

How Large European Companies Can Develop Social Business at the Base of the Economic Pyramid

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Abstract

The objective of the paper is to study how large European companies develop social business (SB) at the base of the economic pyramid (BoP). BoP population is defined as the four billions people living with an annual income below \$3,260 in local purchasing power. Despite they are heterogeneous in terms of geographic range and income level they present some common characteristics: the presence of significant unmet (social) needs, high level of informal economy and the so-called "poverty penalty". As a result most people living at BoP are excluded from the value created by the global market economy. But it is worth noting, that BoP population with an aggregate purchasing power of around \$5 trillion a year, represents a huge opportunity for companies that want to enhance their long-term profitability perspective. We suggest that in this context, the development of SB is, for companies, an innovative and promising way to satisfy unmet social needs and to experience new forms of value creation. Indeed, SB can be considered a strategic model to develop CSR programs that fully integrate the social dimension into the business to create economic and social value simultaneously. Despite in literature many studies have been conducted on social business, only few have explicitly analyzed such phenomenon from a company perspective and their role in the development of such initiatives remains understudied with fragmented results. To fill this gap the whole spectrum of social business configurations through which companies create or expand SBs at BOP have been identified and classified. The study was performed analyzing 1745 European companies participating in the United Nation Global Compact, the world's leading corporate social responsibility program.



Through the analysis of the corporate websites the study identifies companies that actually do SB at BoP and for those companies information were qualitatively collected according to the social business model framework developed by (Yunus et al. 2010). In particular, have been analyzed the value proposition, the value constellation and the degree of economic sustainability of each SB initiative. Data have been then coded in categorical variables and a multiple correspondence analysis and a cluster analysis have been performed. Results show that companies develop SB at BOP through seven main SB configurations that are characterized by different value propositions, value constellations and different degree of economic sustainability. By performing detailed analysis of each configurations the paper provides detailed insights on how European companies develop SB at BoP by the modeling the specific characteristics of each configurations.

Keywords: Social Business, Social Enterprise, Base of the Pyramid, Developing Countries, European Companies, CSR

1. Introduction

The base of the economic pyramid is defined as the four billions people living with an annual income below \$3,260 in local purchasing power (London and Hart 2011). The majority of BoP population lives in Africa, Asia, Eastern Europe, Latin America and the Caribbean (Hammond et al. 2007b). Despite BoP markets are heterogeneous in terms of geographic range and income level they are characterized by some common features. They present significant unmet (social) needs, defined as the needs of the disadvantaged segments of population who do not benefit from the value created by the market. Indeed, low income people very often do not have access or cannot afford many products and services allocated by the market (London and Hart 2011). Furthermore affordability is threaten by the so-called "poverty penalty", indeed low income populations very often pays higher prices for product and services than does high income population in developed countries, not only in monetary terms but also in terms of efforts to obtain them (Hammond et al. 2007a).

As a result most people living at BoP are excluded from the value created by the global market economy. Historically, the socio-economic development of those contexts has been left to public and nonprofit organizations (Yaziji and Doh 2009). Despite the efforts and the results achieved in terms of poverty alleviation and local development, recently there is growing awareness that profit companies can play a crucial role to significantly develop such markets (Karnani 2007, 2009; London and Hart 2004). Indeed, many companies are changing their attitudes toward social responsibility, moving from reactive approaches based on mitigation and reduction of negative externalities of business activities to proactive approaches aimed at valorize and exploit the positive link between business and society (Austin and Reficco 2009; Carroll and Shabana 2010; Porter and Kramer 2002, 2006, 2011; Spitzbeck et al. 2013; Spitzbeck and Chapman 2012; Zadek 2004). Such new models of implementing corporate social responsibility (CSR) are particularly relevant for the development of poor contexts such as BoP (Brugmann and Prahalad 2007). But at the same time, it is worth noting that, BoP markets, with an aggregate purchasing power of around \$5 trillion a year, represent also a huge opportunity for companies that want to enhance their long-term profitability perspective (Prahalad and Hammond 2002). Therefore, companies are facing a unique challenge, find new ways to address social needs in order to boost local development and reduce poverty in the short term and increase their expected profits in the long term. We suggest that in this context (BoP), the development of social businesses (SB) is, for large companies, an innovative and promising way to satisfy unmet social needs and to experience new forms of value creation (Power and Wilson 2012; Seelos and Mair 2007; Yunus et al. 2010). Indeed, social business can be considered a proactive model to develop sustainable CSR programs that fully integrate the social dimension into the business as a strategic instrument to create economic and social value simultaneously (Austin and Reficco 2009; Porter and Kramer 2011; Yunus et al. 2010). From a company perspective social business can be defined as:

"a new model of corporate social engagement where large companies start-up or expand a business venture created to satisfy unmet social needs, through the development of "socially innovative activities". With the aim of generate blended value, it operates with the financial discipline, efficiency and tools of a private sector business"

Some researches (Alter 2007; Power and Wilson 2012; Yunus et al. 2010) confirm that SB can be considered an advance form of strategic CSR, that enables companies to create relevant social impact in the short term and enhance their long term perspectives of profitability. However, the actual contribution of companies to the development of SB at BOP is far from being fully understood. From an academic perspective, social business initiatives developed by large companies are potentially an interesting area of investigation because they present some open questions. Indeed, despite the increasing attention of academics and practitioners to social business in the last decade, it is widely acknowledged that too little is known about the plurality of factors influencing their development and in

particular their strategic configuration. In literature have been documented several cases of companies that engage in social business at BOP and probably the collaborations between Grameen Group and different MNEs such as Danone, Veolia, Basf and Telenor are the most famous. However most of the studies are conceptual or based on qualitative research methodologies such as case study analysis (Dahan et al. 2010; Power and Wilson 2012; Seelos and Mair 2005, 2007; Yunus et al. 2010) and despite they provide practical and theoretical rich information, a comprehensive understanding of the characteristics and the diffusion of the phenomenon is still lacking in literature. Simply speaking, after almost fifteen years since the first conceptualization of BOP, is not clear if and to what extent large companies are actually engaging the BOP to alleviate poverty and create profits. Indeed, in literature few empirical evidences about the role of large profit companies in the development of social business at BOP have been provided. Furthermore, authors have mainly approached such types of initiatives from a partnerships point of view; but in theory companies can develop social business at BOP through a wide variety of forms that may range from less strategic ones as philanthropic approach to the most challenging ones as internal development or incubation. Indeed, the social business can be developed through different CSR programs (Yunus et al. 2010) that imply a different role and level of engagement of the company. (Austin 2000) confirms that CSR programs are often developed through collaborations between businesses and MdOs and such collaborations can assume different forms (Austin and Seitanidi 2012). As a result, in order to better understand which role companies play in the development of SB at BOP, the objective of the research is to identify and classify the whole spectrum of social business configurations companies can design to develop SB at BOP. Indeed, in literature, the entire spectrum of potential social business configurations have been addressed only partially focusing mainly on cross-sector partnerships as a lens of analysis. The research has the aim of modeling such configurations in order to provide the whole spectrum of social business configurations through which companies can develop SB at BOP.

2. Research Framework

A useful framework developed in literature to identify the key characteristics of the social business configurations is the social business model developed by (Yunus et al. 2010). The concept of business model is not new in literature and was firstly mentioned by Druker in 1954. However, it gained relevance as an independent research topic over the last two decades and it was applied by scholars to study different corporate settings (Boons and Lüdeke-Freund 2013; Dahan et al. 2010). However, is worth noting that some authors have applied the concept of business model to analyse organizations with the aim of creating social value in addition to economic one (Dahan et al. 2010; Seelos and Mair 2005, 2007; Thompson and MacMillan 2010; Yunus et al. 2010). (Boons and Lüdeke-Freund 2013) in their literature review about sustainable business models identified three streams of literature which appear particularly relevant: "technological, organizational, and social innovation". The last stream of literature is relevant for the scope of the research because analyses business models related to social value creation. As authors state: "*these [business] models are discussed in the context of the recently emerging concept of social entrepreneurship (SE) that embraces different approaches such as "bottom of the pyramid" (BOP) strategies or social businesses*" (Boons and Lüdeke-Freund 2013). (Thompson and MacMillan 2010), challenging the traditional charitable aid strategies, argue that to improve the living conditions of people living at BOP the development of new business models able to satisfy their most pressing social needs while creating profits can be a promising solution. Indeed, there is a wide consensus, among scholars, about the necessity of develop innovative solutions related to cost and financial structure, supply chain configuration, delivery channel or technology applications in order to overcome market inefficiencies and develop viable business models to penetrate low market segments of BoP (Anderson

and Billou 2007; Prahalad and Hammond 2002). From this point of view companies in order to engage the BoP markets has to develop new business models tailored on the cultural, social, economic and geographic conditions of the local context. (Yunus et al. 2010) building on his experience with the Grameen Group proposes a social business model framework to analyse and develop social business initiatives at BoP.

3. Social Business Model

The social business model proposed by Yunus et al., (2010) is originally composed by four elements: value proposition, value constellation, social profit equation and economic profit equation. In addition to the four elements identified by Yunus et al., (2010) we have added one element relevant to understand why companies engage in such initiatives that are the CSR company's objectives, in other words the objectives that companies aim to achieve through the development of SB at BOP. In figure below is reported the research framework.

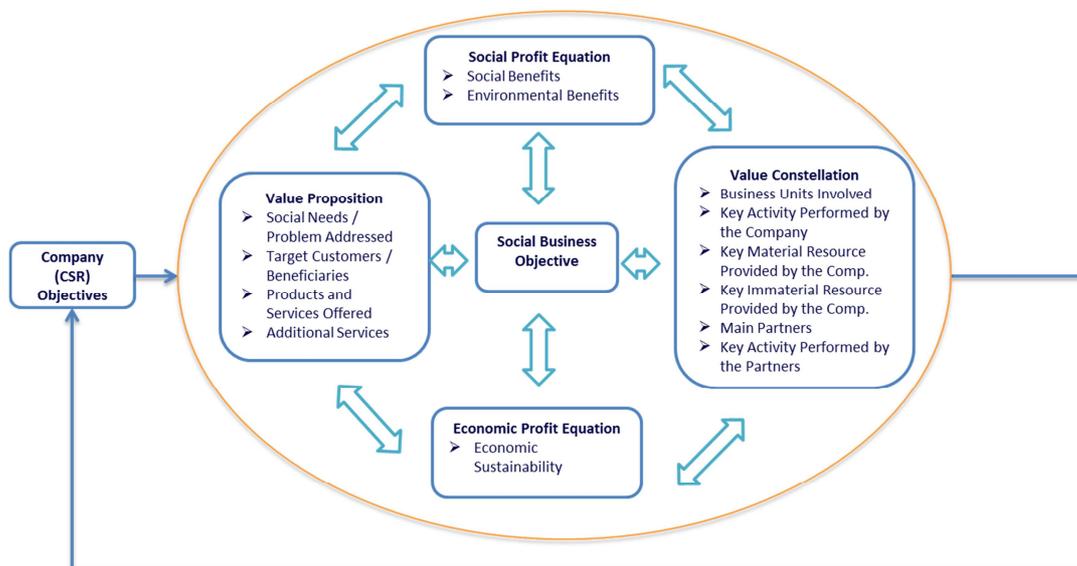


Figure 1 Social Business Model - adapted from Yunus et al., (2010)

Companies Objectives: In literature, the objectives of companies that engage in SB at BoP tend to be clustered in two main approaches: a strategic perspective and a moral perspective (Graafland and van de Ven 2006). The strategic perspective includes instrumental and institutional motivations. The first refers to the positive impact that SB may have on company value creation strategies in terms of opportunity to develop innovations, make learning investment or enter in high growth markets but can also refer to image returns or benefits from a good corporate reputation (Brugmann and Prahalad 2007; London 2007; London and Hart 2011; Schrader et al. 2012). The institutional motivations consist in the capacity to respond to institutional pressures either externally (from customers, state or local community) or internally (employees) or laterally (competitors or industry associations) in order to preserve or enhance the company's legitimacy and credibility (Brammer et al. 2012; Campbell 2007; Dacin et al. 2007; Matten 2006). The moral or ethical perspective refer to moral values and the desire of "give something back to society" or, in other words, make positive and voluntary contributions to the community where the company operates. In the table below are summarized the objectives that companies can pursue when engage in social business at BoP respect to the three categories identified: instrumental to economic value creation, institutional pressure and moral motivations.

Approach	Nature	Objectives	References
Strategic Approach	Instrumental to economic value Creation	<ul style="list-style-type: none"> ➤ Opportunity to enter in new markets ➤ Opportunity for innovation (product, service, BM) ➤ Learning Investments ➤ Strengthen Supply Chain ➤ Transfer Knowledge ➤ Attract Talents ➤ Improve Image ➤ Enhance Reputation 	Porter and Kramer 2002 , 2006; Carroll 2010; Shrader et. al., 2012; Hahn 2006; Davis 1973 ; Kolk et al 2006; Ven van de and Graafland 2006; Han and Scheermesser 2006; Matten 2006; London et. al, 2011
	Institutional Pressure	<ul style="list-style-type: none"> ➤ Fulfill Stakeholder Expectations ➤ Meet Shareholder Demands ➤ Customer Demands (Loyalty) ➤ Employees Motivation/Retention ➤ Reaction to Competitor Behavior 	Ven van de and Graafland 2006; Han and Scheermesser 2006; Matten 2006; Tasavori 2013; Marano 2013; Nejati and Amran 2009; Brammer et. al., 2012; Campbell et. al., 2007; Kostova et. al., 2008;
Moral approach	Moral Motives	<ul style="list-style-type: none"> ➤ Concern for Society's Future ➤ Share Resources with Society ➤ Be Recognized for Moral Leadership ➤ Personal Satisfaction 	Brammer et. al., 2012; Ven van de and Graafland 2006; Han and Scheermesser 2006; Matten 2006

Table 1 Classification of Companies Objectives

Value Proposition: it encompasses the analysis of the social problem / need addressed, the products and services offered including the other complementary services needed to solve the problem. But it includes also the analysis of customer segments and stakeholders in order to ensure that all stakeholders are targeted by the value proposition or are properly included in the value constellation depending on their role in the business model (Boons and Lüdeke-Freund 2013; Yunus et al. 2010). In terms of social problem / needs addressed some companies develop the SB to satisfy final beneficiaries' needs while others support existing social businesses such as social enterprise, social start-up or microfinance institutions through the provision of different services in a business to business relationship. In terms of customer segments some companies develop social businesses that target final consumers / beneficiaries while other focus their value propositions toward MdOs that then provide products and services to final consumers. Products and services offered may range from new products specifically designed to serve low income people living at BOP to consultancy services and strategic support services provided to existing social business. It is worth noting that social business initiatives at BOP very often design inclusive value propositions rich of complementary services that benefits customers on a multidimensional basis. Indeed, a successful value proposition at BOP should find new way to satisfy multidimensional social needs.

Value Constellation: it describes how the organization produces and delivers the offer to the customers. The value constellation is composed by the internal value chain and the external value chain including how partners, suppliers and other stakeholders interact in the system (Yunus et al. 2010). In particular, in the value constellation can be included different elements. According to (Osterwalder and Pigneur 2010) the value constellation includes the key activities, the key resources and the key partners. Other authors confirm that partners, resources and activities are key elements of a business model (Chesbrough and Rosenbloom 2002; Johnson et al. 2008; Zott and Amit 2010). (Power and Wilson 2012) focusing on how large companies can develop social business at BOP argue that different business units can be involved in the development. As a result, in order to understand the role of the companies in

the development of the social business, have been analysed: the key activities performed by the company, the key resources provided by the company, and the business units involved. On the other hand to understand the role of partners have been analysed the main partners involved and the key activity performed by the partners (Osterwalder and Pigneur 2010).

Social Profit Equation: It represent the social / environmental value creation strategy and the impact generated, in other words describe which are the social or environmental benefits created by the social business and how they are distributed among stakeholders (Yunus et al. 2010). It is worth noting, that measure the social value created by a social business is a very complex task due to its multidimensional nature. Furthermore, the social (or environmental) impact created by a social business is long term oriented. Indeed, social benefits become observable and measurable over a longer time horizon compared to economic ones.

Economic profit equation: It is composed by costs and revenues structure and relative margins; it is the result of the design of the value proposition and the value constellation (Yunus et al. 2010). The economic profit equation has the objective of outlines the revenue model and the costs structure in order to assess the economic sustainability of the social business (Johnson et al. 2008; Osterwalder and Pigneur 2010). Focusing on social businesses at BOP an efficient use of resources becomes crucial to deliver affordable products and services. However, it is worth noting that companies can develop social businesses through different CSR programs characterized by different degree of economic sustainability. Indeed, even if the social business itself it is sustainable, by definition, the programs that companies may create to promote social business at BOP are not necessarily sustainable.

4. Method

Data Collection

In order to achieve the research objective a mapping of the state of the art of European companies doing SB at BOP has been performed, through the creation of a database. The database was created starting from the database of the United Nation Global Compact (UNGC), the world's leading corporate responsibility program. Companies have been selected by countries that belong to European Economic Area and European Free Trade Area (EFTA) for a total of 32 countries. To create the database have been selected companies with more than 250 employees. In addition to geography, observations were selected according to the following criteria: type-company, status-active, status-non-communicating. The resulting sample amounts at 1745 companies.

Once defined the sample, the researcher visited the website of each company to identify whether it does SB or not. A set of open keywords have been used in order to identify companies doing SB by website analysis. Indeed, on one hand, have been identified, as social business, initiatives that support or promote: social business, social enterprise, social entrepreneurship, creation or expansion of local cooperatives, women (or other disadvantage groups) entrepreneurship, social projects with long-term economic sustainability, social projects with breakeven in the long term, social projects that do not provide a significant financial return in the short-term, and so on. On the other hand have been selected initiatives that target BOP population. Indeed, in addition to geographic target (developing countries) have been selected initiatives that target: marginalized people, people excluded disadvantaged people and so on. It is worth noting that the sustainability reports have been analyzed only if information on the website were not clear to understand whether the company does SB or not.

Results show that 100 companies have already engaged in SB activities. Then, in order to analyze the role of companies in the development of SB at BOP and identify the related social business

configurations, the social business model framework has been applied. Data have been collected by the companies' websites, the sustainability reports and other project-specific reports. Data have been collected and organized in a company's form including six sections. The first section includes the general information about the companies, the second provides information about the specific program analyzed, the third reports both the objectives of the companies and the objectives of the social business, the fourth collects information about the value proposition of the initiative, the fifth about the value constellation, the sixth about the performance achieved in other words the social and economic profit equation.

Data Coding

The data collected are qualitative in nature, indeed, in the company's form, have been reported, for each dimension (variable) of the social business models, the paragraphs reported in the website (or in the reports analyzed) that explain the state of that specific variable. As a consequence, in order to operationalize the data collected a coding procedure has been performed according to the coding structure reported below.

Variables:	State 1	State 2	State 3	State 4
Objectives of the Social Business	Unemployment and Local Entrepreneurship	Financial Inclusion	Support SEs or MdOs	Access to Basic Services
Elements of the Social Business Model				
Social Problem or Needs Addressed	Lack of Financial Resources	Lack of financial Resources and/or Skills	Final Beneficiary Needs	
Target Customer / Beneficiaries	MdOs	SEs	Final Beneficiaries	
Products and Services Offered	Grant or In-kind Donation	Loan or Equity and strategic Support	Products, services, tech or specific expertise to final beneficiaries	
Business Units Involved	Corporate Foundation	CSR / Sustainability Unit	Dedicated Units / Organization	
Key Activity Performed by the Company	Funding Activities	Funding Activities and Support activities	Involved in the development of the SB	
Key Material Resource Provided	Donations	Funds in form of investment	Funds and Company Product or Technology	
Key Immaterial Resource Provided	Competences and Skills	None		
Main Partners	MdOs	SEs	Multi-Stakeholders	None
Key Activity Performed by the Partners:	Management of the SB	Provide Funds and/or Support Services	Co-design and co-development of the SB	Not Relevant
Economic Sustainability	No (Company cover costs)	Partially (company cover part of the costs)	Yes (the program is sustainable)	

Table 2 Coding Structure

First of all, it is worth noting that the social profit equation or social benefits created have not been included in the coding structure due to lack of reliable data.

Data Elaboration

In order to understand the role of companies in the development of SB at BOP and identify the related social business configurations the following elaborations have been performed.

Multiple Correspondence Analysis: the MCA has been used, because it is a suitable method to analyze observations described by a set of nominal variables. In addition, it allows reducing the high number of variables included in the model in few latent factors. It also allows reducing the problem of multicollinearity among variable. Indeed, by subjecting variables to MCA and using the resultant uncorrelated factor as the basis for a cluster analysis addresses the problem of multicollinearity (Ketchen and Shook 1996). The result of MCA leads to the identification of 5 latent factors from 31 binary variables. The choice of the number of factors was made accordingly to the elbow method.

Cluster Analysis: has been performed through a hierarchical joining cluster technique. To perform the cluster analysis the Ward hierarchical joining algorithms have been adopted according to the "interpretation" criteria. The optimal number of cluster has been identified accordingly to the elbow method and seven clusters have been selected. Then in order to verify if clusters are statistically significant a MANOVA analysis, single ANOVA analysis, Tukey test and Scheffè test have been performed. The results show that all clusters are statistically significant and have different means compared to other clusters for at least three factors.

5. Results: Classification of Social Business Configurations

As a result, seven social business configurations have been identified (see fig. 2 below). Such configurations are: Traditional Grant based Funding, Social Venture Competition, Employees Philanthropic Approach, Financial Investment Model, Corporate Investment Model, Partnership and Internal Development. They represent the full spectrum of social business configurations that companies have developed in order to engage in SB at BOP. In order to provide a classification, an appropriate dimension to classify such configurations is the level of engagement of the firms in the development of the social business (Austin and Seitanidi 2012). The level of engagement refers to the role of companies in the development and the management of the social business. However, the classification is based on a continuum as it allows categorizing the different types of social business configurations that companies have developed to engage in SB at BOP.

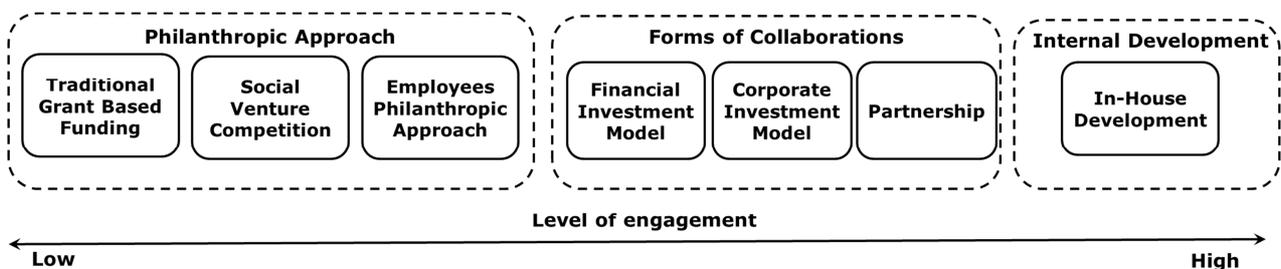


Figure 2 Classification of Social Business Configurations

In this section will be discussed in detail the social business configurations identified according to the social business model framework (Yunus et al. 2010). In particular, for each configuration will be treated the different elements of the business model in a qualitative way according to the information collected on the company website and in the sustainability report and reported in the companies' forms.

Corporate Philanthropy

In programs of corporate philanthropy the firm "outsources" the social business activity through the provision of generic resources such as monetary or in kind donations to a mission driven organization (B. Husted et al. 2010; B. W. Husted 2003). As a consequence its involvement in the social business is minimal. However, companies develop different programs of corporate philanthropy in order to promote the start-up or expansion of existing social business; in particular we have identified three main configurations.

Traditional Grant-based Funding

Company Objectives: The development of such programs is mainly related to moral motivations, in other words the idea of "giving something back to society" and being a good corporate citizen. Increase the reputation, the image and the relationship with stakeholders seem to be a powerful drivers for the development of such programs.

Value Proposition: the main need that companies satisfy through these programs is the lack of financial resources of NGOs, Social Enterprise or other NPOs that run a social business at BoP. Indeed, companies, through this configuration, provide mainly funds in form of grant to MdOs. In addition to financial resources they can provide in-kind donations in terms of equipment, technology or materials.

Value Constellation: Companies, or more often the companies' foundations, are mainly involved in funding activities necessary to the provision of valuable financial and in-kind resources to the partners. The key activities performed by companies are related to the funding process, the outcome evaluation and only in few cases to the organization of fundraising and sensitization events.

Social Profit Equation: Companies, through the funding of social businesses run by mission driven organizations, contribute to create a wide range of economic and social benefits at BOP. In terms of social value creation the main benefits created through this configuration are: better access to basic services (energy, wash and healthcare), promote local entrepreneurship and promote financial inclusion of poor.

Economic Profit Equation: The funding scheme is based on the provision of grants. The economic sustainability of recipients is ensured by definition being a social business but the corporate programs do not generate revenues and as a consequence all the costs are covered by the company.

Social Venture Competition

Company Objectives: In addition to moral motivations, increase legitimacy and increase stakeholder relationships, companies that launch a social venture competition for the development of social business initiatives can aim to foster the development of innovative products and services. Orange launched repeated social venture competitions to fund start-ups that develop new products or services based on ICT solutions. It declares that "[Orange African Social Venture Prize contributes] to the local development of ICT markets and innovation ecosystems in Africa".

Value Proposition: Usually these programs are used to support social start-ups or existing social businesses in their path to the market. The winners of the competition receive a grant (financial resources) in order to further develop the social business. In addition to grants, are offered different type of support services such as coaching programs, incubation services, trainings on specific topics, networking opportunity toward potential investors and so on.

Value Constellation: Usually the number of partners involved in these programs increase compared to traditional grant-based funding. Indeed, in addition to the company that usually provide funds and rarely also the skills and expertise useful to support social entrepreneurs, are often involved local incubators or similar structures and local and international experts.

Social Profit Equation: Companies through the launch of this type of competitions can create social value in different forms. Some programs have the wide target of promote local entrepreneurship (of disadvantage groups such as women or youth) or social enterprise without any specific focus in terms of impact generated. Other programs are focused on specific characteristic of the business model for instance the Orange Social Venture Prize rewards only *“entrepreneurs developing products or services that use ICT in an innovative way to meet the needs of people in Africa or the Middle East in fields such as health, agriculture, education, energy, industry or trade”*, while others are focused on a specific sector such as food or energy and support start-ups operating only in those sectors.

Economic Profit Equation: As in the previous configurations the funding scheme is mainly based on the provision of grants. The social venture competition does not generate revenues and as a consequence all the costs are covered by the company.

Employees Philanthropic Approach

Company Objectives: In addition to moral motivations, legitimacy and reputational benefits, companies through the development of employees volunteering programs want to increase the employees' motivation and retention. These programs allow employees to work with social entrepreneurs in order to solve a pressing business challenge and in turn they benefit from a personalized career development opportunity.

Value Proposition: In addition to financial resources companies provide the pro-bono work of employees to social entrepreneurs operating in developing countries. The pro-bono work consists in the provision of highly-motivated performing employees for a period of time ranging from one month to nine months. They support the social entrepreneurs providing expertise in the fields of finance, strategy, ICTs, sales or marketing, so that social entrepreneurs have access to a professional network and specific high-level expertise.

Value Constellation: The key activity performed by companies is the management of pro-bono work while the activities performed by employees may range technical support to legal consulting. The partners are usually social entrepreneurs that run and manage the social business independently.

Social Profit Equation: Companies, through the provision of pro-bono work, indirectly contribute to create social or environmental value by supporting existing SB at BOP. While some company focuses on specific social issues others do not focus on any specific field and support social enterprises coming from all sectors.

Economic Profit Equation: The expense related to the management of the program is covered by the company. Pro-bono work is made in form of in-kind donations and the program does not generate revenues for the company.

Investment Model

The investment model differs from traditional corporate philanthropy because the funds provided should be repaid to investors, at least in terms of principal (Power and Wilson 2012). Furthermore, it often implies a higher involvement of the company in the management providing strategic support and critical skills needed for the development of the social business.

Financial Investment Model

Company Objectives: Unlike the corporate philanthropy, where companies are very heterogeneous in terms of sector provenance, companies implementing financial investment model belong mostly to financial sector. Such companies are mainly involved in the promotion of microfinance institutions as a way to implement social business. The objectives of these companies are related to image, reputation and legitimacy benefits, employees' motivation and retention and moral or ethical motivations.

Value Proposition: Companies provide funds to microfinance institutions (MFIs) operating at BoP in order to improve their long term stability and their capacity of serving low income customer with high quality financial services. Most of funds are provided in form of debt to refinance MFIs.

Value Constellation: The key activities performed by companies are mainly related to funding processes from the selection to the repayment. The key partners are mainly MFIs or SEs that manage and run the social business independently.

Social Profit Equation: The main social benefit created by companies through this configuration is the promotion of the financial inclusion of poor through the strengthening of local microfinance institutions (MFIs).

Economic Profit Equation: In the financial investment model funds provided by companies in form of loans or equity should be repaid by the investees. But in terms of economic sustainability we can discriminate two main approach of companies. One approach is more social oriented and is partially sustainable, indeed as DZ BANK clearly states: *"The DZ BANK microfinance fund is managed on a voluntary basis: We use the total fund volume for its designated purpose without applying any administrative charges"*. On the other hand the second approach is more commercial oriented and fully sustainable, indeed as DNB ASA clearly states *"[the program] operates on a commercial basis and the aim is to generate attractive returns, both sustainable effects and traditional financial returns"*.

Corporate Investment Model

Company Objectives: the objectives of these companies, in addition to image and reputations returns, employees' motivation and retention and moral or ethical motivations are related to different aspects. First, by working with partner organizations, companies can gain a better insight into the needs of the people living in low income communities as a sort of learning investment. Second, we observed that companies through this configuration want to foster the development of innovations such as new products, services or business models and contribute to create new market opportunities at BOP.

Value Proposition: the main need that companies satisfy through these programs is the lack of financial resources and skills of MFIs and SEs. Such companies, unlike financial investment model, do not provide generic funds in form of equity or loan but have developed tailored financial products such as new credit lines and mixed financing strategies to meet the needs of SEs and local MFIs operating at BOP. Moreover, in addition to funds such companies provide a wide variety of support services such as strategic support, technical assistance, training and impact monitoring and measurement.

Value Constellation: The key activities performed by companies are mainly related to the funding process and the provision of support services. It is worth noting that companies in order to provide strategic support services to MFIs and SEs leverage its unique competences and assets.

Social Profit Equation: The social benefits created by companies through this configuration are mainly related to the promotion of financial inclusion of poor and to promote access to basic services such as energy, education, water, food and healthcare.

Economic Profit Equation: In the corporate investment model, funds provided by companies in form of loans or equity should be repaid by the investees and generate fair financial returns. Indeed, in terms of economic sustainability, the programs included in such configuration are financially sustainable.

Partnership

Company Objectives: In addition to moral motivation, reputational and legitimacy benefits and employees motivation and retention the main objectives of companies that develop social business at BOP, through a partnership approach, are related to develop innovations and create new markets. One distinguishing characteristics of such companies is the explicit aim to integrate the new solutions developed within the existing business model of the company.

Value Proposition: Despite the value proposition of such companies are quite vary, they have a common point. All these social businesses have the aim of satisfy the needs of final beneficiaries living at BOP through the development of innovative solutions. Indeed, companies, through the establishment of partnerships, develop new products and services specifically tailored to the needs of BOP.

Value Constellation: Companies that develop social businesses through a partnership model are highly involved in the development of the social business. Indeed, the main activity performed by the company is the co-design and co-development of the social business. In particular, activities of companies may range from the development of new products and services to the development of new business models. They are highly engaged in the development and leverage their unique competences and resources in order to create a distinctive value proposition.

Social Profit Equation: The main benefits associated to social businesses developed through partnership are mainly related to the promotion of access to basic services such as housing, energy and WASH and healthcare and medicine. Despite the dimension of such initiatives can vary, are usually large scale projects with the involvement of hundreds if not thousands of beneficiaries.

Economic Profit Equation: The social businesses developed through a partnership approach have the potential to be economically sustainable. However, is worth noting that many companies declared that such business models have the capacity to generate economic returns over a long term horizon and social business recently launched are not still sustainable. A common characteristic of such initiatives is the opportunity of companies to integrate the new products and business models in the core business in order to operate stably at BOP.

Internal development

Companies Objectives: In addition, to moral motivation, reputational and legitimacy benefits and employees motivation and retention the main objectives of companies that develop social business at BOP, through an in-house development model, are, as for partnerships, related to the development of innovations and the creation of new markets opportunities. Unlike partnership, companies that develop social business internally have a stable presence in BOP markets.

Value Proposition: The value proposition of such companies is targeted to satisfy the needs of people living at BOP through the development of products, services and technologies specifically tailored on BOP needs.

Value Constellation: Through the in-house development model companies perform the whole spectrum of activities needed to design, launch and run a new business in the BOP context. They may range from R&D activities to marketing and human resources management. It is worth noting that these companies have created a dedicated business units specialized in the developing of new products and services for the BoP markets.

Social Profit Equation: The benefits created are mainly related to financial inclusion, better access to food, water and healthcare services. The dimension in terms of social impact created is usually large scale.

Economic Profit Equation: The social businesses developed through internal development model are economically sustainable. However, two approaches can be identified. On one hand companies have created an independent organization, usually not for profit, to manage the initiatives and pursue the social aim by reinvesting the profits generated in the expansion of the initiative. On the other hand some companies pursue the double aim of creating relevant social impact while generating attractive financial returns for investors.

6. Discussion: Social Business Configurations

The research contributes to broaden the validity of existing CSR theory to the context of social business and adds new original findings to the social business literature. Indeed, in literature few studies have analyzed the social business configurations and they have mainly focused on cross-sector partnerships as a means to develop new social business models with the aim satisfy needs of low income people (Austin 2000; Austin and Seitanidi 2012; Dahan et al. 2010; Kolk et al. 2008; Sakarya et al. 2012; Seelos and Mair 2007). Despite cross-sector collaborations are the most common form through which companies engage in social business at BOP it's worth noting that in theory there are a wide variety of possible social business configurations. In literature, have been identified four macro social business configurations: Corporate Philanthropy, Investment Model, Partnership, and Internal Development (B. Husted et al. 2010; B. W. Husted 2003; Power and Wilson 2012). The research identified and classified seven social business configurations, this means that, in addition to the four configurations proposed by authors, three additional configurations have been pointed out. In particular, under the label of "Philanthropic Approaches" have been identified three configurations: Traditional Grant Based Funding, Social Venture Competition and Employees Philanthropic Approach. Such configurations imply a relatively low level of engagement of the company even if companies through such approaches can achieve different objectives and benefits. Under the umbrella of the investment model have been identified two configurations: Financial Investment Model and Corporate Investment Model. The sub-configurations nested in the investment model differ in as much in the financial investment model the company does not provide any additional resources beyond funds while in the corporate investment model the company provides critical resources and skills, crucial for the development of the social business. Finally, the research corroborates that a fair number of companies develop the social business through partnerships and a limited number of companies develop the SB internally. Such results are also consistent with the outcomes of Austin that confirms that CSR programs are often developed through collaborations between businesses and MdOs and such collaborations can assume different forms (Austin and Seitanidi 2012). They may range from philanthropic relationships, where companies (donors) provide funds or in kind donations to the recipient (usually not for profit) to more integrated

forms, where both parties actively collaborate to achieve a common objective (Austin 2000). Our results, confirms that companies when engage in SB at BOP can develop different configurations that range from philanthropic approach, where the company provide grants and in kind donations to the SB, to form of collaborations, that imply different degree of engagement, to the internal development model where the company is highly engaged in the social business (for a detailed analysis of social business configuration see previous section). Concluding the research supports that companies develop SB at BOP through the four main configurations of philanthropy, investment, partnership and internal development (B. Husted et al. 2010; B. W. Husted 2003; Power and Wilson 2012). In addition, it contributes to the current debate pointing out three additional configurations. As a result, the research represents a first attempt to analyze the whole spectrum of social business configurations that companies can develop to engage in SB at BOP.

The seven SB configurations have been classified according to the level of engagement of the company in the development of the social business. The classification should be interpreted as a continuum useful to characterize the different configurations. It is worth noting, that the classification is based on a continuum because each company can, in principle, moves dynamically along the continuum implementing SB through different configurations and so the boundaries among configurations are not always clear-cut or static. Indeed, has been observed different dynamics worth of attention.

First, some findings show a "timing" effect. Indeed, more than half of the companies have developed SB through a philanthropic approach. But it was observed that some companies are moving along the "configuration continuum" and begin to implement the SB through more "engaging configurations". A representative example is the case of Alstom that declares: *"The Foundation apply traditional grant based funding to all almost projects, with the exception of this one in which apply an investment model as a an extension of a pilot project that Alstom Foundation launched in 2012 with EGG Energy in 2 schools and 1 orphanage."* So it is possible that companies when engage in SB for the first times opt for philanthropic approaches, probably because are the less challenging and more flexible way to experiment with such new models, and then, once it gained experience, move toward more engaging forms of development such as investment or partnership.

The second aspect is that companies can implement more social business configurations simultaneously. The development of multiple configurations can follows two dynamics. A horizontal one where companies develop multiple social businesses through different configurations. A representative example of such approach is LGT Group Foundation: *"Generally we do not use grants to fund organizations whose business models allow for generating income, but prefer loans or equity investments. We do this because we want to strengthen local markets and not distort them through donations"*. In this case the company has developed different value propositions to develop SB at BOP and the most appropriate depends on the characteristics of the social business. Indeed, if the social business generates enough income to repay the investment the company opts for the investment model otherwise for philanthropic approaches. A second approach to develop multiple configurations follows a vertical dynamic. Indeed, Danone has created *"a socially responsible investment fund that dedicates part of its assets to social businesses"*. The fund has the objective of creating or expanding social businesses consistent with the company's mission and attract new investors that want to commit their savings to social progress. But it is worth noting that the Danone Communities fund *"use this innovative business model to partner with local stakeholders and NGOs, combining their know-how with Danone's"*. Indeed, once the fund identified an eligible partner, the social business is developed through a partnership model where the company is highly engaged in the management and a dedicated staff collaborates with the partner organization in the development of the social business. Despite such results are qualitative and hardly generalizable, it is worth noting that some companies do not develop SB at BOP through a static approach but rather develop SB through multiple configurations. Furthermore, an evolution from low engaging configurations to high engaging configurations seems emerge as companies gain experience in SB at BOP.

7. The Social Business is related to the Core Business

A common pattern of companies engaging in SB at BOP is that they engage in SB related to their core business. Indeed, a significant correlation has been found between the sectors of provenance and the impact generated by the social businesses. In particular, companies belonging to energy and wash show a high correlation with social businesses developed to promote access to energy and wash (correlation coefficient of 0,6019 - confidence level 0,99%). The same hold true for healthcare and pharmaceuticals (correlation coefficient 0,9209) and financial services (correlation coefficient 0,4967). Furthermore, it is worth noting that correlations between the companies' sectors and the impact generated by the social businesses were found also for other sectors, even if for these sectors the small number of observations creates a problem of results reliability. However, it is worth noting that authors assert that most CSR activities "remains peripheral to the business activity" and focus on generic social issues unrelated to the company business (Austin 2000; Austin and Seitanidi 2012; Porter and Kramer 2006, 2011). For what concerns the social business, it was observed that most of the companies when engage in SB at BOP develop initiatives strictly related to their core business. And this is especially true for companies that develop social business through configurations where the company is highly engaged. As a result, we can assert that, unlike traditional CSR, companies that develop social business at BOP seem much focused on initiatives that are aligned and synergic with their core business. Indeed, companies through the development of SB at BOP can build relationships with local stakeholders, acquire knowledge on local markets or develop new products, services, and business models that can unleash new business opportunities and more the SB is aligned with the core business more the benefits they can achieve. This result is consistent with the fact that authors have recently developed new frameworks to promote the alignment of CSR practices with the core business as a strategic instrument to create economic and social value simultaneously (Austin and Reficco 2009; Porter and Kramer 2011; Saul 2011; Spitzack et al. 2013; Spitzack and Chapman 2012). And, being the social business an advanced model of CSR, it is probably implemented by companies with the right experience in CSR that makes them able to develop programs well aligned with the core business.

Conclusion

Academic Contribution: from an academic perspective, the research contributes to broaden the validity of existing CSR theory to the context of social business and adds new original findings to the social business literature. Indeed, the thesis extends the current literature from different points of view. First, the issue of social business is largely unexplored, especially from a company perspective, and the research contribute to shed some light on this emerging phenomenon. In particular, in literature have been documented several cases of companies that engage in social business at BOP. However most of the studies are conceptual or based on qualitative research methodologies such as case study analysis (Dahan et al. 2010; Power and Wilson 2012; Seelos and Mair 2007; Yunus et al. 2010) and despite they provide practical and theoretical rich information, a comprehensive understanding of the characteristics and the diffusion of the phenomenon is still lacking in literature. Therefore, the thesis represents one of the first attempts to quantitatively map the state of the art of European companies doing SB at BOP, in order, to outline the diffusion and the characteristics of such emerging phenomenon. Second, in literature few studies have analyzed the role of large companies in the development of SB at BOP. The research analyzing the social business configurations developed by companies outlines the different roles that companies (and partners) can play in the development of SB at BOP. Furthermore, identifying and classifying the whole spectrum of social business configurations that firms can develop, shed additional light on this emerging phenomenon, beyond a strict focus on cross-sector partnerships.

Finally, a number of minor contributions have been provided pointing out: the objectives of companies doing SB at BOP and the relation between the social business and the core business of the firm.

The Managerial Contributions: by achieving the research objectives, the study will provide a comprehensive picture of the state of the art of European companies doing social business at BOP contributing to disclose an innovative and promising way to address social needs and new forms of value creation. Indeed, clarifying the role that companies can play in the development of SB, may encourage their proactive participation. Indeed, it can support companies in the development of SB initiatives coherently with the implementation models (social business configurations) currently adopted by frontrunner companies, in order to maximize value creation for the company and the society. The research represents also a useful tool for policy-makers that, through regulations and incentives, can contribute to speed up the diffusion of the social business to promote the sustainable development of developing countries. Furthermore, it is relevant for mission driven organizations (NPOs, NGOs, Social Enterprises,) as a support tool to attract financial and non-financial resources from private sectors to enhance economic and social sustainability of their development projects. Last but not least, it can contribute to improve the living conditions of people living at the base of the economic pyramid.

Limitations and Further Research: in the end, we discuss the main limitations of the research and the areas for future development. The main limitation of the research is related to the sample selection. Indeed, the sample has not been stratified due to lack of observations. The analysis of sample representativeness outlines that some countries and sectors are over / under represented compared to the real distribution of European firms (Eurostat Database). However, due to the lack of observation it was not possible to stratify the sample in order to make it fully representative of European companies population. However, this fact does not pose serious problem in terms of generalizability of results. Indeed, the database was created starting from the database of the United Nation Global Compact (UNGC), therefore, the sample is composed by the companies that voluntarily joined the UNGC or in other words are implementing international recognized principles in their CSR sphere. It is worth noting that the UNGC does not apply any monitoring mechanisms, and companies member are accountable for their actions and omissions. Therefore, the program (Global Compact) does not distort the sample through the application of a regulatory framework that influences the behavior of companies in the CSR sphere but instead promotes a voluntary process of learning and innovation. However, it is worth noting that the Global Compact provides a formal space for generating and disseminating innovative sustainable business practices, for instance promoting the engagement of companies member in issue-specific learning platforms (for instance on food and agriculture or water and sanitation). This, in principle, may result in a higher propensity of companies member to implement advance CSR programs such as social business. However, other similar initiatives not related to the Global Compact exist, and so we can assert that results are generalizable and are representative of companies actively engaged in CSR, independently whether are members or not. Further researches are needed to shed additional light on this emerging phenomenon. First, would be interesting to replicate the study in other geographic region such as the USA and assess, whether present, the differences. Further researches can be very promising also in explaining the evolution of companies' approaches to SB at BOP. Would be interesting to monitor, over time, the evolution of companies' approaches toward more "engaging configurations". Indeed, would be interesting to analyze whether a "timing effect" exists, and so if companies once have gained experience in the SB are more prone to develop "high engaging" configurations. Finally, further researches are needed to analyze which are the objectives of companies that engage in SB at BOP. Indeed, despite a qualitative analysis of companies' objectives has been performed, companies do not clearly state their objectives in the website or in public reports. As a results, a survey approach would be very useful to understand the relation between objectives and SB configurations even if get a significant sample's size can be problematic. Another interesting approach would be to develop in depth case studies to analyze the relation between objectives, social business configurations and returns achieved, in few but significant cases.

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