THE USE OF BUSINESS MODELS IN SOCIAL ENTREPRENEURSHIP

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Introduction. The phenomenon of social entrepreneurship as an element of market society acts as one of the most significant components of a modern economy. The attempt to solve socially significant problems on the basis of entrepreneurship demonstrates that such a decision may be more effective than the use of stamped mechanisms of the state or public organizations. Social entrepreneurship is aimed at solving social problems by «entrepreneurial» methods, extenuating social tensions, initiating the blurring of intersectoral borders, aimed at satisfying the needs of the population and, as a result, capable of assuming certain functions of the state, regularly communicating with it.

Hypothesis of scientific research. It is assumed that the scientific combination of the three main components of social entrepreneurship: entrepreneur activity, public participation and solidarity will allow a new way to solve the actual socio-demographic and socio-psychological problems; to reduce or prevent socio-cultural and existential risks of social entrepreneurship in the Ukrainian context.

The aim of this research is to explain the most expedient model of social entrepreneurship in the Ukrainian context and the determination of the specifics of its use.

Methods of investigation: the method of taxonomy – for the analysis of the main stage of evolution and classifications of business models; the method of cluster and factor analysis – to clarify the main components and tools of the business model of social entrepreneurship; modeling the future based on scenario building – to predict the likely socio-cultural and existential risks of social entrepreneurship.

Results: features of social entrepreneurship, its place and role in the social-economic system; sources and motives of the emergence of social entrepreneurship; the specificity of the formation of business models in social entrepreneurship; substantiated signs and criteria for the development of the typology of business models in social entrepreneurship; the institutional features of forming different types of business models in social entrepreneurship are revealed.

Conclusions: the taken research on the conceptual aspects of social entrepreneurship has made it possible to find out the theoretical understanding of the peculiarities of the functioning and development of social entrepreneurship subjects and to identify the specifics of the formation of various types of business models in social entrepreneurship. Using the most optimal model will help to improve the efficiency of management of social entrepreneurship firms, which in turn will contribute to the increase of the overall social impact through replication and dissemination of successful, sustainable business models.

Keywords: social entrepreneurship, business-model.
Вступ: Явище соціального підприємництва як елемент ринкового суспільства виступає в якості однієї із значущих складових сучасної економіки. Спроба вирішити соціально значущі проблеми на основі підприємництва демонструє, що таке рішення може виявитися ефективніше, ніж використання шаблонних механізмів держави або громадських організацій. Соціальне підприємництво спрямовано на вирішення соціальних проблем «підприємницькими» засобами, пом’якшення соціальної напруженості, ініціює розмивання міждисциплінарних кордонів, орієнтоване на задоволення потреб населення і, як наслідок, здатне взяти на себе деякі функції держави, регулярно контактуючи з ним.

Гіпотеза наукового дослідження. Передбачається, що синергетичне поєднання трьох головних складових соціального підприємництва: підприємницька діяльність, громадська участь, соціаліність, дозволяє по-новому вирішити актуальні соціально-демографічні та соціально-психологічні проблеми; знизити або запобігти соціокультурних та екзистенційних ризиків соціального підприємництва в українському контексті.

Методи дослідження: метод таксонондії – для проведення аналізу основних етапів еволюції та класифікації бізнес-моделей; метод кластерного та факторного аналізу – для уточнення основних компонентів і інструментів бізнес-моделі соціального підприємництва; моделювання майбутнього на основі побудови сценаріїв – для прогнозування ймовірних соціокультурних та екзистенційних ризиків соціального підприємництва.

Результати: визначено ознаки соціального підприємництва, його місце і роль в суспільно-економічній системі; джерела і мотиви виникнення соціального підприємництва; специфіку формування бізнес-моделей в соціальному підприємництві; обґрунтовані ознаки і критерії для розробки типології бізнес-моделей в соціальному підприємництві; розкрито інституційні особливості формування різних типів бізнес-моделей в соціальному підприємництві.

Висновки: проведене дослідження концептуальних аспектів соціального підприємництва дозволило з’ясувати теоретичне розуміння особливостей функціонування і розвитку суб’єктів соціального підприємництва та виявити специфіку формування різних типів бізнес-моделей в соціальному підприємництві. Використання найбільш оптимальної моделі допоможе підвищити ефективність управління соціально-підприємницькими фірмами, що в свою чергу сприятиме підвищенню сумарного соціального ефекту через тиражування та розповсюдження успішних, стійких бізнес-моделей.

Ключові слова: соціальне підприємництво; бізнес-модель.
Formulization of the problem. Social entrepreneurship as a socio-economic and organizational phenomenon in recent years more and more attracts the attention of scientists, representatives of business and the state. Under social entrepreneurship is a kind of economic activity, aimed at solving problems of certain groups of people who, due to the failures (insolvency) of the market and the state, do not have access to vital resources. It is difficult to call social entrepreneurship a new phenomenon, but in recent years it has unprecedentedly raised all over the world, including Ukraine, with the development of social entrepreneurship as well as its scientific conceptualization. This is due to the fact that, on the one hand, there is an aggravation of the whole complex of social problems, on the other hand – the obvious failure of society to effectively solve these problems by traditional methods of market economy and the support of the state.

Analysis of recent research and unresolved part of the problem. Social entrepreneurship is focused on improving the of society’s life quality, in view of that the phenomenon of social entrepreneurship as a socio-economic phenomenon is an active interest of many foreign and native researchers. In the last decade of the XX century some practical experience and theoretical material on social entrepreneurship began to accumulate. Review of scientific literature, theoretical developments and periodicals indicates insufficiently deep and diverse coverage of the activity of this concept.

Among foreign scientists is R. Cantillon [1], he was the first who systematically described this phenomenon and the first who made a significant contribution to the study of entrepreneurship; P. Drucker and J. Schumpeter [2, 3] point at innovation as a category of entrepreneurship and emphasize the importance of entrepreneurship for innovation. V. Sombart [4] identifies analyzes as a well-known goal of entrepreneurial activity, F. Knight, I. Kirtsner – are essential values of entrepreneurship such as freedom, risk, uncertainty [5, 6]. Significant contribution to the study of this issue was made by G. Diz, I.-B. Sey, P. Drucker, J. Porras, J. Collins [7, 8], whose works are devoted to the study of the concept of social entrepreneurship and identification of its specific features.

For the first time in Ukraine, social entrepreneurship was considered by K. Alter [9] as a nonprofit organization created exclusively for program purposes and business approaches are part of the implementation of such goals. Social entrepreneurship in Ukraine – is a concept, which was brought from Western countries and is embodied at the expense of grants from international donors. The experts-practitioners also note that none of the western approaches derived from grant programs does not reflect the essence of the development of social entrepreneurship in Ukraine, and emphasize that a specific scientific approach is needed here [11]. Some scholars, such as V. Shcherbak, O. Shcherbak, believe that uncertainty and risk in business activity affects not
only industrial enterprises, but also the ability to carry out entrepreneurial activities aimed at improving the lives of socially vulnerable populations [12]. Despite the existing theoretical work in the literature on the study of business models of social entrepreneurship, the empirical studies have been presented in a small quantity, that allow them to systematically identify their main types. The urgency of the topic of this study is underlined by the fact that there are no works made on materials of Ukrainian firms. The understanding of the fundamental business models of social entrepreneurship and the institutional features of their formation has a significant meaning both from the practical and theoretical points of view, since it can increase the efficiency of the functionality of organizations involved in social entrepreneurship and bring some conceptual clarity to the development of its theory.

The aim of the study is to provide a meaningful description of the state of social entrepreneurship in the Ukrainian context and to identify the most appropriate forms and models of its implementation.

Results of research. The application of the business model as a unit of analysis in the research of social entrepreneurship, as well as the study of the peculiarities of the formation of business models in social entrepreneurship, is becoming increasingly widespread due to the fact, that it allows us to understand the process of creating the value, which is the most complex and controversial in social entrepreneurship. In case when commercial organizations consider the value as «an economic concept that describes how much a client is willing to pay for the offered product» [12, p. 28], then in social entrepreneurship, attention is paid to the creation of «social value» which, according to [13], is related to specific social problems and an attempt to find solutions to them. This is caused by the very essence of social entrepreneurship, which, unlike commercial entrepreneurship, is primarily aimed at addressing acute social problems, while the financial sustainability of the organization is a prerequisite for achieving its main goals.

In our opinion, we must agree with the definition of the concept of a business model in social entrepreneurship proposed by J. Defourny [14] as a design that includes two elements – the operating model and resource strategy (Figure 1).

![Figure 1. Business model of social entrepreneurship](source: [14].)
Operating model – is a set of certain actions, structures that support the system, which should create the expected effect during the process of interaction. The resource strategy supports the operating model by identifying and attracting the necessary tangible and intangible resources. Due to the fact that in social entrepreneurship resources can be attracted on a gratuitous basis (donations, work of volunteers etc.), the resource strategy is perceived wider than just attracting financial resources. According to the authors [15], two elements of the business model (operating model, resource strategy) contribute to the creation of a social effect in accordance with the theory of social influence (social impact theory), which should be the main result of the activities of social entrepreneurship. The authors [15] prove that in order to transform the entrepreneurial idea into a realized opportunity, the social entrepreneur should determine the social value, which will be created, and develop a sustainable business model. This approach for the definition of the concept of a business model in social entrepreneurship shows the relationship between the business model and the company’s performance in social entrepreneurship, which according to a social mission should be expressed in the creation of a certain social effect. Accordingly to this, Table 1 lists the methods for identifying components of business models, which demonstrate the diversity of existing approaches to defining and describing business models.

<table>
<thead>
<tr>
<th>Authors</th>
<th>The components of business model</th>
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<tbody>
<tr>
<td>Shafer, Smith, Linder, 2004</td>
<td>Strategic decisions (clients, proposed value, competencies, revenues, differentiation etc.), value creation (required resources/assets, processes/operations), value gains (costs, financial aspects, profit) and value gains (costs, financial aspects, profit) and value creation network (suppliers, relations with consumers, material and information flows)</td>
</tr>
<tr>
<td>Osterwalder et al., 2005</td>
<td>Valuable offer, distribution channels, customer relations, affiliate network and income generation model</td>
</tr>
<tr>
<td>Osterwalder and Pinie, 2014</td>
<td>Consumer segments, value propositions, sales channels, relations with customers, revenue streams, key resources, key activities, key partners, cost structure</td>
</tr>
<tr>
<td>Zott and Amit, 2010</td>
<td>Elements of design (content, structure, management) and design basis (innovation of products, creation of barriers for switching the consumer to other goods/services, complementarity, efficiency)</td>
</tr>
<tr>
<td>Rasmussen, 2007</td>
<td>Valuable offer, market segments, income generation model, value chain, the structure of costs, potential profitability, value system, competitive strategy</td>
</tr>
<tr>
<td>Hamel, 2000</td>
<td>Cooperation with customers, key strategy, strategic resources, value network</td>
</tr>
<tr>
<td>Chesbrough and Rosenbaum, 2000</td>
<td>Valuable offer, market segments, structure of internal value chain, the structure of costs, profit model, value system, competitive strategy</td>
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Continuation of Table 1

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<th>Research of business models of social and business firms</th>
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<tr>
<td>Mair and Schoen, 2005</td>
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<tr>
<td>Hamel, 2000</td>
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<tr>
<td>Interaction with clients, key strategy, strategic resources, valuable network</td>
</tr>
<tr>
<td>Yunus et al., 2010</td>
</tr>
<tr>
<td>Valuable offer (interested parties and product/service), social effect formula (social and economic effect), aggregate value (interval value network and external value network), formula of economic effect (revenue from sales, cost structure, used capital)</td>
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<tr>
<td>Marquer et al., 2010</td>
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<tr>
<td>Osterwalder et al., 2005</td>
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<tr>
<td>Valuable offer, distribution channels, customer relations, affiliate network and income generation model</td>
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<td>Michelini and Fiorentino, 2012</td>
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<td>Osterwalder et al., 2005</td>
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<td>Valuable offer, ecosystem, market, economic characteristics</td>
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Source: complied by the author.

The majority of authors focus on defining the concept of «business model» on the following components [15]: value offer; value creation; income generation. To the above mentioned components different authors add others. For example, H. Hamel [16], as a business model component, highlights a value network, a core strategy, procurement of strategic resources and management of customer interfaces, and B. Demyle and H. Lecock [17] – resources and competences, organizational structure and propositions for value delivery. Some researchers distinguish other components for the analysis of the business model. For example, A. Shatalov [11] analyzes the interconnection between the business model and the results of the firm, distinguishes the following blocks «Operational model» (includes the proposed value, a network of value creation and market), «growth model» and «economic model». Depending on definite characteristics of each component, the author identifies clusters of business models, and then shows the interconnection between each type of business model and the results of the firm. Despite the fact that this approach made it possible to solve the research problems facing the author, it is difficult to call it universal and suitable for use in the analysis of business models of social entrepreneurship, in connection with the lack of such important components for social entrepreneurship, as «customer relationship», «consumer segments».

The peculiarities of formation and development of social entrepreneurship are revealed. It has been established that the active development of social enterprise all around the world has become a logical response to institutional changes that manifested themselves differently in different regions of the world, but led to an increase of social contradictions in society as a whole and to the
necessity of emergency of new socio-economic agents, who would be able to fill the failures of the market and the state. The analysis of existing approaches allows us to offer our own typology of the sources of social entrepreneurship, depending on two parameters: the level of occurrence (organizational and individual) and orientation on the creation of value (social value shared by value, economic value). This approach allows us to understand the complex and specific process of creation and attribution of value typical to the firms.

Features of the formation of business models of social entrepreneurship in two ways: the status of the recipient of the chain of value creation and source of income. Based on the distinguished features and criteria, an empirically grounded typology of business models in social entrepreneurship has been developed: five basic types of business models that are basic and can be used to construct more complex business models that are marked: «Platform», model «Access to the market», model «Employment», model «Access to the product/service», model «Charity»:

1. In the «Platform model», the social entrepreneur acts as an intermediary between the beneficiary and the buyer, realizing the main goal – ensuring access of the beneficiary to the market (Figure 2). Usually, a social entrepreneur in this model performs the role of a broker, who does not buy the goods from the beneficiary. As a rule, organizations that provide information services through the creation of platforms for the exchange of information and commercial activities, both in real format (trading platforms, exhibitions) and online (informational internet platforms), can work on such a principle. In this model, the beneficiary pays for the service, gaining access to the resources and services provided to him by a social entrepreneur.

![Figure 2. Model «Platform»](image)

Sources: [14; 16; 17].

2. The «Access to the market» model is also a model where a social entrepreneur is an intermediary, providing access to the market beneficiary, but unlike the «Platform» model in this model, the source of revenue is the third party, not the beneficiary (Figure 3). In the «Access to the market» the beneficiary does not serve as a source of income, and the social entrepreneur, as a rule, provides not only the platform for the exchange of information, but also
acquires products from the saver or for resale, or as a raw material for the production of products. If the main activity of social entrepreneur is related to the production of products, and he buys raw materials, components from beneficiary, then his financial model is based on the margin, which he obtains as a result of creating additional value for the product. In the case, where the main activity of the social entrepreneur is related to marketing and sales, and the social entrepreneur is the distributor of the goods of beneficiary, his income is a percentage of the final value of the goods.

Figure 3. Model «Access to the market»

3. The business model «Employment» is a model in which the beneficiary is within the value chain. It reflects the idea of employment, employment of «affected» groups of people (for example, people with disabilities, people without permanent residence, children’s graduates etc.) (Figure 4). The «Employment» model is one of the most widespread models in social entrepreneurship, whose main goal is integration, social adaptation and improvement of the economic situation of certain groups of people, so-called «affected-groups».

4. The «Access to the product/service» model covers market or state failures due to the lack or inability to access a product or service in a definite group of people. In this model, the source of income is the beneficiary. The model «Access to the product/service» (Figure 5) covers market or state failures associated with the lack or inability to access a product or service of a definite group of people.

Figure 4. Model «Employment»

Sources: [14; 16; 17].
This model is often used in cases where the needs of beneficiaries in geographically remote areas are satisfied, where there is no service or product due to underdeveloped infrastructure. By using an innovative, pioneering approach for the salvation of this problem, a social entrepreneur is able to develop a business model, which can create value at achieving financial stability. The source of income in this model is the beneficiary who is ready to pay for the good/service.

5. In the «Charity» model the beneficiary receives the goods/services absolutely for free. Typically, such a model is used in cases where the beneficiary can’t pay for goods/services (Figure 6). Unlike the previous model, the beneficiary is not even partly a source of income, he receives the product/service for free. For a full subsidization of the beneficiary, the social entrepreneur actively uses various tools (for example: cross-subsidization, use of non-market instruments of attraction of resources, etc.), allowing to receive income not from the beneficiary, but from the third party.

Institutional peculiarities of the emergence of models aimed at solving social problems through the provision of goods/services are the lack of a required market offer for certain groups of people. As it has been said before, the reluctance of the business and the inability of the state to meet the demand of certain groups of consumers creates market failures that can satisfy social
entrepreneurship not only through the movement of the main mission related to the solution of social problems, but also due to the possibility of using different instruments and creation of business models that allow you to achieve results in low marginal areas and for insolvent consumers. It is important to note that the basic models are considered fundamental, forming mixed (hybrid types), which are quite common in social entrepreneurship. Thus, the study showed that the most frequently used model is a model of combination of two models – «Employment» and «Charity», that is, when the beneficiary is within the chain of value creation and is a consumer. Moreover, it may be the same client segments, which provide an opportunity to find out the institutional features of each type of business models, which, on the one hand, reflect global trends, and, on the other hand, regional features of the emergence and development of distinct types of business models.

In this way, the peculiarities of the formation and use of business models in social entrepreneurship are the need for the preliminary analysis of the main business processes of firms involved in social entrepreneurship. This allows not only better understanding of the specifics of business models in social entrepreneurship but also deeper insight into social entrepreneurship as a socio-economic and organizational phenomenon. The developed empirically-based typology of business models in social entrepreneurship makes it possible to clarify the managerial aspects of firms engaged in social entrepreneurship as well as making a definite step in conceptual clarification of the phenomenon of «social entrepreneurship» through the logic of studying of basic business models.

Conclusions and suggestions for further research. Shifting the emphasis from studying a particular organization to studying a business model in research on social entrepreneurship has firstly let us understand the complex and specific processes of creating and appropriating the value inherent in social entrepreneurship, and secondly, give a more coherent understanding of how socio-entrepreneur firm acts and reaches sustainability in a complex system of interaction with partners, suppliers, clients, and thirdly, bring us closer to understanding the most typical type of business model «social entrepreneurship», its boundaries and features.

On the basis of the empirical research, it was concluded that the study of social entrepreneurship through an analysis of the peculiarities of the formation of its business models is important and well-grounded. The results of the research show that there are certain, specific aspects of the business model that distinguish social entrepreneurship from other forms of economic activity. Certainly, the need for further qualitative research in this direction, which will allow a significant breakthrough in the theory of social entrepreneurship, may be able to clarify the conceptual uncertainties in this sphere, putting researchers to the conclusion of
many important issues – what is social entrepreneurship and where the boundaries of this phenomenon lie. Of course, the study of business models in social entrepreneurship can be an important step for the construction and development of the theory of social entrepreneurship, because the business model helps to understand the logic of creating and assigning value, to reveal the architecture of business of such organizations. Thus, the identification of basic business models and the peculiarities of their formation could bring us not only to the understanding of the functioning of firms involved in social entrepreneurship, but also to clarify the phenomenon «social entrepreneurship» itself.

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