

# 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). Recently there is growing awareness that social business is a promising model to alleviate social problems through the creation of new business models that pursue both profits and social impact. 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. Through the analysis of the corporate websites the study identifies companies that actually do SB at BOP and for those companies information were collected according to the social business model framework developed by Yunus et al., (2010). 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.

## Keywords

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

## Purpose

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". These new hybrid entrepreneurial efforts should be of deep interest to large profit firms, which can create new business opportunities while contributing to the socio-economic development of contexts of deep poverty such as BOP. However, the actual contribution of companies to the development of SB at BOP is far from being fully understood. In literature, authors have mainly approached social business initiatives from a partnerships point of view; but in theory companies can develop social business at BOP through different CSR programs that imply a different role and level of engagement of the company. 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. 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.

## Results

Results show that 100 companies have developed SB initiatives at BOP through seven social business configurations: Traditional Grant based Funding, Social Venture Competition, Employees Philanthropic Approach, Financial Investment Model, Corporate Investment Model, Partnership and Internal Development (see the figure). They represent the full spectrum of social business configurations that companies have developed in order to engage in SB at BOP. The social business configurations have been classified according to the level of engagement of the firms in the development of the social business. The level of engagement refers to the role of companies in the development and the management of the social business. The classification should be interpreted as a continuum useful to characterize the different configurations but companies can, in principle, moves dynamically along the continuum implementing SB through different configurations and so the boundaries are not always clear-cut or static.

## Originality

Our results, report 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. The study represents one of the first attempts to quantitatively map the state of the art of European companies doing SB at BOP analyzing the different roles that companies (and partners) play in the development of SB at BOP. Furthermore, the research identifying and classifying the whole spectrum of social business configurations shed additional light on this emerging phenomenon, beyond a strict focus on cross-sector partnerships.

## References

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## Design, Methodology, Approach

The literature review was useful to select the social business model developed by Yunus et al., (2010) as an appropriate framework to analyze the key characteristics of the social business configurations developed by companies. The social business model proposed by Yunus et al., (2010) is composed by four elements: value proposition, value constellation, social profit equation and economic profit equation. In order to understand how large European companies develop SB at BOP, the 1745 companies member of the United Nation Global Compact, the world leading corporate social responsibility program, have been analyzed. Through an extensive website analysis were identified 100 companies engaged in SB at BOP. A set of keywords have been defined in order to identify companies doing SB by website analysis. Indeed, on one hand, have been selected, as social business, initiatives that support or promote: social business, social enterprise, social entrepreneurship, 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. For companies identified data about the value proposition, the value constellation and the economic and social profit equation of the SB initiatives have been collected by the companies' websites, the sustainability reports and other project-specific reports. The data collected are qualitative in nature and as a consequences a coding procedure has been performed in order to operationalize the data collected in categorical variables (see the table). In order to analyze the role of companies in the development of SB at BOP and classify the related social business configurations a multiple correspondence analysis and a cluster analysis have been performed.

## Data

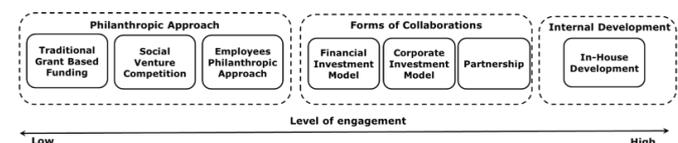


Figure 1. Classification of Social Business Configurations

Elements of the Social Business Model				
Variables	State 1	State 2	State 3	State 4
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		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 1. Coding Structure