

# How Do Social Enterprises Use Business to Address Social Needs?

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## Background

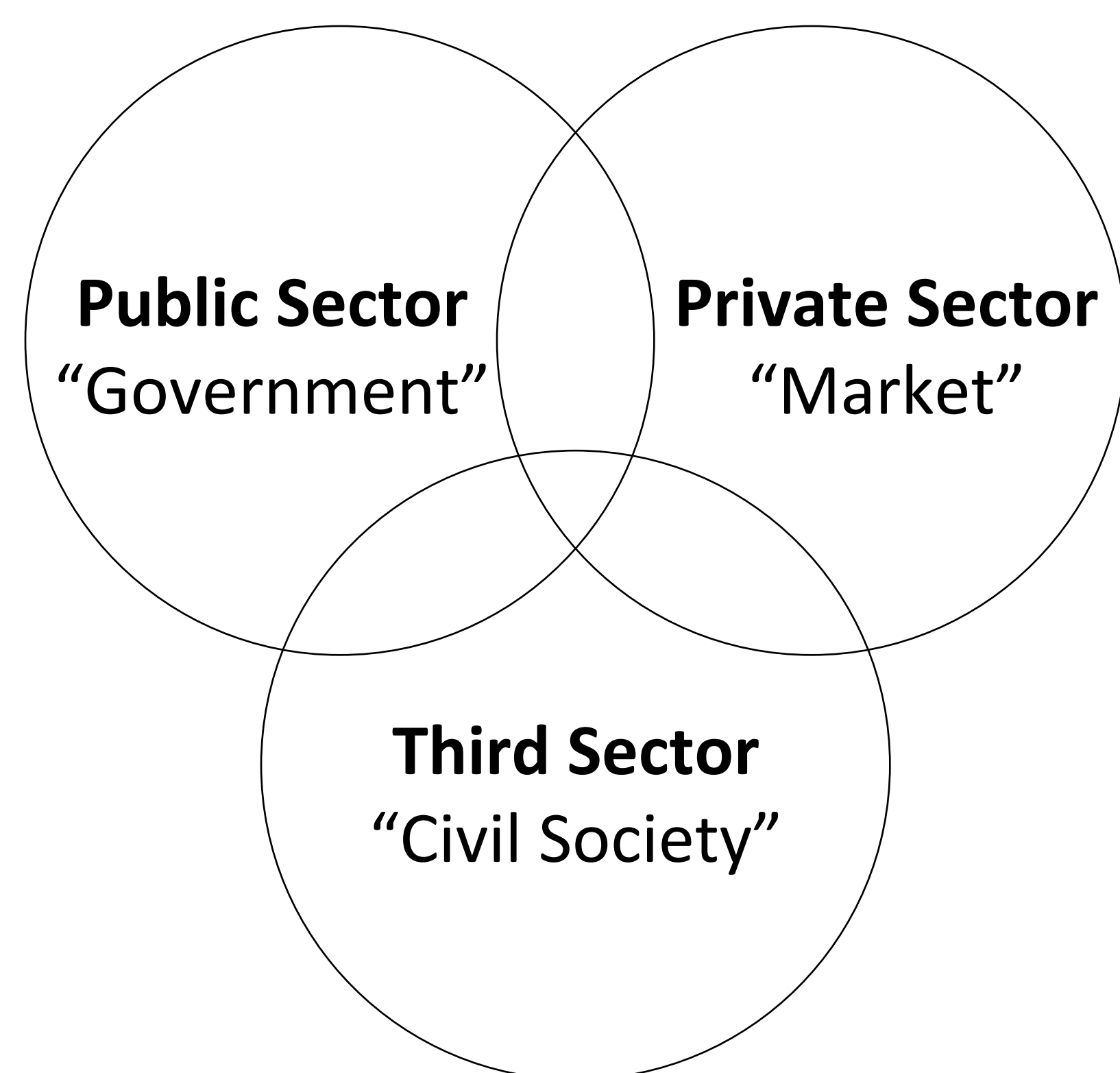
“Social entrepreneurs” have been widely recognized for creating hybrid approaches to tackle complex social problems, often by utilizing business methods and commercial activity.

## Questions

- 1) What strategies do social enterprises use to create social and economic value?
- 2) In what ways do these strategies solve or mitigate various dimensions of social problems?

## What is a social enterprise?

Social enterprises are organizations that use commercial activity to mitigate or solve one or more social problems.



## Multiple Approaches to Solving Social Problems

Social entrepreneurship focus on different:

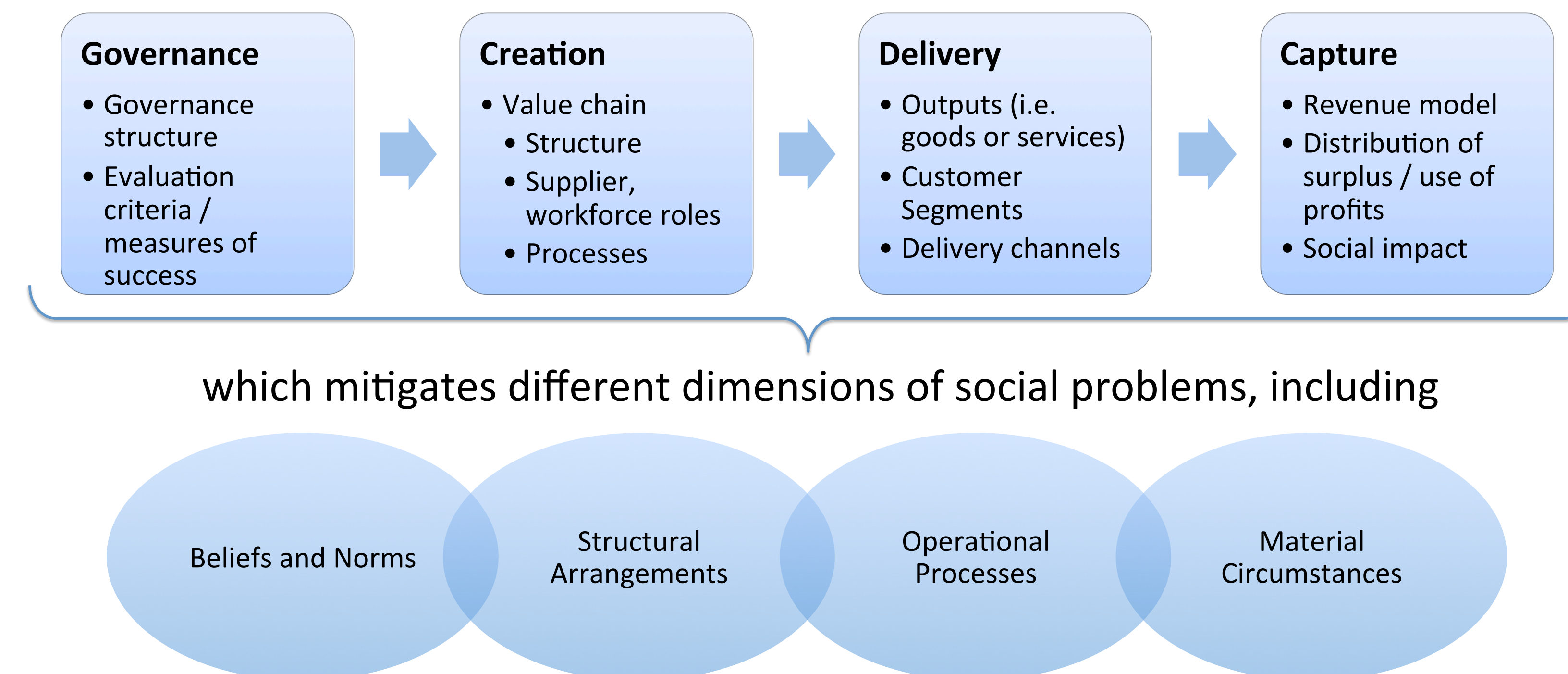
- 1) addressing identified market failures with new products or services,
- 2) reconfiguring existing market structures to create new social value, or
- 3) challenging and altering the institutional arrangements or cognitive frames of reference around structures themselves.<sup>2</sup>

Social enterprises also vary widely in the way they are organized and operate.

In this paper, I seek to address these two dimensions concurrently by asking (1) what strategy a social enterprise uses to create value and (2) in what ways does this strategy solve or mitigate the social problems the organization seeks to address.

## Analytical Framework and Research Design

The strategy a social enterprise uses is a combination of

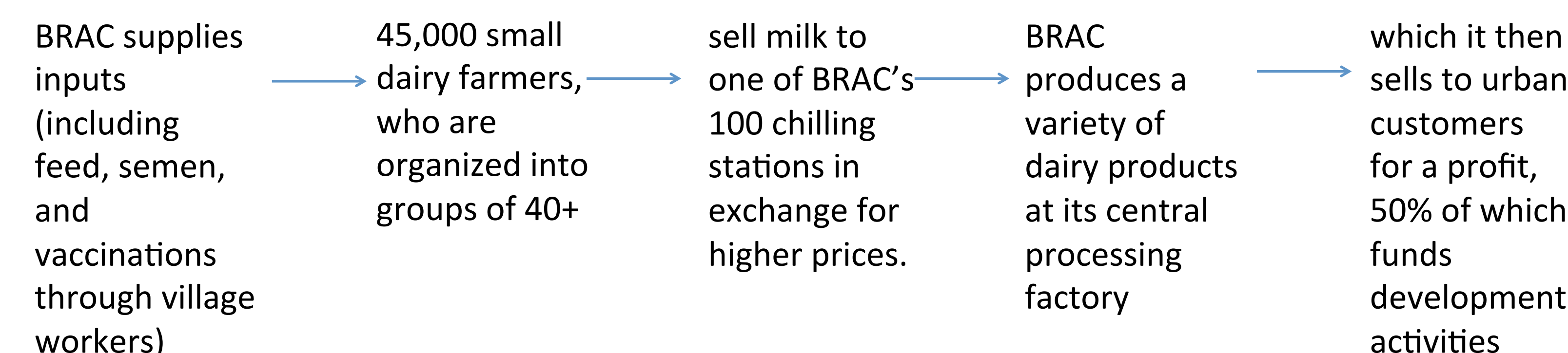


## Case Study

BRAC, an NGO based in Bangladesh,

- Largest NGO in the world, by program coverage and staff size
- Microfinance, health, education, gender empowerment and legal services, and agriculture across eleven countries on three continents
- Generates 70-80% of its operating budget through its own earned income activities, including 18 social enterprises.

BRAC Dairy is one of these enterprises, and grew out of BRAC's microfinance activities. BRAC provides loans to rural villagers who often use their loans to purchase animals, such as chickens or cows, which they can use to generate income (e.g. by selling eggs or milk).



## Key Dimensions of BRAC Dairy's Strategy

BRAC Dairy's strategy centers on the value creation process, but incorporates social factors into its governance and value capture processes that reinforce and extend its social mission.

### Value creation

- \*\* Sourcing from small farmers & paying higher prices \*\*
- Supplying key inputs such as vaccinations, high yield semen

### Value capture

- Purchases more than amount demanded by market
- Uses 50% of profits to fund development programs

### Governance

- Prioritizes income generation over profits
- Keeps factories open that lose money

## How BRAC Dairy's Strategy Mitigates Various Dimensions of Poverty

BRAC Dairy's strategy mitigates poverty in a variety of ways, predominantly by effecting change at the structural and operational levels, with secondary consequences in terms of material circumstances.

**Structural:** In creating market linkages connecting rural farmers with urban consumers, BRAC Dairy mitigates poverty at the structural level.

**Operational:** BRAC Dairy's strategy also involves alleviating poverty by changing operational level practices, specifically by offering complementary goods and services that increase the productivity and profitability of smallholder dairy farmers.

**Material:** BRAC Dairy indirectly mitigates poverty at a material level by generating funding for BRAC's development activities in health, gender empowerment, education, and other areas.

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# Findings & Contributions

- Findings
  - BRAC pursues opportunities that the “free market” neglects (often at the exclusion of the poor) because they (1) utilize a logic of financially sustainable social impact rather than profitability, and (2) often invest in *creating* such financially sustainable investment opportunities where they may not yet exist.
- Originality & Contribution
  - This thesis introduces a novel framework to analyze the strategies social enterprises use and the different ways in which these strategies solve or mitigate social problems, combining two different strands of literature (focused on process and outcomes). Using this framework future researchers can systematically compare these strategies and identify the most effective approaches.