequate provision or unequal distribution of social and environmental goods (Oxford Said Business School, 2009).

If we analyze this definition, we can understand that Social Business has the ability change current ideologies, by demanding a transformation of the structure of the economy, so that social values can be a part of the new structure. There are also many other notable definitions regarding the importance of Social Business in the academic literature.

According to Jeff Skoll, the founder of The Skoll Foundation, and former president of eBay, differences Social Business, since it “aims for the value in the form of transformational change that will benefit disadvantaged communities and ultimately society at large” (Skoll Foundation, 2008). Also Social Business is being described as a system where individuals have the opportunity to “challenge and forever change established but fundamentally inequitable systems” (Skoll Foundation, 2008). According to the Skoll Foundation, Social Business is being described as an important drive for innovation and change, calling the social entrepreneurs “pioneers of innovations that benefit humanity” (Skoll Foundation, 2009).

Ashoka: Innovator for the Public, is another foundation which considers Social Business as “the change agents for society”, since they “rather than leaving societal needs to government or business sectors, Social Businesses find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps” (Ashoka.org, 2008). One of the visions of Ashoka is that Social Business must become a wild fire, and hopes it will reach every part of the globe and reach every individual and making “everyone a change maker” (Ashoka, 2008). This approach gives importance to the idea, that every citizen should determine the path of the society and they are innovator which can cure the system. “Our generation is replacing signs and protests with individual actions. This is our civil rights movement and what will define our generation” (The New York Times, 2009).

There is a big group of researchers and academics who have analyzed the personalities and characters of social entrepreneurs, determining that they are the “drivers of change”, which their ability for innovation is critical to success (Acumen Fund, 2008; Ashoka, 2008; Mair & Marti, 2008). Another researcher who is part of this list is Gregory Dees. He is the faculty director at the Duke University’s Center for the Advancement of Social Entrepreneurship (CASE). Dees has also been one of the most important researchers in the field of Social Business in the last decade. According to him Social entrepreneurs are “individuals and organizations that bring to social problems the same kind of determination, creativity, and resourcefulness that we find among business entrepreneurs” (Dees, 2007). He also has determined 5 different characteristics that differentiate Social Business from the other ideologies:

Social entrepreneurs play the role of change agents in the social sector, by

- i. Adopting a mission to create and sustain social value, not just private value
- ii. Recognizing and relentlessly pursuing new opportunities to serve that mission

- iii. Engaging in a process of continuous innovation, adaptation, and learning
- iv. Acting boldly without being limited by resources currently in hand, and
- v. Exhibiting heightened accountability to the constituencies served and for the outcomes created (Gregory Dees, 2007)

Another researcher sees Social Business investors as “individuals with the innovative solution to society’s most pressing social problems” (Bill Drayton, 2002). His idea about Social Business investors is that they are individuals with ambition and perseverance, who are not afraid to face major social issues and find new creative ways to make a wide scale change. According to him, the entrepreneurs who invest in Social Business are “user-friendly, understandable, ethical, and engage widespread support in order to maximize the number of local people that will stand up, seize their idea, and implement it” (Bill Drayton, 2002). Another definition regarding social entrepreneurs is that they are “people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources and use these to make a difference” (Thompson, 2000).

Social Business is seen by many as a tool to emerge the economic and social values together. According to Peter Drucker, Social Business “change the performance capacity of society”, by using market strategies and social values to increase the ability of individuals to find solutions to social problems (Gendron, 1996). The definition from Mair and Marti is that Social Business is “as a practice that integrates economic and social value creations” also “a process that catalyses social change and addresses important social needs in a way that is not dominated by direct financial benefits for the entrepreneurs” (Mair & Marti, 2008). Also they consider Social Business as a “process of creating value by combining resources in a new way” (Mair & Marti, 2008). The same view is being shared by a nonprofit capital fund, Acumen Fund, which describe Social Business as “institutions reflecting the diversity of business models that can be effective in reaching the “bottom of the pyramid” (BoP) or the billions of poor without access to clean water, reliable health services, or formal housing options” (Acumen Fund, 2009). According to Schulyer Social Business investors are “individuals who exhibit all the skills of successful business people as well as a powerful desire for social change” (Schulyer, 1998).

In order to categorize Social Business different strategies have been used, one of them being case studies, but the results have been mixed. Gardner and Barendsen using a larger sample of interviews with Social Businesses and Healthcare entrepreneurs, the result was that Social Businesses were unusual “in terms of their compelling personal histories, their distinctive profile

of beliefs and their impressive accomplishments in the face of odds” (Social Edge, 2009). According the study of Alvord in 2004, where he studied a number of successful Social Business, the result was that this kind of ideology was an important catalyst for social improvement.

Since there is some confusion on how Social Business is defined and their structure and terminology is not clear, is a matter for concern for some individuals, who strongly question the legitimacy of the field itself. According to a report published by CASE in 2008, where 85 interviews were conducted with important participants in Social Business, the definition of the term Social Business was “one of the biggest problems in the field” (CASE, 2008). According the same report it is understood that for some the definition is too narrow and idealistic, while for other it is too broad and needs to narrow down. On the other hand people are ready to “acknowledge that social entrepreneurship has enough problems, concerns, and passions in common to be part of a shared community of practice and knowledge” (CASE, 2008). There is a group of researchers which think about the lack of a clear definition as a “unique opportunity for researchers from different fields and disciplines, such as entrepreneurship, sociology and organization theory, to challenge and rethink central concepts and assumptions” (Mair & Marti, 2006). As a result we can clearly identify Social Business as a real interdisciplinary area in the understanding of social development organizations.

3.3. Organizations Structure

As demonstrated, Social Business is a definition of its characteristic to bring together the nonprofit, private and public sector. As a result Social Business has a variety of organizational forms. Social Business “can be the product of a for-profit or nonprofit organization, as well as many hybrids in between these two poles” (Oxford Said Business School, 2009). The way a Social Business is set up, is normally “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” (Mair & Marti, 2006). Also another key factor to take in consideration is the fact that whether the organization has existed before as a business or as an nonprofit, or it is a new start up organization, even though the majority believes it “can occur equally well in a new organization or in an established organization” (Mair & Marti, 2006)

There are some individuals that believe that Social Business must make profits in order to distinguish itself from other organizations. A researcher called Branda Masseti, created a matrix

in order to understand this particular view regarding Social Business. In this Matrix, the organizations have been divided in 4 different groups;

- The Traditional Business – Market driven/ Profit maximization
- The Transient Organization – Respond to market / not interested in profit maximization
- The Tipping Point – Socially driven / making profit to survive
- The Traditional Not-For-Profit – Socially driven / Donor funding

According to Masseti, Social Business is part of the “Tipping Point” organizations, and as a result the Social Business in order to distinguish itself must make a profit.

The 2006 Nobel Peace Prize Laureate, one of the pioneers of Social Business and also the founder of Grameen Bank, Muhammad Yunus suggest that one of the goals of Social Businesses is to have a surplus. In an article published by Yunus in 2006, he describes his vision regarding Social Business. According to him the Social Business must be divided into four different groups;

- i. No cost recovery
- ii. Some cost recovery
- iii. Full cost recovery
- iv. More than full cost recovery (Yunus, 2006)

He shares the same idea as Masseti, that “profit making is perfectly legitimate”, as long as one condition is fulfilled “investors not receive any dividends, or receive only token dividends (1-5%), if any at all”(Yunus, 2006). This idea suggests that any surplus must be used to pay as soon as possible the initial invested capital. These funds, if the investors choose, can be reinvested into the Social Business again (Yunus, 2006). As demonstrated by the Grameen Bank or other initiatives, the surplus generated must be invested in order to increase the range of products, or services that the Social Businesses offer. This strategy leads in the ability of the organization to be sustainable and self sufficient, which gives them the possibility to grown and increase the social benefit.

There are two different opinions regarding the profit generation characteristics of Social Business, on one hand we have the two scholars, who believe that profit generation is a key element of Social Business, and on the other hand there are other individuals who believe that the generation of income is not important and traditional nonprofit organizations are viable Social Businesses (Skoll Foundation, 2008; Acumen Fund, 2008). As a result, an organization such as Skoll Foundation often tend to invest on ideas of nonprofit organizations, which are not able to generate profit, nor are self sufficient, but are believed to be entrepreneurial and innovative. On the other hand the Acumen Fund, believe that the generation of surplus is not important and long as the organization is sustainable. There is an article called “Social Business is about Innovation and Impact: Not Income”, written by Dees in 2008, and which has been embraced by many organizations such as Ashoka, Schawab Foundation and the Duke University. As a result many believe that Social Businesses are organizations which are responsible to find new innovative ways to deal with social problems, and not necessarily generate profit or be self sufficient.

Even though the idea of Social Business is to become sustainable, it is not obligatory for them to be self sufficient or make profit. In order to be identified as a Social Business a mix of characteristics such as social impact, sustainability, innovation and entrepreneurship are important (Dees, 2007). In other words, the most popular Social Business structure is the one which uses both the characteristics of for profit and nonprofit, which can make a profit, but still is depended from the donations. Another definition of Social Business is “activity intended to address social goals through the operation of private organizations in the marketplace” (Dennis Young, 2009) which is capable to adopt and use different strategies which vary from “traditional nonprofits to socially conscious for profit business, and the number of hybrid arrangements in between” (Cordes & Steuerle, 2009).

3.4. Approaches to Social Development

There are a number of different strategies and approaches used by social entrepreneurs to develop their ideas. On one hand we have entrepreneurs who are focused in increasing their ability to provide services or goods. An example are the organizations helped by Ashoka, which the development program gives them access to financial services, using technology and other means to stimulate the rural development and also income is generated by the help of factory based daycare. On the other hand we have organizations that are focused “explicitly on

mobilizing existing assets of marginalized groups to improve their lives, rather than delivering outside resources and services” (Alvord, 2004.) Below I have presented different examples which show the social development approach to Social Business.

Social Business has been used as a tool to provide innovation and socially important services and goods, and there are plenty of examples. One of the most famous and successful Social Business initiatives is the microfinance movement, which micro loan strategy revolutionized economics, by lending money to poor people, especially women, which helped them to self employ (Skoll Foundation, 2008). Even though there have been a lot of challenges, microfinance was able to challenge the structure of collateral banking, and giving the opportunity to people who were denied benefits from globalization. Dr. Venkataswamy established the Aravind Eye Hospital in India, which provided medical service of the bottom of the pyramid, is a clear example of Social Business. With a fraction of the cost, the hospital was able to provide medical service to people who could not afford services in the private sector (Mair & Marti, 2006). This is an example of the fee for service strategy implemented by a Social Business, since they have no pressure from the demands of the shareholders, they can operate with much smaller fees. Pura Vida is a coffee company based in Seattle, which is another example of Social Business, which uses its 100% profit from fair trade coffee to fund hospitals and schools in the communities where the coffee is grown (PBS, 2009). All of these are clear examples of Social Businesses which provide traditional services and goods in an innovative and cheaper way to support social challenges.

There are other Social Businesses which primary goal is to empower the community where they operate. Ann Cotton founded the Campaign for Female Education (CAMFED) in 1993, which goal is to give the opportunity to African girls to get educated and to give them the possibility to start their own businesses, from which the entire community can benefit (Skoll Foundation, 2008). Another example is the work of Albina Ruiz in Peru. Using her engineering skills and knowledge, we design a new waste collection system, which opened many jobs for the local community.

Another important tool used by Social Business to create social change is technology. A company called Benetech based in California is a clear example of Social business, which uses the power of technology to solve social problems (CASE, 2009). Bookshare.org is one of the projects implemented by Benetech, which has created the biggest electronic library for the disabled (Skoll Foundation, 2009). Another project implemented by Benetech is Martus Project,

which goal is to inform people from more than 60 countries about the abuse of human rights (Skoll Foundation, 2009).

Another innovative Social business example is Apopo, founded by Bart Weetjens, which was able to identify the limitations of dogs being used in detecting landmines, so he was able to develop a new method to train rats, which are much better and cheaper to complete the same task (Skoll Foundation, 2008). Even though initially his method was thought as a joke from the mine experts, now is the leading technique used in Africa to detect mines (Skoll Foundation, 2008).

As shown above, the examples of Social Business innovations vary largely from one another. Despite these wide range of models and ideas, Social Business is able to inspire and a key player for social development initiatives.

4. Is Capitalism Sick?

When we consider the last decades, there are two main movements which are predominant related with the economic and social development. On one hand we have the continuous increase in dissatisfaction with the failures as a result of the free market ideology and institutions. On the other hand there is the problem with the absence of economic freedom of nonprofit sector; as a result the dissatisfaction of this sector increases. It is very important to understand these two different movements, in order to figure out if Social Business lies in the range of development ideologies.

4.1. Free Market Ideology and Social Inefficiency

Social Business is the result of a political, economical movement which focuses in social change around the world. The researchers Dees said:

To put the current interest in social business into perspective, it is useful to think about human history as a series of experiment in social organization from family, clan, and tribal structures to the elaborate governmental, corporate, and social structures of today. These experiments can be seen as a response to the question: How should we organize ourselves, publicly and privately, to move closer to the ideals of a good society? (Dees, 2007).

One of the most important factors, which has changed the structure of the society around the world, has been the “shift away from a social welfare state approach to development and towards a neoliberal approach with an emphasis on market forces as primary mechanisms for the

distribution of resources” (Johnson, 2000). This is the result of the idea that the increase in consumption and economy is the key to human progress and development (McMichael, 2008; Sen, 2000). Even though the impact that this ideology has been “generally discussed in political and economic terms, it is also important to recognize the significant implications they also have had on social change” (Johnson, 2000).

Since the 17th century, with the beginning of the idea of progress, it gave “primacy to the economic view in our ideological universe” (Shanin, 1997), in order to achieve a social result, societies tended to rely on economic growth. In other words, economic development has become a “normal science as defined by Kuhn where, once established, a field of knowledge defines its own questions, brushing aside as illegitimate other questions, and evidence, which do not fit its assumptions” (Shanin, 1997). As a scholar puts it, “We have remained so mesmerized by the success of the free market that we never dared to express any doubt about our basic assumption” (Yunus, 2006). The belief that economical development would result into an optimal social system, has made possible for the social welfare to get devaluated and the center of the society has become “increasingly empty of human content” (Shanin, 1997).

It’s not that surprising that the economic values are so popular, due the fact of the success of free market and globalization in the developed countries. Due to these many successful stories, the world eagerly chose to follow the invisible hand ideology which “markets, by themselves, without government intervention, are efficient, and that the best way to help the poor is simply to let the economy grow and somehow, the benefits will trickle down” (Stiglitz, 2007). Such belief forced individuals to think that there was only one way to achieve development, without taking in consideration individual resources, size, culture, history and many other factors that are unique to different individuals (Stiglitz, 2007).

Sadly for the earth’s least developed nations, the structural adaptations suggested from the Washington consensus, was not able to deliver the widespread results that were expected. As a result today we have a situation where “almost half of the post colonial world now dwells in slums” (McMichael, 2008), which shows that globalization and the free market works for some countries, but not for all, which creates a winner and a loser. There are cases, where economic liberalizations have obligated a large number of individuals to leave their homes and communities which had given them a dignified life. “Dams, forestry projects, and many other interventions financed by the World Bank and other foreign assistance agencies have disrupted

their lives for purpose that benefited those already better off” (Korten, 1999). As a result there are a large number of cases where the ideology of the market fundamentalist institutions, like the IMF and the World Bank, has made things worse than they were before (Stiglitz, 2007).

Another problem that rises as a result of the economical mentality is the fact that not everything can be measured in dollars. “Activity that commands a price, or generates cash, counts overwhelmingly as the measure of development, despite a range of other valued cultural practices, that reproduce social and ecological relations, for which money is meaningless” (McMichael, 2008). Even though the growth rates are an important indicator to the living standards when comparing different countries, the measure of growth, is not the best tool to identify the development possibility “as a process of expanding the real freedoms that people enjoy” (Weil, 2008; Sen, 2000). “Growth of GNP or of individual incomes can, of course, be very important as means to expanding the freedoms enjoyed by the members of the society. But freedoms depend also on other determinants, such as social and economic arrangements, as well as political and civil rights” (Sen, 2000). The fact that we put so much attention to the economic growth, has decreased the importance of anything else which cannot be measured in dollars, and we need a lot of work, to create a measure for human welfare, besides the monetary system (Waring, 1990). As a result values like peace, quality of life, empowerment, social cooperation are not taken in consideration, since they are not able to convert it in dollars (Waring, 1990).

This particular dilemma has been called by some as a “moral bankruptcy of the system” (Waring, 1990; Stiglitz, 2002). Both these scholars believe that the system that we have created where profit is all its matters, and in some cases socially suboptimal actions are rewarded. An example is the behavior of shareholder, who tends to reward their companies, when they report high profits, even though such growth, might have been as a result of cutting wages and ignoring environment protections. Also it is clear that financial gains and corporate gains are more important for the private sector and political agendas, rather than human interests (Transparency International, 2013). An example is the fact that corporate funding is used to buy political influence (Transparency International, 2013). We live in a system where, “global corporations and financial institutions have turned their economic power into political power and now dominate the decision processes of governments, rewriting the rules of world commerce to allow themselves to expand their profits without regard to the social and environmental consequences borne by the larger society” (Korten, 1999).

Another suboptimal social value which has been on the rise is inequality. “Since the 1970, the gap between the richest and the poorest twenty percent of the world’s population has more than doubled, now standing at about 89:1” (McMichael, 2008). As we can see from this example “in 2007, the CEOs of large U.S. companies were paid in one day what the average US worker makes in an entire year” (Dickson, 2008).

The generation who experienced the Cold War might be one of the reasons why people are so committed to the free market ideology, ignoring the signs for a new system of economic development. Another reason is the inefficiency of governments to meet the needs of the population, which leads them to find solutions in the private sector. Interestingly “market triumphalism associated with the collapse of the Soviet empire in 1989, the globalization project perhaps reached its zenith in 1994-95” (McMichael, 2008), it was also the time when the currency crises of Mexico ended and the protests of Chiapas against the failures of free market liberalization started. With the start of the Chiapas movement there has been a growing content around the world for the people fell victims to the market social failure of the new neoliberal doctrine.

From the protests of anti globalization at the World Trade Organizations Ministerial Conference in Seattle, to the hostility related to the scarce world resources, the environmental and human cost have been getting a lot of attention, which is a result of the broken system of economical development. The rise of question regarding the current economic system has lead to an increase global tension related to the future of economic development. “The new generation is less committed to the order of things, more skeptical of the prevailing system, and perhaps, more adaptable to change” (Yunus, 2006). In the recent decades there have been an increasing number of former passionate players of the free market policies, which now are admitting that there is a need for a new value measure system (Stiglitz, 2007). There is now evidence that the society is starting to rethink the ideology that has been shaping our current economic order. Santiago Consensus has been slowly replacing the Washington Consensus, which has recognized the free market failures and also is fighting the inequality and poverty, also focused in a system which values the environmental sustainable development (Weil, 2008).

It has been an enormous challenge to try and create a new innovative system which tackles social problems, however many have started to conceptualize ideas. In the book “The Post Corporate World”, the author says “Too often, those of us who long for alternatives feel powerless and

alone. In fact, however, we are not alone. There are hundreds of millions of us possibly billions, a part of evidence I see that our species is in the midst of a profound awakening to a new appreciation of what it means to be truly human” (Korten, 1999). Many scholars have started to oppose the widespread economic liberalization ideas, focusing on the need for change.

Recently, “orthodoxy has increasingly come under the assault by a group of economists and social scientist who would like to see the narrow concept of economic development replaced with a broader notion of social, or human, development” (Kapur, 1998). There is one very important contemporary development economist called Amartya Sen, who is the Nobel laureate. There are a large number of articles written by Sen, who emphasizes the problems, build as a result of inequality in the current mechanism of the modern society, and also he has fought for social and political freedom. “White Man’s Burden”, written by William Easterly, who strongly opposes the current economic ideology, is another clear example. There are other books, like “Common Wealth: Economics for a Crowded Planet” and “The End of Poverty: Economic Possibilities of Our Time”, which focus on the need for a more inclusive economic ideology. The work of an important researcher, Helen Norberg Hodge, focuses on the effects of globalization and free market liberalization on the indigenous communities. She also questions the myth of advance versus primitive societies, which has affected the expansion of global economy.

Besides these researchers, there are also new development model emerging. The new “Kerala Model”, is one of the most notable models of development which “explicitly seeks reconciliation of social, productive and environmental objectives at the local level, and tries to develop synergies between civil society, local governmental bodies, and the state government” (Vernon, 2001). This particular model is a clear example of a socially sustainable development model. Even though the income per capita and economic growth rate is low, the popular movement and progressive state interaction has improved the living standards and brought a high level of social development in Kerala, India (Kapur, 1998; Vernon, 2001). In order for egalitarianism to be promoted in the state, policies on minimal wages and reforms on land we accomplished. This example of cooperation between the state, businesses, NGOs and community, shows that there is a better model, when it is focused on the community, also is decentralized and goes above the state regulations (Vernon, 2001). Another example is Taiwan and South Korea, where privatization, trade liberalization and deregulation are equally balanced by the state control and intervention to achieve a high economic growth and success (Weil, 2008).

There are many supporting groups created in the last few decades (Jenkins, 1998). These groups have made numerous propositions to decrease the social and environmental costs of globalization (Jenkins, 1998). A number of treaties such as, the Kyoto Protocol, the International Covenant on Economics, Social and Cultural Rights, have made an enormous progress in this direction, which shows the necessity and willingness for such programs and initiatives.

The increasing interest in the sustainable development can be considered also as social progress. There are different new tools used to measure the development progress. “In 1972, the King of Bhutan coined Gross National Happiness as a qualitative benchmark combining material and spiritual development in emphasizing equality, preservation of cultural values, environmental sustainability and good governance” (McMichael, 2008). This might have been the starting idea for the United Nations to develop the Human Development Index (HDI), which with the help of life expectancy, adult literacy and GDP evaluates a countries status and performance. The United Nations since 1990 has been publishing the Human Development Report, which evaluates the poverty, democracy, gender, cultural liberty, human rights, climate change, water scarcity and globalization. Also the Gender Empowerment Measure and the Gender Development Index have been created to study and evaluate the differences between men and women in development. Also in 1995 the Genuine Progress Indicator was developed by Redefining Progress, which a policy thinking organization is a clear example which uses the consumption data of the GDP, and uses those data for elements such as income distribution, where the value of the household is added and the cost of pollution and crime is subtracted. As a result this technique is being used in identifying the cost of timber according the environmental cost and then it is reported in the GDP.

All these examples emphasizes that “globalization does not have to be bad for the environment, increase inequality, weaken cultural diversity, and advance corporate interests at the expense of the well being of ordinary citizens” (Stiglitz, 2007). Even though there are numerous cases of disastrous cases of unsustainability of the current economic system, objectively we cannot and should not give up on capitalism, especially when there are still some great promises. “Ordinary citizens of the advanced industrial countries, as well as of the developing world, share a common interest in making globalization work” (Stiglitz, 2007). It is important to understand that the free market and economic development play a crucial role in curing the world’s social illnesses. It is true that there are a lot of problems with the current system but, “we must also recognize that no other large scale economic system has been able to do as well for so many, and that many of the

vast gains in areas such as food production, technology and science, and medicine are directly attributable to the same economic drivers” (Robins, 2012).

There are parties which are very interested to make a dramatic change in direction from the economic globalization. However, the majority is well aware that “some trade, some investment, and some aid under the right conditions can be a vital force in building healthy and sustainable economies” (Broad, 2011). Sometimes, actually “the lack of substantive freedoms relates directly to economic poverty, which robs people of the freedom to satisfy hunger, or to achieve sufficient nutrition, or to obtain remedies for treatable illnesses, or the opportunity to be adequately clothed or sheltered, or to enjoy clean water or sanitary facilities” (Sen, 2000).

We should not be naïve to believe that economics does not have a place in development, but also we should be aware that unregulated and free markets will create a socially optimal world. We should pay attention and be able “to understand the dynamics of the system so that we can understand what we may need to give up and what we are able to maintain if we ever hope to solve global problems” (Robbins, 2005).

Sadly, the narrow interpretation of capitalism, which in many cases overemphasizes economical goals, “insulates entrepreneurs from all political, emotional, social, spiritual, environmental dimensions of their lives” (Scheuer, 2000), also it pushes them to “transform themselves into the in dimensional beings as conceptualized in the theory, to allow smooth functioning of the free market mechanism” (Yunus, 2006). When considering the social potential of capitalism, Muhammad Yunus, speaking for the majority says, “I am in favor of strengthening the freedom of the market. At the same time, I am very unhappy about the conceptual restrictions imposed on the players in the market” (Yunus, 2006). Joseph Stiglitz, another much respected economist has a similar vision, where he focuses on a need for balance and also supporting the “advance of policies promoting equality and full employment” (Stiglitz, 2007). This ideology emphasizes in the revitalization of the local economies, by respecting the rights of the collective property and by maintaining a basic social and economical rights for everyone. It strongly supports the empowerment of some local parts of the society and of the grassroots movements; also it says that the intervention of the government is also needed. This ideology depends on “a belief that an informed citizenry is more likely to provide some checks against the abuses of the special corporate and financial interests that have so dominated the globalization process” (Stiglitz, 2007). Those individuals, those informed citizenry that believe that free market and globalization

can be reworked or cured, believe that Social Business is to the key to success. Such individual truly believe that by using the tools of the market in a more humane way, can make significant social changes to the current economic structure.

4.2. Nonprofit Ideology and the Connection with Economic Inefficiency

The nonprofit sector for decades has been the bridge between both the governments and the private sector, and the solution of social problems. The nonprofit sector has made some very important progress in addressing social issues. The result of the “heavy ideological overlay remnant of Puritan times” (Pallotta, 2008), has prevented the nonprofit sector as a result of the lack in economical freedom to achieve its full potential in eliminating social problems.

The nonprofit sector has been trapped by “a set of rules that were designed for another age and another purpose, and that actually undermine their potential and our compassion” (Pallotta, 2008). The current nonprofit ideology focuses more on the idea that “people who want to work in the nonprofit world should be more interested in the good they can do then the money they can make” (Pallotta, 2008). In other words this means “those who want material abundance do not have the concern of the needy at the forefront of their minds” (Pallotta, 2008). Clearly this assumption divides the individuals into two opposing groups. In one hand there are the ones who want to help the poor and on the other hand the ones who only seek personal benefits. This assumption does not allow space for a common group, which demonstrates that humans are not only one dimensional being and are not motivated only by one goal. As a result of this assumption, it is intolerable for people to make millions while they fight world poverty or inequality, but on the other hand it is perfectly fine for industries to make huge profits while harming the society, such as the tobacco sector (Pallotta, 2008). The ideology of the nonprofit sector that their goal is 100% goal driven and as a result relatively poor is written in their ethos (Pallotta, 2008). This ethos shows us that “nonprofit means you do not seek gain for yourself. So when someone wants a high salary it is a violation of the fundamental basis of the system” (Pallotta, 2008).

Another belief of the nonprofit sector and ideology is that these organizations should not take any risks (Pallotta, 2008). The lack of risk taking might be one of the important reasons why the nonprofit sector is so slow to innovate and adopt, and also one of the slowest changing sectors. “In the last 50 years, only two new nonprofit organizations have entered the ranks of the nation’s largest organizations, otherwise the top charities remain the same, year after year” (Watson,

2009). Since this sector is discouraged to implement programs with high risk or innovative, it is not possible for this sector to have that big needed impact.

Another reason of the inefficiency of the nonprofit sector is the idea that such organizations should spend all their funds every year, without taking in consideration investing or saving money. This means that “charities do not have the luxury to think about the future” (Pallotta, 2008), since they must spend as much as possible now, to fight social problems. It is normal that there will be situations where the nonprofit should spend as much money as possible immediately. But providing the nonprofit sector with a limitation of their ability to invest in their future, does not allow them to have a safe existence (Pallotta, 2008).

Another assumption is that “charities should not waste money on expensive advertising; it is money that could otherwise go to the needy” (Pallotta, 2008). This is the opposite of what 300 years of capitalism has taught us that “advertising builds consumer demand” (Pallotta, 2008). This ideology demonstrates that on one hand businesses have the possibilities to use fundraising and advertisement tools, while on the other hand the nonprofit sector has been forced to limit the use of such tools. The assumption is that “charities should maintain a low overhead percentage” (Pallotta, 2008). Even though the idea behind this ideology has good intentions, the result is different, which limits the ability of the nonprofit sector to generate funds in order to finish their projects and goals (Pallotta, 2008). Recently, the so called industry watchdogs have leaked a large number of information regarding the costs of nonprofit fundraising. Many believe that such information are not accurate and do not show the entire picture. The National Council on Nonprofit Associations conducted a research, which showed that, “There is a great potential for these fundraising ratings to be misinterpreted and misused. In the worst case scenario, donors could withhold vital contributions from a worthy organization based on inaccurate, incomplete, or misunderstood information” (Strauss, 2005). The costs of the fundraising reports do not take in consideration the good which results from funds raised, that would not have been possible otherwise.

All of the above presumptions reflect some of the key problems of the nonprofit sector, such as the fact that this sector is very depended on the surplus of the for-profit sector, or the lack of resources which restrict the options of the nonprofit sector for financing and development. The nonprofit sector continuously struggles to gather the resources needed, even though there is a huge wealth in the system. During the last economic crises, there has been an increase in the

demand for social services, while at the same time the funds of the nonprofit sector have been decreasing. Such trend is not new, since the same thing happened in the United States in the 1980s, when the funds for the nonprofit sector decreased with 23% and further declined in the 1990s “despite a rise in the number of nonprofit organizations in search of funding” (Johnson, 2000). This has resulted in the inability of the nonprofit sector to have sustainable funds, while at the same time the increase in competition. The ideology of the nonprofit sector that they should not spend money in advertisement increases the problem, which results in harder work for much less funds. It is believed that if the nonprofit sector would use the tools of the free market, their resources would increase and they could easily meet the social needs.

Due to the assumptions about the nonprofit sector costs, these organizations have been constantly forced to decrease the administrative costs when compared with program cost. “In the past, information about performance in the nonprofit sector has not been clearly and keenly demanded, required, assembled, and analyzed to the same extent as in the for profit or public sector” (Anheimer, 2006). At the present for the nonprofit sector it has become increasingly important that the nonprofit report to be available and very accurate. As a result of increased regulation and controls, in order to decrease the risk of losing findings from donations, there have been an increasing number of organizations who have distorted the costs of fundraising and administration. Due to increase in violations from the nonprofit sector, the Supreme Court has ruled that such organizations by misleading donors on how their money will be used can be sued. As a result there has been a negative media attention regarding the costs of the fundraising of the nonprofit sector.

In order to improve the increasing negative perception of the nonprofit organizations, a group of foundations and philanthropy programs have been created. This group is responsible to encourage and ensure the public to believe in the nonprofit sector and also to donate in order for the nonprofit sector to work. Many authors have published books, which aim to help the nonprofit sector to deal with the increase number of regulations, and to be able to justify and protect their image. Such efforts are considered only as a temporary solution, for a much bigger problem. “Low overhead percentage does not give you any data about the good a nonprofit is doing in the world. If charities focused more on solving the world’s problems than on keeping overhead low, more of the world’s problems would get solved” (Pallotta, 2008).

There is another problem with the current system, which pushes social responsibility to only one sector of the economy. Only 30 years ago, nonprofit sector was seen just as a partner of the government, which was the main actor in facing and solving social problems (Trexler, 2008). Even though letting millions private philanthropist deal with social responsibility might be more efficient and democratic, it also has put too much pressure and responsibility to the nonprofit sector, since the other two sectors for profit and public have started to distance themselves from social problems.

Even with such number of structural problems, the nonprofit sector has been able to avoid questioning: “Like most people, I never asked questions about our system of charity. Why would I? Who was I to question a system that had been around for centuries? It never dawned on me to ask questions about it” (Pallotta, 2008). With the increase in competition, the rise in scrutiny and a number of constraints which have been placed on the nonprofit sector, this is changing. This had brought the nonprofit sector at an important moment of its development. The future of the nonprofit sector is questionable, since the sustainability of the nonprofit sector is no certain. The critics are posing the same question to the nonprofit sector as they have done to the current structure of economic globalization. “As we look around at the persistence of poverty and need, of disease and suffering in a world of unimaginable affluence and productivity, we have to ask ourselves, does the system work? Is it the best system we could have? What other systems are available?” (Pallotta, 2008)

The examples discussed above, show that the nonprofit sector has been separated from the rest of global economy. Setting unreachable and unrealistic goals to the nonprofit sector and at the same time preventing it from using the tools of the free market obstructs the best player we have to solve social issues. Also the separation that has been created between the for-profit and nonprofit sector, has relieved the for-profit sector from its social duties, and at the same time has increased the pressure and demand toward the nonprofit sector to solve the social issues. The reason why social problems have not been solved yet, it's not only thanks to the failure of the neoliberal ideology, but also from denying the nonprofit sector from using the free market strategies. As a result where is a clear need for a new system, which will be able to solve and elevate the limitations of the neoliberal ideology and the nonprofit ideology?

5. Social Business, Towards Social Capitalism

The social problems and difficulties are the result of the current ideologies and structures used by the global economy. As a result we need to implement a new system which takes in consideration both the economic and social development. I will discuss in this part, how the Social Business can become the new structure which will merge both the economic ideology and social values.

5.1. Social Business and Development

Social Business is the result of the belief that all three components, social, environmental and economical are actually compatible with each other, and it is not simply the implementation of the private sector into social development. As stated below:

It is a mistake to believe that social business is just a subset of business activities aimed at more ‘social’ outcomes, much like corporate social responsibility this is a dangerously limiting approach to the extraordinary richness of socially entrepreneurial activity that is found in all three sectors of society (Albornoz & Shuck, 2008).

Social Business goes beyond the current economic limitations in term of policies, goals and motivations, which by the current system are top down, exclusionary, formulaic, disempowering and male biased. The Social Business is the opposite and focuses of values such as gender equality, inclusionary, empowering, people centered and participatory (Eade, 2003). Even though there are a lot of differences, Social Business does use the most positive attributes of the market economy, and it is described as market base ideology. There are two main reasons for such approach. One, as shown in the previous parts, the current economic market does need a transformation, as a result market oriented solution is preferable. Secondly, the free market capitalism does have many important elements, which might be the key to solve the world’s problems.

Social Business does use a holistic approach to solve social problems, even though it is not yet perfect. Social Business “broaden the conception of the market beyond the merely neoliberal to suggest that markets establish change value and that this is inevitably socially embedded” (Oxford Said Business School, 2011). As a result we can say that Social Business can result in “economic growth but also recognizes the importance of an equitable distribution of resources, an open minded, socially engaged population, and a certain degree of enlightened governance” (Kapur, 1998).

Social Business does not expect that economic growth by itself will be able to solve social problems. Social Business uses the tools of the free market to tackle and achieve social goals, rather than waiting for the markets to solve them. In this ideology measuring profit is not nearly as important as a way to measure success. It is much more important to achieve social development and promote social values rather than making a profit. There are examples such as

the Skoll Foundation which in order to measure success they use data regarding the social impact, innovation, sustainability, entrepreneurship, cost effectiveness and growth.

The aim of Social Business is not to push the market towards an increase in consumption and production, but change the market in a way which will make the world a better place. The difference between Social Businesses and traditional businesses is in the “aim for value, not just in the creation of new markets, but in the form of transformational change that will benefit disadvantaged communities and ultimately society at large” (The Skoll Foundation, 2009). This can be achieved by creating alternative products of necessary goods, also by making them much more affordable. Another way is by creating new jobs, which will employ local people. Social Businesses like such ”pioneer innovative and systemic approaches for meeting the needs of the marginalized, the disadvantaged and the disenfranchised populations that lack the financial means or political clout to achieve lasting benefit on their own” (Skoll Foundation, 2009). Social Business focuses on the interaction of individuals to work for a mutual interest rather than for their own interests, which will help to achieve a better and desirable reality.

Another key aspect of Social Business is the fact that cooperation is valued much more than competition, as shown in their ideology of sustainable cooperatives and fair trade mentality. “Promoting collaboration between sectors is taken as implicit within social business, blurring the traditional boundaries between the public, private and nonprofit sector” (Johnson, 2000).

The Six-S is an organization founded by some French activists, which operates in Burkina Faso. This organization works closely with a number of villages, government and donors. This collaboration has helped nearly 2000 villagers to generate income in a suitable way.

Social Business does not believe in the idea that the governments should minimize the interventions; on the contrary, the government is seen as necessary to protect the individuals and the environment from the exploitation of the free market ideology. Social Business believes that governments are the tool which can solve the corporate corruption as stated by the Transparency International. Even though Social Business considers government interventions as a major tool, they are also aware of the limitations of this institution, due to its inefficiencies, bureaucracy and corruption, which usually influence the development, progress of countries. This is the reason why the Social Business is not a government driven initiative, but rather a private sector organization.

Social Business supports the idea of community sustainable business models, which are believed to generate a more sustainable development, rather than supporting the global corporations. Numerous examples support this idea, one of them is the microfinance movement, which has helped people to become self sufficient owners, rather than wage employees. Being aware that the “local production system that service the global market often negatively affect the sustainability of local habitats and the planet” (McMichael, 2012), Social Business ideology is to expand the communities reach to resources, knowledge and property.

One of the tools that Social Business uses from the free market is the promotion of efficiency. Same as the traditional businesses, Social Business focuses on finding new and innovative ways to provide a more effective service or product. On the other hand the definition of efficiency for Social Business is not the minimization of cost and maximization of profit, but rather the impact on the society.

Social Business can be considered to be a system of the neoliberal privatization, since it relies strongly on private individuals to create and implement social innovations. Social Business is aware of the role the government has into protecting individuals and enforcing democracy, but their goal is not to let the government to have a centralized power in creating regulations and rules. “Some social innovations are unlikely to be very effective if they are carried out by government organizations. The private nature of social ventures can be a distinct advantage” (Dees, 2007). Having this in mind, Social Business creates a system where people are encouraged to create by themselves solutions regarding the economic system. Also the interpretation of the term privatization is different from the definition given by the neoliberal economics, where it is stated as a mean to increase the control for corporation, and not people.

In Social Business making profit is perfectly allowed. This is particularly important due the fact that “profit making is key to investment capital” (Pallotta, 2008). Since there is the opportunity to make profit into the Social Business ideology, people will be much more attracted to make investments in solving social problems. “If people could make the same return from investment capital in charity as they can in for-profit investments, charity would raise massive additional investment capital and be able to utilize profit for a good cause, instead of just making shareholders wealthier” (Pallotta, 2008). As a result, the profit making ability of this sector will help grow and sustain the Social business. Also it is worth mentioning that Social Business goes beyond the neoliberal ideology, since it does prioritize social welfare over profit.

Since Social Business is a free market structure, it does not necessarily reject the GNP growth; it simply values the growth in the quality of life much more. Social business has the potential to bring innovation and growth to humanity, especially to the billions of individuals at the bottom of the pyramid, who are practically not allowed to take part in the economy. Social Business supports the fact that new ideas and economic goods are the key to economic development (Romer, 1992).

The characteristics of Social Business are the key to change the current development ideologies. As an example, since it is a market base approach, Social Business is appealing to people who have been very resistant to change. The Social Business ideology can give to “non economist social scientists a credible means of persuading economists of the significance of social factors in development” (Chambers, 2004). Social Business has become popular in many important business schools around the world, which has made possible to insert the social welfare in the curriculums of the business. Such classes were teaching only how to maximize profit techniques, now they teach also the effects on social impact and social development. Social Business with the help of the introduction of social values in business classes, has now the opportunity to surpass the ideological limitations.

Social Business has already produced some results, “we have seen an explosion of diverse experiments, many of them engineered by onetime Wall Street heavies, that attempt to bring new capital and capital market dynamics – to the realm of social good” (A Winning Strategy to Help Millions, 2009). A clear example is the first female partner at Goldman, Sachs & Company, Connie Duckworth, who is the founder of the Social Business Arzu. This business sells the rugs of Afghan women, in order to provide them with sustainable income (Skoll Foundation, 2008). Contrary to the traditional businesses, the workers of the rugs do get health care, and a higher compensation for their rugs than the market. In order to achieve such benefits, the workers are obligated to send their children under 16 to school (Skoll Foundation, 2008). Such change in ideology by people such as Connie Duckworth, and top business schools around the world, should not be seen as something temporary because, “by defining entrepreneur in a broader way, we can change the character of capitalism radically, and solve many of the unresolved social and economic problems within the scope of the free market” (Yunus, 2006). Social Business has the ability to inspire the youth, thanks to the innovative ideas to change the world. “Many young people today feel frustrated because they cannot see any worthy challenge which excites them within the present capitalist world. Those, particularly in rich countries will find the concept very

appealing since it will give them a challenge to make a difference by using their creative talent” (Yunus, 2006). As a result, Social Business can be the tool which will help the youth to find a meaning to their life and give them the opportunity to solve social problems (James, 2007).

Social Business is not asking the existing businesses to dramatically change in a more social ideology, but we should be aware of the changes it is bringing. “Social entrepreneurs are raising the stakes, creating both business and social impact, and changing old-style capitalism” (A Winning Strategy that Helps Millions, 2009). Social Business is the tools to change the expectations people have on the idea of businesses to be socially responsible. Since the choice for the customers is increasing between the social business ideology and the for-profit one, the pressure for the traditional business to become more social is increasing (Vidal, 1999). Also Muhammad Yunus has stated that with the introduction of the social stock market, where Social Businesses can be sold, bought and traded, the pressure of the traditional business will increase, since they will have to compete for investments (Yunus, 2006). With the continuous refinement of the market mechanisms, which measure social value, Social Business can prove that GDP is not able to fully demonstrate the value of a country. As a result Social Business will accelerate the progress made in measuring social value.

Additionally, Social Business as a market reform, in a time of high unemployment has the potential to create many jobs. This is applicable even in the developed world, where thanks to the developers and researchers new sustainable technologies can be designed to help the communities to create their own Social Businesses. This might be one of the reasons why the United States government has recently started to create a new innovation fund to help people start their own Social Businesses (Trexler, 2008).

The idea of Social Business to create social value by using the free market tools is actually:

Constructing the building blocks of a post-corporate, post-capitalist civilization. They are demonstrating alternatives far more attractive and viable than socialism and the failed economic models of the former Soviet Union. The most promising alternatives center on applying the familiar principles of democratic governance and market economics to create societies that function in service to life and treat money as a facilitator, not the purpose of our economic lives (Korten, 1999).

The inclusion of the best and useful principles of the free market model, while denying the implementation of the harmful signals, is a promising future of Social Business, especially when it comes to the cure for the current market structure.

5.2. Social Business and the Future of Nonprofit Ideology

According to Salamon, there are “two seemingly contradictory impulses that form the hearty of American character: a deep-seated commitment to freedom and individual initiative, and an equally fundamental realization that people live in communities and consequently have responsibilities that extend beyond themselves” (Salamon, 2002). The nonprofit ideology is believed to be one demonstration of “blending these competing impulses, creating a special class of entities dedicated to mobilizing private initiative for the common good” (Salamon, 2002). A second demonstration is considered to be Social Business, which might be much more advanced and the right step towards a new system of free market capitalism. These ideologies, the Social Business and the nonprofit sector are a representation of “a faith in the capacity of individual’s action to improve the quality of human life” (Salamon, 2002). The difference is that the Social Business goes beyond the limitations and mentality of the nonprofit sector, towards a path which will overcome the challenges of the economy.

When we consider Social Business, many changes have occurred recently in the way the nonprofit and business ventures collaborate with each other and them both “have become more permeable” (Cordes & Steuerle, 2009). “Nonprofit America seems to be well along in a fundamental process of ‘reengineering’ that calls to mind the similar process that large segments of America’s business sector have undergone since the late 1980s” (Salamon, 2002). As a result for many nonprofit organizations it has been “advantageous to operate more like business in some respects; some for-profit businesses have adopted some nonprofit attributes; and business and nonprofits have discovered mutual benefit from acting as partners, both in for-profit and in non-for-profit ventures” (Cordes & Steuerle, 2009). One observation made by Holly Hall is that, “The most successful nonprofit organizations are those that have worked hard to diversify their fundraising strategy in recent years. In some cases, this includes starting their own businesses so as not to rely purely on donor generosity” (Hall, 2008).

There is a debate on the reason why there is an increase in the integration between the nonprofit and for-profit sectors. On one side some believe that there is “an organizational propensity for adaptation which creates a natural, dynamic process of change in the boundaries between

nonprofit and for-profit sectors” (Cordes & Steuerle, 2009). On the other hand people believe that this is the result of “intensified demands for improved effectiveness and sustainability in light of diminishing funding from traditional sources and increased competition for these scarce resources” (Johnson, 2000). I personally believe that the reason why the nonprofit sector is transforming is to go beyond the problems and limitations of the current economic system.

In the United States most of the literature regarding the Social Business has been focused mostly on the integration of the for-profit and nonprofit sectors. A number of researchers have been studying how the nonprofit sectors have been affected by the social enterprise ideology, also the results and dangers on how the implementation of this ideology will change the sector (Cordes & Steuerle, 2009; Pallotta, 2008). There are other scholars who believe that Social Business is going to eliminate the work done by the nonprofit sector (Trexler). Personally I do not agree with the view that the integration of the business and nonprofit sector will not result is a system which will address the social problems. I agree with the view of Pallotta, which he describes the union of the social value creation and the best practices of free market capitalism as the right ideology needed for Social Business to be the actor who will bring the most social development.

Even though the nonprofit sector has been an important element of our economy, I believe that Social Business with its ability to successfully merge social mission and economic freedom will change the structure and model of the nonprofit ideology. I am not stating that Social Business will completely replace the nonprofit organizations, nor I believe that it has to be blamed for the continuation of the social problems. Contrary I support Pallotta idea that the limitations placed on nonprofit ideology are the reason to be blamed. As a result I believe that the ideology of Social Business, which goes beyond the limitations imposed to the nonprofit sector, is a much better strategy to achieve social development. This ideology will help the visionaries that have worked in the nonprofit sector to have the tools to make an important impact.

There are number of ways the introduction of Social Business can go beyond the limitations and transform the nonprofit sector in a way which the effectiveness and efficiency would be increased. An example is the fact that Social Business can help to justify the administrative and fundraising costs in the nonprofit organizations. While people will start to think nonprofit organizations as Social Businesses, they will better understand that salaries, equipments and fundraise are as important as the goals themselves. In order for a business to be successful, there is a need for incentives in order to attract the best talent and have the best infrastructure (Weil,

2008). As we discussed above, a nonprofit organizations is not expected to use that many resources to attract the best talent. “If we allow charity to compensate people according to the value they produce, we can attract more leaders of the kind the for-profit sector attracts, and we can produce greater value” (Pallotta, 2008). Since Social Businesses have the resources and freedom to attract the best and most talented individuals, we can easily say that these organizations will achieve their goals much more successfully.

Also the Social Business ideology accepts the idea of advertising. “The more charities are allowed to advertise, the better they can compete with consumer products for the consumer’s dollar and the more money they can raise for the needy” (Pallotta, 2008). We can say that the Social Business has the advantage over the nonprofit sectors when it comes to advertisement.

We can say that it is easier for the Social Business to attract more funds, due to the fact of its ability to be sustainable which is much more appealing than other structures. Donors, “are being more selective about the type of organization they will invest in, favoring those with the most efficient and insightful model for growth through difficult times” (Fritz, 2011). This new ideology might result in the increase in the number of donors, especially from individuals who were not attracted from the idea of nonprofit organizations. These are the donors who in the past have not been comfortable with the unsustainability of the nonprofit organizations, but the ideology of the Social Businesses will be much more attractive to them. “A new group of philanthropists, much more diverse than the white, male leaders from mainstream America, who had previously dominated North America philanthropic foundations are emerging” (Johnson, 2000). Many of these new pioneers “are emerging innovators from diverse backgrounds, whom challenge old assumptions about charitable giving” (Johnson, 2000). It is believed that such groups are much more attracted to Social Business than the traditional one.

Social Business can be a great opportunity for big corporations to give more, since they have been behind individuals in this direction (GuideStar, 2009). A great example is the collaboration between Danone Foods and Grameen Foundation. A partnership which has created a Social Business responsible for providing the low income people of Bangladesh with a variety of nutritious foods at a very affordable price. Also help the community to become economically sustainable (Yunus, 2006). The Ceres Inc. has been the inspiration for many companies to start the fight against the climate change (Skoll Foundation, 2008). Also there are many other companies which have started to encourage the creation of Social Business. Vodafone has

created the Wireless Innovation Challenge, which would give a 300.000\$ grant for the best Social Business idea in solving social problems with the help of the wireless technology (O’Heffernan, 2009).

The introduction of the Social Business idea will also encourage the nonprofit sector to find new ways and become more sustainable and complete their goals more efficiently. “The more we allow charities to invest in the future instead of only the current fiscal year, the more they will be able to build the future we all want” (Pallotta, 2008). Social Business is the best solution for an organization to be sustainable and generate profit to support its programs. As a result they are much more protected during financial crises than the traditional nonprofit organizations.

Being an entrepreneur is the synonym of risk taking and innovative. Social Business has the ability to engage in high risk initiatives, which also will produce high social benefits. “Both nonprofits and foundations have a responsibility to seek ways to use their resources most effectively” (Diana Aviv, 2004). Nonprofit organizations have been discouraged from taking high risk initiatives with the donations of the public. As a result this sector has been forbidden from generating new high risk initiatives. On the other hand Social Business goes beyond this limitation, arguing that there are times that in order to achieve the best result is to take high risks. It is normal that taking risks will have failures, but “the more mistakes a charity makes in good faith, the faster it will learn and the quicker it will be able to solve complex problems” (Pallotta, 2008). As a result Social Business is the key for nonprofit sector to follow and invest in higher risk strategies and projects, which also can have the highest impact in social development.

The examples mentioned above are a clear proof that Social Business is the key to lead changes in both the nonprofit and corporate sectors. We should be aware that Social Business’s biggest contribution “beyond developing more effective ways to work with nonprofit organizations, by ending the counterproductive divide between public benefit and corporate identity” (Trexler, 2008). Due the fact that Social Business is a new ideology, it is quite difficult to make accurate prediction regarding the impact that it will have on the nonprofit sector and social development. On the other hand, Social Business has already started to make changes to both the business and the nonprofit sector, as shown in the examples above. I am expecting much more social development in the future with the creation of more innovative Social Businesses which will go beyond the limitations of the current system.

6. Answer, Challenges and Recommendations, Conclusions

Social Business has many positive attributes, but we should not forget its flaws. There are many problems which will prevent Social Business from having an important effect in international development. It is a success having as many individuals becoming part of this ideology, which will generate positive development for the humanity, but the history is the proof that even the best intentions sometimes have negative results.

The task of the dispenser of goodwill is complicated and fraught, and history teaches us the extent of damage done in the name of good. And if one must act, if one must intervene, one should at least have the self-reflexivity to question, the capacity for auto-critique, and most of all, the willingness to learn from those who are the recipients of one's benevolence, so that whatever occurs in the name of progress, whatever befalls the recipient of benevolent intervention as unintended consequence or collateral damage, may in some small measure, be brought to light (Nermeen Shaikh, 2007).

As a result, in order for a Social Business to be successful it needs to implement all the best traits of social development, such as gender equality, community mobilization, and methods which encourage participation. In the coming part I will discuss and make recommendations which will help to incorporate the best international development practices into the Social Business.

6.1. Answer

Is Social Business the cure for Capitalism?

This was the main goal of the research, to find an answer to this question. After analyzing the literature from some of the most important scholars of the field, I have come to an answer. As I

stated in the beginning it is particularly important for the thesis to understand the current economic system to determine if Social Business is the answer.

From the literature above we can understand that the current economical system is not the most efficient and inclusive one. Capitalism as it stands at the moment is not a completed ideology. It is a system that only thrives for profit maximization and increasing market share. This system has dehumanized the social values, and this variable is not taken in consideration when for-profit businesses operate. In the last decade we have witnessed the true destructive power that this unfinished system is possible to produce. The crisis of 2008 was one of the most devastating crises in the recent history. The monetization and the dehumanization of the social values, is the proof that Capitalism is not an efficient system. I strongly believe that this unfinished system, called Capitalism is sick.

The nonprofit organizations have been operating for many decades now. Their primary goal has been to solve the problems that the communities around the world are facing. This goal is very similar to Social Business but the approach these two different ideologies implement is not. Nonprofits organizations seek donations to conduct their fight towards solving social problems, while Social Business thrives to become self sustainable, by generating enough resources for them to continue their mission. The goal of both these organizations is similar, but the way they approach it is different. SO we can clearly say that Social Business is not a synonym for nonprofit organizations. It is a new ideology, which uses a different set of tools and ideas to challenge the problems of the society.

Personally I would strongly recommend this new ideology, but we should also consider the problems and difficulties that exist at the moment. Since Social Business is a relatively new system, it has many flaws, which need to be addressed. During this research I have identified some of them, and explain what needs to be done, in order to develop Social Business. At the moment Social Business has the potential to become the cure of Capitalism, but it's not ready yet. I believe that if Social Business is able to overcome these challenges, it will certainly become the cure to Capitalism.

6.2. Challenges and Recommendations

6.2.2. Cultural Relativism and Ethnocentrism

“Any approach has behind a set of values, beliefs, and attitudes. If an approach has a transformative agenda, it is in a particular direction, towards a change; approaches to development are not neutral” (Rowlands, 2003). As a result of such idea, the social development ideology has adopted an ethnocentric economic approach towards development. The term development itself is often defined by some western cultures as ethnocentric, which represents inevitability, growth and progress. According to this belief, people live by following the terms and rules of the market, and sooner or later all societies will reach modernization, if the right policies are implemented for development. This belief also raises the question of what is right and “what is good, and what sorts of change matter” (Chambers, 2004). According to the same author, the answers of such question have different meaning for different people, and the interpretations of development “both reflect and influence what is done” (Chambers, 2004). This means that results and the quality of the program strongly depend on the point of view and values of the observer.

With the evolution and the defining of the Social Business, it is vitally important for such organization to be aware of its values and assumptions. In order to achieve success, these organizations should consider the development in the most effective and inclusive way possible. The definition given by Amartya Sen regarding the ‘development as freedom’ shows the idea of human development as the standard for the Social Business. According to the same author, development is the result of the elimination of sources like “unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over-activity of repressive states” (Sen, 2000). “Human development is about putting people at the centre of development. It is about people realizing their potential, increasing their choices and enjoying the freedom to lead lives they value” (Human Development Report, 2014).

One of the biggest challenges of Social business is the ability to reflect the desires and needs of the people these organizations serve. As a result social entrepreneurs should be culturally sensitive and also be careful to the possible unintended outcomes of their programs. The limitation of someone to understand the culture besides their own is known by sociologists and anthropologists as ‘Cultural Relativism’. Such concept might not be familiar to many new social entrepreneurs. Due the fact that there are a large number of institutions which teach Social Business, it is

important for these institutions to teach also the need to be culturally aware, and the high stakes of the lack of this knowledge will create for the Social business. A tool to overcome such challenge is to use participatory methods before the beginning and the design of a project (Chambers, 2004). Such tools can help to mobilize the community and to better understand the desires and the needs, while at the same time decrease the chance for unintended results.

6.2.3. Empowerment and Local Participation

The empowerment of the local people is the best strategy to accelerate the development according to development experts. Social Business should use such strategy and contribute in the empowerment of the local people. A part of such local mentality relates with the protection and the encouragement of local businesses. “In 1400, most business were small, generally family-organized institutions. Today, we live in an era of multinational corporations, many whose wealth exceeds that of most countries” (Robbins, 2005). Due the effect of the neoliberal economies, which has dehumanized the culture is also affected by the decrease of local ownership capital. One of the duties of Social Business is to promote and help in the generation of the community ownership.

Another aspect to empower the locals does need the help of the local leaders to encourage and become social innovators themselves. Philanthropists and foundations should not focus only in financing and helping Western projects, but also non-Western ones. Social Businesses which operate in nonnative countries must make attract local to become part of their project. An example is the Amazon Conservation team. This Social Business “currently partners with 25 local tribes in Brazil, Columbia, and Suriname to protect the rainforest by using sophisticated mapping technology and by establishing legal claims” (Skoll Foundation, 2012).

6.2.4. Equality

One of the actors in the marginalization of women is the traditional culture of capitalism. Karen Sacks said, “the development of nation-states in the culture of capitalism undermined women’s status by dismantling the larger, family-based institutions on which ‘sister’ relations rested, turning women into dependent wives” (Sacks, 2011). Another researcher support this claim by stating that the “economic and social policies of the colonizers undercut the traditional role of women as farmers, merchants, and participants in the political process of families by undermining the power of extended family or clans, taking away women’s rights to land, and relegating women to the household or low-paying wage labor” (Robbins, 2005). As a result, it is

very important for Social Business to support and utilize social capital resources, differently from that ethnocentric mentality which broke social structures and created gender inequality.

Social Business should also be aware regarding gender equality encouraging women to be part of the social development. Social Businesses should consider UNESCO's recommendations "to assess the implications for women and men of any planned action, including legislation, policies or programs, in all areas at all levels" (Tiessen, 2013). Social Business in order to promote gender equality should implement strategies, which will help women to become social entrepreneurs themselves. The general consensus is that women are "often more concerned about their children's welfare" (Yunus, 2006). As a result we can say that the empowerment of the woman will bring benefits for all the family. Such strategy is used in the field of microfinance, where the majority of borrowers are women. Another Social Business focused on gender equality is the Afghan Institute for Learning. During their operation, they have build 18 center where 350.000 women can learn to read and write (Skoll Foundation, 2008).

6.2.5. Sustainability

One of the unintended effects of the free market ideology is the destruction of the small scale businesses, which was the source of income for many people. This is one of the policies that Social Businesses should be careful not to incorporate in its ideology. In this paper I have mention the ability of Social Business to create jobs for the people. It is important for the Social Business to be careful in not destroying sustainable parts of local life while they create new jobs. There are numerous cases, where independent workers, have been transformed into wage employees, and forced to move in areas, where they have experienced a worst quality of life. Social Business must be careful not to become the cause for the disempowerment of individuals, but rather be the promoter of the self sufficiency). "For capitalism to exists, wealth or money must be able to purchase labor power. But as long as people have access to the means of production – land, raw material, tools – there is no reason for them to sell their labor" (Robbins, 2005). Social Business must go beyond such belief, and show that consistence in the economy is much more sustainable, then the idea to create a population, which the only way for them to support, is to sell their labor. Social Business must not be the source of cheaper services, products and systems, which pushes people to consume more and more. If Social Business becomes like this, it will send a distorted message regarding development. As a researcher states:

On the one hand, they set out to teach the 'natives' proper work discipline, and try to get them involved with buying and selling their products on the market, so as to better their material lot. At

the same time, they explain to them that ultimately, material things are unimportant, and lecture on the value of the higher things, such as selfless devotion to others (Graeber, 2007).

One of the challenges faced by the Social Business is to create balance between the market and social values. Social Business has to spend a lot of time and resources in overcoming this challenge, due the negative implications that has the market. Focusing on the social impact and development will help the Social Business to overcome such challenge.

6.2.6. Measure Social Development

Social Business by itself “has yet to establish a common understanding of ‘social impact’, what it is or how to measure it. Through there are many tools emerging including the HDI and GPI discussed earlier, measures of impact often vary from funder to funder, and organization to organization” (The Rockefeller Foundation, 2003). This will be a particular challenge for the Social Business ideology, since such measurement does not need a monetary method for measuring the social value (Dees, 2007). Normally in businesses “we have established generally accepted principles of accounting and an international legal infrastructure to help manage the reporting of financial returns. A comparable norm for social impact accounting does not yet exist” (Clark, 2004).

Social Business has the need for a tool to measure “the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway” (Clark, 2004). Unfortunately such tool, which can be credible and feasible, has not been created yet, and as a result, “social business as a field finds itself burdened by significant misalignments in goals, methodologies, and strategy” (The Rockefeller Foundation, 2003). One of the problems that is present in the field of Social Business is the multitude of diversity that exists, it ranges from economic development, to youth development, to education and environmental development. However, the center of the problem is the fact that social value is not possible to be measured every time, and some argue that it should not be quantified. As shown during this paper, activities related with family life, like food preparation, childcare and education, under the neoliberal economic ideology must be converted into money denominator. The role of Social Business is not to just the monetization of social values, but mainly value things that are not possible to convert into dollars. The biggest problem “in any market economy is precisely the ability to convert ‘value’ into ‘values’” (Graeber, 2007). As of this moment there is no solution for this problem, and probably it will be a big challenge for the future of Social Business. On the other hand there has been a continuous movement to “social accountability”,

or an “increasing interest in more tangible accountability for the social impact created for each invested or granted dollar” (Clark, 2013)

6.2.7. We Need an Infrastructure

Even though there has not been standardization, “the field has developed a rich set of conceptual frameworks, analytical tools and management strategies over the past few years” (The Rockefeller Foundation, 2003). Such development and the information that we have available at the moment must be publicized. “Today we have very sophisticated financial markets, business schools, and many supportive associations for business organizations” (Dees, 2007). It is needed a similar structure for Social Business to supply “appropriate funding, talent, knowledge, and social capital” (Dees, 2007).

Finally the thing that is important for development, “is the nature of the lives people can or cannot lead”, it is of a vital importance for Social Business as a new development ideology to not forget it. Social Business must learn from the experience of development professionals, who have studied many social development methods. Due to the low popularity of Social Business, development professionals have not been able yet, to take the directing role. Hopefully I have been able to demonstrate the importance of work both these groups have to do in the future.

6.3. Conclusions

The Good and the Bad of economic globalization, are a challenge for social development. On one side, the potential it has for some nations to develop and improve is incredible, on the other side, in most cases it has failed to deliver the promised social development. The ugly truth is the fact that government, private and nonprofit sectors have continuously failed to solve social problems. Unfortunately in some scenarios “what is being done is being done at the expense of many” (Kapur, 1998).

I strongly approve the idea of Muhammad Yunus, who states that the reason why we cannot solve many of the social problems is due to the narrow interpretation we have about capitalism. The separation of the social institutions and economic ones, have made it impossible for these groups exchange the positive characteristics with each other. Such interpretation is eating away “the fluidity of movement across borders of knowledge” (Rosow, 2003) which is important in the solution of social problems.

In the current system neither the nonprofit, nor the for-profit sector are the reflection of the human being. “Human beings are a wonderful creation embodied with limitless human qualities and capabilities. Our theoretical construct should make room for the blossoming of those qualities, not assume them away” (Yunus, 2006). Humans are not a one dimensional being, who only strive to achieve profit. “Very few of our actions could be said to be motivated by anything so simple as untrammelled greed or utterly selfless generosity” (Graeber, 2007), however our system is being described like that.

Keeping in mind such failures, there is a “multitude of changes to be made, in policies, in economic institutions, in the rules of the game, and in mindsets that hold out the promise of helping make globalization work better, especially for developing countries” (Stiglitz, 2007). The need for a new system and ideology which goes beyond the limitations of the current market mentality is needed. A new system is needed for a “social sustainable globalization process, a paradigm that would strike a balance between the economy, people, nature, culture, the individual and society” (Nieuwenhuys, 2006). According to me the start of that paradigm is Social Business.

Researchers from all around the world have been striding new ways to solve the environmental and human problems, yet maintaining the positive characteristics of the economic development. Social Business is the example, that there is a better system. Of course Social Business is not perfect, but it represents an ideology which is capable to start a movement towards the transformation of the priorities and structures of the market. By mitigating the borders between the nonprofit, private and government sector, and with the innovative vision, Social Business is making possible to tackle problems which were not possible before. Social Business goes beyond the traditional one dimensional thinking, and tries to merge together social, economic and environmental welfare. The desire to make a change, to make a better world, and not the greed, is the reason why people like and follow the idea of Social Business. This ideology attracts talents that are innovative and create services, technologies and products, which goal is to help and create a better life for the people who were left out the current neoliberal economic globalization.

Undoubtedly, Social Businesses are “swimming against a current of cultural assumptions and biases” (Dees, 2007), which might destroy their work. We know that there is not a perfect solution, but there are new unexplored alternatives to the current market ideology. One of these alternatives is clearly Social Business. There is a possibility that Social Business might not be as

efficient as it is expected. But I also strongly disagree with the idea that; “Predictions of a shift towards socially conscious capitalism have no basis in economic theory, they are wishful thinking, pure and simple, and a betrayal of the rigorous strategic analysis that social enterprise says it represents” (Trexler, 2008). This is the reason why society has been so mannered. On the other hand I completely agree with the idea; “Because of the interconnectedness of all minds, affirming a positive vision may be about the most sophisticated action any of us can take” (Korten, 1998).

No matter how imperfect it might be, Social Business is a worthy idea to follow, at least it is a social movement, a proof of “activist democracy, in which well-informed citizens know their rights and feel empowered to take matters into their own hands” (Kapur, 1998). On the other hand Social Business is the sign of an “outward looking culture, receptive to new ways of understanding the world, and prone to bouts of self-reinvention” (Kapur, 1998). Social Business might not have the power to dramatically change the structure of the nonprofit and for-profit sector, but we should be aware of its ability to send us closer towards the cure for capitalism.

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