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## **Social companies as an innovative and sustainable way of solving social problems. A case study from Spain**

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## Structured Abstract

**Purpose** – In the current context of economic crisis, there is an increasing need for new approaches for solving social problems without relying upon public resources. With this regard, social entrepreneurship has been arising as an important solution to develop social innovations and address social needs. Social entrepreneurs found new ventures that aim at solving social problems.

The main purpose of this research is to identify the general profile of the social entrepreneurs and the main features of social companies, such as geographic scope, profit or non-profit approach, collaborative networks, decision making structure, and typologies of customers that benefit from their social actions.

**Design/methodology/approach**– The present research is based on both primary and secondary sources of data, that were used to perform both qualitative and quantitative analyses. Specifically, we selected two Spanish social entrepreneurs networks, as “Ashoka Spain” and “HUB Madrid”, on the basis of their representativeness of Spanish social entrepreneurs. A survey was developed and distributed among the entrepreneurs members of the mentioned networks. This survey covers several aspects, such as the socio-demographic profiles of social entrepreneurs and the main features of their companies. Finally, the results from the statistical analyses were discussed with a panel of experts through personal semi-structured interviews.

**Originality/value** –The conducted research shows general features of social entrepreneurship in Spain. Among the obtained results, it is worth noting the orientation of the companies towards a self-sustaining model without donations and public transfers, the prevalence of women in human resources within companies, the trend towards the creation of global and not local businesses, the prevalence of profit approach over non-profit approach, the adoption of participatory decision making structure, the tendency to establish collaboration with private sector over public sector, and the strong social vocation of entrepreneurs over the perception of business opportunity as motivation inspiring social entrepreneurship initiatives.

**Practical implications**– Results point out that social companies in Spain tend to focus their activities on customers who have their access to basic services and products covered. On the contrary, people belonging to the lower Bottom of Pyramid (BOP) are mainly left unattended by social companies, receiving only the help of the public authorities. Future studies could extend the research through a cross-cultural validation in different countries.

**Keywords** –Social Entrepreneurship, Social Entrepreneur, Social Innovation, Bottom Of Pyramid, Case Study.

**Paper type** – Academic Research Paper

## **1 Introduction**

The field of social entrepreneurship is growing rapidly and it is attracting attention from many sectors. The term itself shows up frequently in the media, it is referenced by public officials, it has become common on university campuses, and it refers to use of entrepreneurial principles and behaviour in order to create social value and generate positive social change by providing economic return (Martin et al., 2007).

The phenomenon of globalization produced an exponential increase of capital, ideas, and products flow, contributing to an unparalleled expansion in products and services consumption. In turn, globalization caused also deep-seated environmental and social problems (Fisac et al., 2011).

Often, public intervention is inefficient in dealing with this kind of problems, due to the heavy bureaucracy and the instability of governments that make difficult the continuity of actions that aim at generating a positive social impact.

It is precisely this type of context that encouraged the development of entrepreneurial initiatives aiming at providing an effective solution to social and environmental problems.

Social entrepreneurs and social companies are the main actors of this kind of initiatives and of social innovation within the current globalization context.

There are many currents of thought and theories focusing on how social companies and social entrepreneurs should behave to create a positive social impact, on what should be their organizational structure, on how they should support their social mission, and on how they may procure resources and assets.

Accordingly, this research aims at understanding the way of behaving of social companies and social entrepreneurs, and particularly the main features of social companies, such as their geographic scope, their profit or non-profit approach, their use of collaborative networks, and their decision making structure. Additionally, attention is also paid to the motivations and general profile of social entrepreneurs, as well as to the typologies of customers that benefit the most from these social actions.

In this research, data were collected from two Spanish social entrepreneurs networks, namely “Ashoka Spain” and “Hub Madrid”, being representative of Spanish social entrepreneurs networks. A survey was developed and distributed among the members of the mentioned networks, and they were used to perform a statistical analysis. Moreover,

semi-structured interviews with a panel of experts, were used to support the analysis of the results.

The remainder of the paper is organized as follow. In Section 2 we discuss the theoretical background. In Section 3 we portray social innovation as result of network and collaborative systems. In Section 4 we offer a description of the two social entrepreneurs networks from that data for the research were collected (“Ashoka Spain” and “Hub Madrid”). In Section 5 we present the research methodology. In Section 6 we discuss the findings of the research. Finally, in Section 7, conclusions and directions for further researches are provided.

## **2 Theoretical background**

### ***2.1 Social Economy***

Organizations and various actors acting in social entrepreneurship context tend to be considered as active parts of an economic sector called social economy. In particular, the majority of social companies belongs to this sector or had their origin inside it (Defourny et al., 2012). The behavior of individuals belonging to this sector do not obey only to market rules, but it is influenced by purely social factors and logics.

Social economy is commonly considered as the third sector of the economy (Monzon et al., 2008; Social Economy Lisburn, 2013) since the two other economic sectors are generally considered the private business sector, which is motivated by profit, and the public sector, which is managed by governments (Monzon et al., 2008).

Moreover, social economy can be defined as that part of the economy that is composed by established organisations with volunteer members, board of directors and management committees whose activities are oriented to generate local benefits; it is composed by communities’ organizations and businesses, managed by local people, that work for the welfare of the communities and marginalized groups (Social Economy Lisburn, 2013). Social economy includes those organizations that are driven by the principle of reciprocity in pursuing both economic and social objectives, often through social control of capital (BALTA, 2013). Therefore, social economy is promoted by private and formally organized companies, having autonomy of decision and freedom of membership, created to match the needs of their members by producing goods and

providing services, as insurance and financial services. Moreover, within these companies, decision making and any distribution of profit and surplus among the members are not related to the stakes owned by each member, each of which has one vote (Monzon et al., 2008). Thus, we identify two social economy sectors: (i) the market or business sector; and (ii) the non-market sector (Monzon et al., 2008). The market sector is populated by cooperatives and mutual societies, business groups controlled by cooperatives, and some non-profit institutions that provide services to other companies that are part of the social economy. In turn, the non-market sector includes associations and foundations, although may also be found organisations with other legal forms according to the typologies considered non-market producers by national accounting policies (Monzon et al., 2008).

According to a report presented by the Social Economy Lisburn (2013), social economy sectors may be classified in: (i) the community sector, which includes organizations working at local or community level, usually small, modestly funded and largely dependent on voluntary rather than paid work, as vigilance services, small associations of communities, small support groups; (ii) the voluntary subsector, which includes non-profit organizations having a formal constitution, independent from governments and autonomous, and operating with a significant degree of voluntary involvement, ashousing cooperatives, large charity organizations, large community associations, national organizations of the countryside; (iii) the social companies sector, which includes companies having primarily social objectives whose surpluses are reinvested for the social aim within the enterprise or within the community, rather than being used to maximize profit for shareholders and owners, as cooperatives, building societies, credit unions (Social Economy Lisburn, 2013).

## ***2.2 Social Company***

Social companies are private organizations dedicated to solving social problems, serving the disadvantaged, and providing socially important goods and services that were not adequately provided by public agencies or private markets (Dees, 1994).

These organizations combine innovation, entrepreneurship and social purpose and seek to be financially sustainable (Haugh et al., 2004).

The main feature of social companies is that social mission prioritises social benefit above financial profit (Haugh et al., 2004; Mair et al., 2005).

Social companies may be profit or non-profit organisations (Hayden, 2010; Mataix, 2013; Schwab 2013). However, there are currents of thought that consider as social companies only for-profit entities, excluding foundations and non-profit associations (Andreu, 2013; Parra, 2013); other considering as social companies only non-profit entities, adopting, hence, a non-profit business approach (Defourny et al., 2012).

A typical feature of social companies is their propensity to reinvest all the surplus, if any, in favour of their social actions (Haugh et al., 2012; SEUK, 2013) or to adopt a policy of restriction in dividends distribution (Defourny et al., 2012). However, according to some currents of thoughts social companies could also seek the return of invested capital in favour of shareholders (Andreu, 2013).

Concerning the issue of the economic sustainability, there are significant differences between two existing traditions of social company: (i) the Anglo-Saxon tradition, according to which social companies should achieve their economic sustainability by adopting a strategy of own incomes generation; (ii) the continental European tradition, according to which social companies can sustain their business by using also hybrid resources provided from public and civil sector, such as private donations, public donations, public subsidies and volunteer human resources (Fisac et al., 2011).

These traditions differ also in the importance and emphasis given to the role of the entrepreneur in the dynamics of the social companies. Anglo-Saxon tradition emphasizes the central role of the entrepreneur and the importance of his leadership. Instead, the European tradition emphasizes the collective and participatory dynamics that should characterize the nature of the social companies, especially in the decision-making processes (Defourny et al., 2012).

### ***2.3 Social Entrepreneur***

The social entrepreneur differs in several features from the traditional entrepreneur who fits perfectly within the market dynamics and whose main purpose is the profit generation (Dees, 2001).

Bill Drayton, founder of the largest network of social entrepreneurs in the world, Ashoka, defines the social entrepreneurs as individuals offering innovative solutions to

the most pressing social problems, people who pursue a social objective, and that, to achieve it, use methods traditionally associated with the business world (Sanchez, 2011).

The main feature that distinguishes the social entrepreneur from the traditional business-oriented entrepreneur is the priority he attributes to the social purpose and to the creation and sustenance of social value (Dees, 2001). Therefore, the social purpose must be the single objective pursued by social entrepreneur, he should not seek any form of return on invested capital (Leadbetter, 1997; Peredo et al., 2005) . However, according to other currents of thoughts, the social entrepreneur may balance social purposes with profit purposes (Boschee, 1998), also combining them (Shwab, 2013). Accordingly, the generation of profit and wealth may be part of the model that the social entrepreneur embrace, but they must be the means to achieve the social goal, not the objectives (Dees, 2001).

The social entrepreneurs perceive the opportunities to cover unsatisfied social needs and they are able to bring together the necessary resources, such as people, capital, and facilities (Dees, 2001; Mair et al., 2005), and use them to solve social problems and to drive social innovation and change in various fields (Shwab, 2013).

### **3 Social innovation as result of network and collaborative systems**

The result of the activities of social entrepreneurs and social companies is often referred to as social innovation (Phills, 2009).

Social innovation is defined as any new and useful solution to a need or a social problem, which is better than existing approaches (e.g., more effective, efficient, or sustainable) and for which the created value brings benefits to the society as a whole, rather than to private individuals (Phills, 2009), or its generated social utility is at least as important as the return on investment (Lorca, 2013). The new solutions can be a product, a production method, a process, a technology, a service, a market, a model, but also a pragmatic approach, a principle, an idea, a rule, a social movement, an intervention, or a combination of them (BEPA, 2010; Murray et al., 2010) that meet social needs, improve acting abilities of society, and create new social relations and collaborations.

The supply of products and services that meet those needs are often not guaranteed by the market or by the government, and that is why there is space for the actions of private

social sector forces, such as social companies and social entrepreneurs, to create social improvements.

Usually the social entrepreneurs and social companies, in order to give positive outcomes to their ambitions of social innovation, shall interact with a very complex system that includes different actors, such as public institutions, traditional businesses, and civil society and its organizations (Davies et al., 2012). In fact, collaborations between entities belonging to different sectors have the purpose to obtain and share resources from multiple agents (Montgomery et al., 2012). These resources may be material and non-material resources, as financial, cognitive, cultural, and institutional (Montgomery et al., 2012). Moreover, social companies may also use collaboration in order to share ideas and create support networks to achieve the social change goal (Montgomery et al., 2012). A collaborative system composed by local government authorities, non-governmental organizations, local communities, financial institutions, infrastructure manufacturers and other types of traditional businesses is necessary for the “Strategies for the Bottom of Pyramid”. These are social entrepreneurship models adopting the purpose of offering products and services to the Bottom of Pyramid (BOP), which is composed by the 4 billion people of the world population (about half of the total world population) whose purchasing power is less than 1,500 \$ per year (Prahalad et al., 1999).

In recent times, the perception of the need for a strong collaborative network in order to give positive result to social change ambitions led to formation of entrepreneurs networks, such as Ashoka and Hub Madrid networks.

## **4 Ashoka and Hub Madrid**

### ***4.1 Ashoka***

Ashoka is the largest social entrepreneurs network in the world, with about 3,000 members in 70 countries (2013, 07 10), who put into practice in global scale their ideas of worldwide systemic change (Ashoka, 2013c). It was founded in 1980 by Bill Drayton and provides financing services to start-ups, professional support services and connections to a global network that extends around the business and social sectors (Ashoka, 2013c). Moreover, Ashoka offers a platform for people devoted to social change. Ashokas’



purpose is the creation of “changemakers” by providing people all over the world the skills and connections that they need to achieve their intentions for social change. The operational approach of the Ashoka network is based on three points. First, Ashoka offers support to social entrepreneurs, by identifying main social entrepreneurs and invests on them and helps them to achieve the highest possible social impact. Second, Ashoka promotes the collaboration between social entrepreneurs groups and networks to make social impact faster and more widespread, by engaging entrepreneurs communities and developing effective collaboration models that could create social changes in many areas. Third, the network cares about the infrastructures construction for the citizen sector, because a global network of "changemakers" requires means and support systems to generate sustainable social solutions. Accordingly, Ashoka creates the necessary infrastructures, such as access to social financing, connections with the academic and business sectors, and structures for collaborations that allow to create social and financial value (Ashoka, 2013a).

Ashoka defines its business model as an hybrid value chain (Ashoka, 2010). This is a business model based on a commercial partnership between firms and civil sector organizations (such as neighbourhood associations, foundations and cooperatives), that leverages the capabilities of each actor to enable the provision of needed goods and services to low-income populations in a more cost-effective way. In this model, the businesses’ benefits are the access to new markets and the customers base expansion. Additionally, civil sector organisations take advantage from the partnership because they increase their social impact through generation of new income sources for their programs and expand their range of offered services. Conversely, low income populations improve their living conditions because they can satisfy their basic needs and see the emergence of new economic opportunities. Through the hybrid value chain the limitations that constrain the potential social impact of civil sector organizations (constrained by their dependence on donations and their limited ability to operate) and businesses (constrained by their limited knowledge of local consumers and local resources, and by their lack of confidence all inside of the local context) may be overcome by combining and sharing their complementary strengths. In particular, the strengths of civil society organizations are: the ability to understand the needs of low-income consumers, the confidence of the local population towards them, the ownership of consolidated infrastructure and networks within these territories, the ability to define feasible solutions based on the context, and

the ability to mobilize communities and other stakeholders such as local governments and financial institutions. Instead, the strengths provided by the firms are the ability to operate on a large scale, the ability to develop processes efficiently, the possession of a good reputation and the strength of a recognized brand, the capacity for investment, the capacity to find new investors, and the ability to strategically plan and manage monetary flows (Ashoka, 2010).

#### ***4.2 Hub Madrid***

Hub Madrid is part of an international community of entrepreneurs and social innovators called Hub, with 31 co-working spaces around the world and a professional network composed of more than 5,000 members (2013, 7 10). Thus, Hub Madrid is a co-working space, a meeting place for social entrepreneurs and social innovators, located in Madrid city centre and created in 2009 (Hub Madrid, 2013a). It was conceived with the purpose to facilitate collaboration and cooperation between social entrepreneurs by making available a physical, and not just virtual, space within which they exchange ideas, inspire each other, share knowledge, resources and dreams, develop new ideas and new projects having the ambition to promote positive social change (Hub Madrid, 2013b). Even in Hub Madrid, as for Ashoka, collaboration among people who want to spur social change is considered essential in order to realize projects, meet goals and support social innovation. In Hub Madrid network there are about 230 entrepreneurs and professionals acting in different projects related to various areas, from social change and sustainability, to technology, culture and education (2013, 7 10). The work in Hub Madrid is oriented towards the creation of an entrepreneurial ecosystem that is strengthened through the creation of networks and through the collaboration with non-profit organizations, businesses, educational institutions, NGOs, and public institutions. Among the events organized in Hub Madrid there are trainings, meetings, dinners and many events that stimulate creativity and collaboration (Hub Madrid, 2013a).

Hub Madrid is the one headquarter of Hub community in Spain, and its members operate in many areas of Spain, not only in Madrid area.

## **5 Methodology**

### **5.1 Survey**

In order to collect the data needed for the study, we developed a survey which was distributed among the social entrepreneurs members of “Ashoka Spain” and “Hub Madrid”, as representative of Spanish social entrepreneurs. The survey was developed with the purpose to identify the main features and characteristics of individuals and companies involved in social business, especially with regard to the contrasting issues, previously discussed, about existing conceptions and theories concerning social companies. Thus, the survey aims at highlighting the social business models that are actually put in practice by social entrepreneurs.

A first group of questions in the survey covered general aspects, such as entrepreneur age, foundation year, headquarter location, employees number, and percentages of volunteer and female employees in the social company. A second group of closed questions covered other aspects, such as profit or non-profit approach of the company, dividends sharing policy, geographic scope, collaborative networks, and typologies of customers that benefit from these social actions in regard to their location with respect to the BOP. Finally, the last group of questions was based on a Likert scale ranging from 1 to 5, through which the entrepreneur was called to carry out an assessment about other aspects, such as motivations of his commitment in entrepreneurial social actions, financing sources used by his company, and decision-making system adopted.

### **5.2 Statistical analysis methodology**

The data collected have been used to obtain data about trends within the studied sample and to subsequently perform a statistical analysis. In particular, Pearson chi-square ( $\chi^2$ ) test and Mann-Whitney U test were applied to verify the existence of significant trends differences within the sample with respect to the examined aspects. The results of the statistical analysis were tested with 95% level of significance (Johnson et al., 1998).

Pearson  $\chi^2$  test was used for the analysis of qualitative data, collected by questions that did not require a quantitative assessment, such as the questions of the first group requiring a non-numerical response, and the second group of questions of the survey .

Mann-Whitney U test was used to analyse quantitative data, such as the numerical data of the first group of questions and the data collected in the third group of questions of the survey, because they corresponded to quantitative variables that could assume a value ranging from 1 to 5, in accordance with the adopted Likert assessment scale.

### ***5.3 Experts interviews***

The results of the statistical analysis were discussed with a panel of experts through personal semi-structured interviews. The interviews were used to support the interpretation of survey's results.

In particular, we interviewed Catalina Parra who developed broad knowledge of the dynamics of social entrepreneurship, on the basis of her wide direct field experience. Especially, she is president and founder of "Fundación Hazlo posible", a foundation having the purpose to innovatively promote interaction and social participation in charitable initiatives using new technologies; she is president and founder of "Asociación UEIA", a non-profit association having the main purpose to promote entrepreneurship, social action and technology as a platform for new projects related to the social context in order to make them viable and sustainable entrepreneurial initiatives over time; she is also co-president and co-founder of "Philanthropic Intelligence", a consultancy organization that promotes and facilitates better philanthropy among Spanish families and individuals, with the purpose of enabling people having significant assets to realise their philanthropic projects.

We also interviewed Jaime Moreno, due to his global experience and knowledge in the field of social companies. Especially, he was a visiting scholar in Grameen Danone in Bangladesh, that is one of the most popular and successful model of social company in the world, and he is social entrepreneur and co-founder of "Integra-e, inclusión social a través de la tecnología", that is an organization operating in Spain, that trains young people who have left school and are in social exclusion risk in leading web development technologies and in fostering neighbourhood micro-entrepreneurship.

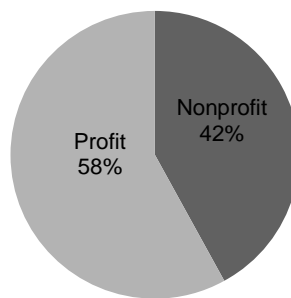
We also interviewed Carlos Mataix, due to his specific knowledge as expert in social innovation and social entrepreneurship, being these among his main specific working areas; he is professor at "Universidad Politecnica de Madrid" and director of "Innovation and Technology for Development Centre", that is a space and a collaborative network that

combines scientific, critical and reflective thinking, with practical knowledge to find solutions to the challenges of the lack of sustainability and equity in the current global context.

## 6 Findings

### 6.1 General findings

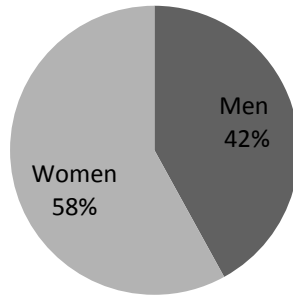
In the sample, the average age of the social entrepreneur resulted 38 years old, that is consistent with the overall average age of the Spanish entrepreneurs, which is a little over 38 years (GEM, 2012). 58% of Spanish social entrepreneurs operates through for-profit companies and the remaining 42% operates through non-profit companies (Figure 1).



**Figure 1:** *Percentage proportion of profit and non-profit social companies.*

Within the for profit companies, the 40% of them distributes dividends among its members, and the remaining 60% does not distribute dividends.

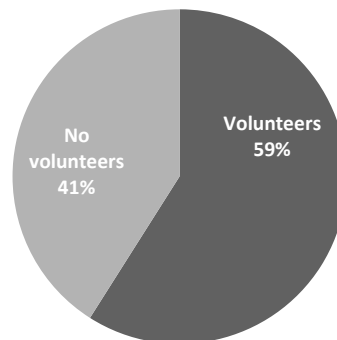
Results concerning the composition of human resources employed showed that the 58% of social companies employees are women (Figure 2), that is a higher percentage with respect to the overall business sector in Spain where women are the 48% of employees, according with the “Informe sobre la Brecha de género en la empresa” (Report on gap gender in Companies, conducted in 2010) (El Pais, 2013).



**Figure 2:** Average percentage of women and men employed in social companies.

According to Mataix, the prevalence of women over men among social companies employees, common to non-profit sector trend, is due to the traditional family structure in Spain, which drives women to prefer part-time jobs without gaining more money than men. According to Moreno, this trend occurs because women have an empathy and altruism sense different than men, and they get involved in social initiatives because they are supportive, instead men are motivated by their own innovating spirit and by the emotions that social actions can generate in them, because social activities excite them and make them feel good.

Moreover, it was found that the 59% of social companies employs volunteers, the remaining 41% does not use volunteer employees (Figure 3).



**Figure 3:** Proportion of companies using and not using volunteer employees.

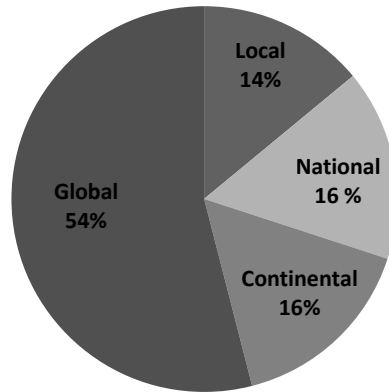
Among companies employing volunteers, the average portion of volunteer over total employees was 51%. By applying the  $\chi^2$  test, we found a statistically significant difference between profit and non-profit companies in using volunteer employees, in particular non-profit companies have a larger propensity to use volunteer employees than profit companies (Table 1).

**Table 1:**  $\chi^2$  test: independent variable: profit/non-profit company; dependent variable: collaborations and volunteer employees use (\*  $p < 0.05$ ).

		Volunteer employees	
		No	Yes
Non-profit	Observed	3	11
	Expected	5.8	8.2
Profit	Observed	11	9
	Expected	8.2	11.8
df		1	
$\chi^2$		3.832 <sup>*</sup>	

The data regarding the typology of customers showed that the proportion of social companies serving customers that do not have access to basic goods and services is 25%. According to Moreno, this is due to the fact that in Spain basic needs, such as health and education, are covered enough. On the same line of thought is Parra, that associates this outcome to the specific social situation in Spain, in comparison with country having different social conditions, that does not stimulate the launch of social entrepreneurship initiatives oriented to the BOP.

Analysing the data regarding the geographic scope of social companies, we noticed that 54% of companies has global scope of operations, 16% operates at continental level, 16% operates in a single country, and the remaining 14% limits their activity to a local context (Figure 4).



**Figure 4:** Percentage of companies operating in local, national, continental and global scope.

The  $\chi^2$  test highlighted a statistically significant difference in the geographic scope of less recently incorporated and more recently incorporated companies; in particular, more recent companies have larger scope, with a major propensity to act in continental and global contexts (Table 2).

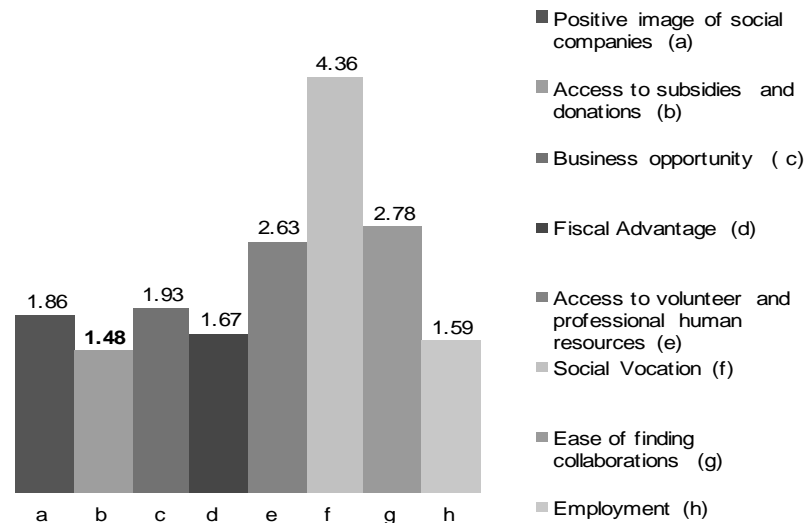
**Table 2:**  $\chi^2$  test: independent variable: company foundation year; dependent variable: operative scope (\*  $p < 0.05$ ).

		Foundation year	
		$\leq 2010$	$> 2010$
More Countries	Observed	20	5
	Expected	16.7	8.3
One Country	Observed	4	7
	Expected	7.3	3.7
df		1	
$\chi^2$		6.545*	



## 6.2 Social entrepreneur motivations

We spotted that social entrepreneurs establish their initiatives due to social vocation. The survey also showed that pure business opportunity and the need to find employment are less prominent motivations in inspiring social entrepreneurship initiatives (Figure 5).

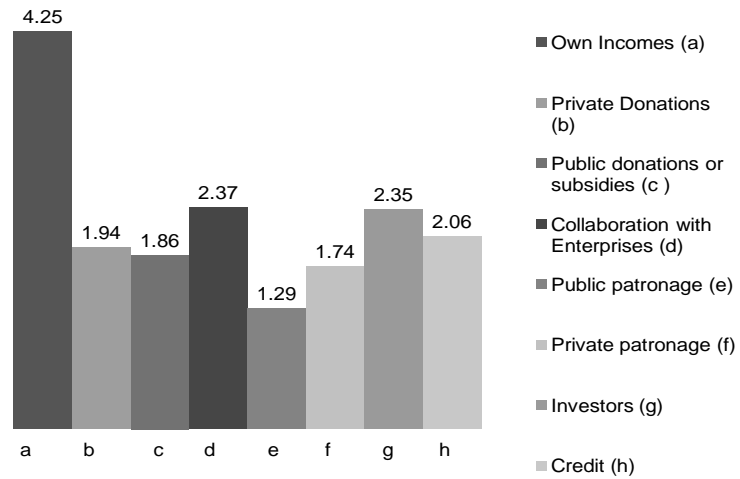


**Figure 5:** Average rating (1-5) of the importance of the different motivational factors in order to launch initiatives of social entrepreneurship.

This result is in contrast with the overall trend of Spanish entrepreneurship; in fact, according to the report of Global Entrepreneurship Monitor (2012), a large part of entrepreneurial activities in Spain was motivated by unemployment and by the need to create a job for the entrepreneur, that is the so-called phenomenon of “self-employment” (GEM, 2012). According to Mataix, the entrepreneur who seeks to employ himself does it in more accessible and faster return areas rather than in social entrepreneurship.

## 6.3 Financing system

Survey’s answers indicate that the most spread funding source among social companies is the income generation through their operating activity. The use of other financing sources, such as public donations and subsidies, and private donations is less spread (Figure 6).



**Figure 6:** Average rating (1-5) of the use of the different financing sources.

By applying the Mann-Whitney U test (Table 3), we found significant deviations from this general self-sustaining model with regard to social companies that serve BOP people. Their main financing source is not the income generation through the operative activity, instead they rely more on public donations and on subsidies and private donations (Table 3).

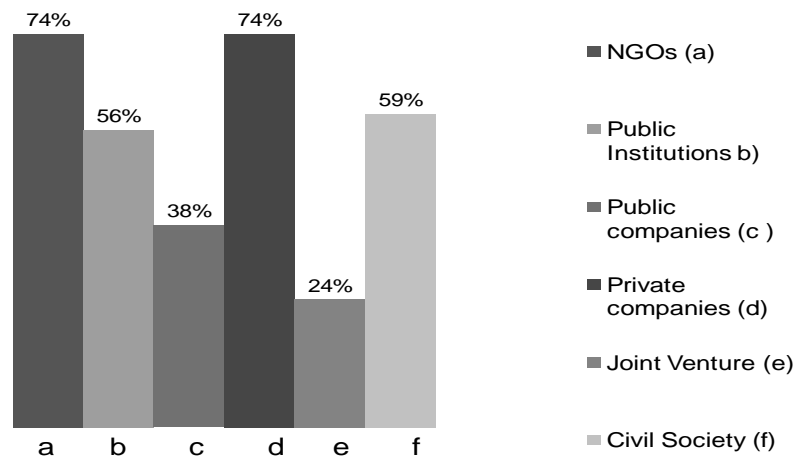
**Table 3:** Mann-Whitney U test. Independent variable: served people; dependent variable: financing sources (1-5). Results having p value <0.05 were considered statistically significant.

Financing	Mean		U	p
	Served people			
	Covered basic needs	Uncovered basic needs		
Own incomes	4.65	3	16	0.018
Private donations	1.6	3.5	16.5	0.023
Public donations or public subsidies	1.45	3.75	14	0.012
Collaboration with companies	1.75	3.25	21.5	0.12
Public patronage	1.3	1.5	34.5	0.458
Private patronage	1.7	2.75	28.5	0.267
Investors capital contribution	2.35	2.33	27.5	0.8
Crédit	2.21	2.41	16.5	0.207

According to Mataix, there are social companies that act with extremely vulnerable groups and they can operate only if they are sustained by subsidies. Basically, this is what happens with social companies serving a weak segment such as the BOP.

#### **6.4 Collaborative system**

We found that 74% of social companies has collaborative relationship with NGOs, 56% with public institutions, 38% with public companies, 74% with private companies, 59% with civil society organizations, and 24% has generated a joint venture (Figure 7).



**Figure 7:** Percentage of social companies that collaborate with each one of the indicated entities.

By applying the  $\chi^2$  test, we noticed significant difference between profit and non-profit companies collaborative systems. In fact, non-profit companies have larger propensity to collaborate with public sector (public institutions and public companies) than profit companies (Table 4).

**Table 4:**  $\chi^2$  test: independent variable: profit/non-profit company; dependent variable: collaborations (\* $p < 0.05$ ).

		Collaborations											
		NGOs		Public Institutions		Public Companies		Private Companies		Joint Venture		Civil Society	
		No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Non-profit	Observed	4	11	3	12	6	9	3	12	3	5	7	13
	Expected	4	11	6.6	8.4	9.3	5.7	4	11	4.5	3.5	11.2	8.8
Profit	Observed	5	14	12	7	15	4	6	13	16	10	12	2
	Expected	5	14	8.4	10.6	11.7	7.3	5	14	14.5	11.5	7.8	6.2
df		1		1		1		1		1		1	
$\chi^2$		0.001		6.333*		5.384*		0.577		1.434		8.591*	

We also found a significant larger propensity to collaborate with public institutions among social companies serving BOP people (Table 5).

**Table 5:**  $\chi^2$  test: independent variable: served categories; dependent variable: collaborations (\* $p < 0.05$ ).

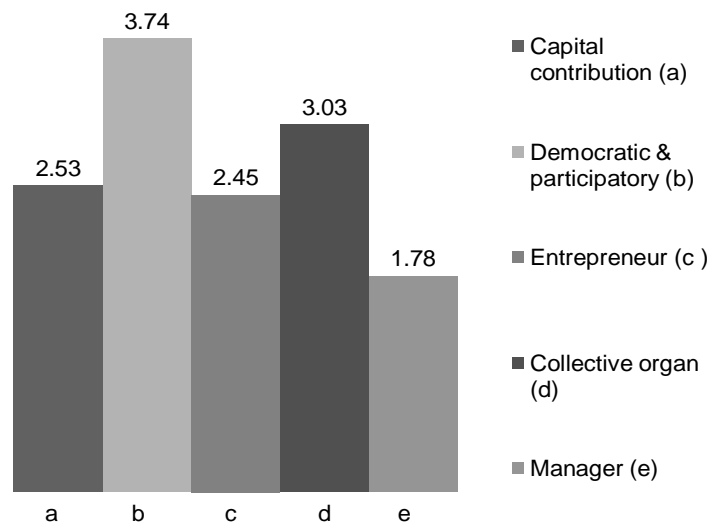
		Collaborations											
		NGOs		Public institutions		Public companies		Private companies		Joint venture		Civil society	
		No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
<b>Covered basic needs</b>	<b>Observed</b>	6	13	11	8	12	7	8	11	17	2	3	11
	<b>Expected</b>	5.8	13.2	9.1	9.9	12.4	6.6	7.4	11.6	15.7	3.3	7.4	11.6
<b>Uncovered basic needs</b>	<b>Observed</b>	1	3	0	4	3	1	1	3	2	2	1	3
	<b>Expected</b>	1.2	2.8	1.9	2.1	2.6	1.4	1.6	2.4	3.3	0.7	1.6	2.4
<b>df</b>		1		1		1		1		1		1	
<b><math>\chi^2</math></b>		0.068		4.438**		0.204		0.406		0.534		0.406	

The rationale of this is that this kind of companies, in order to sustain their social actions, generally, need not only financial resources from public institutions, but also other resources such as facilities that can be provided by public administrations (Mataix, 2013).

### 6.5 Decision making structure

The data analysis revealed that social companies tend to use a democratic decision making system. Their decision-making processes are primarily managed through a totally participatory system, in which all the members of the company actively participate, and, secondly, by a collective governing organ. From the analysis, we do not spot emerging

tendencies regarding the centralization of the decisions in the person of the entrepreneur or a single manager, or adopting a decision making structure depending on the capital contributions of each member of the organization (Figure 9).



**Figure 9:** Average rating of the importance of different factors in decision-making system.

## 7 Conclusions

The available scientific literature deals with the conceptual definition of social entrepreneurship, i.e. types of activities and business susceptible of being termed social, or focuses on particular case studies of individual social company. Contrarily, in this research insights about the general characteristics of subjects and companies involved in social business in Spain are given. In this research, by taking data from a sample of social entrepreneurs, we do not restrict the sample to define the way of acting of a specific company, but we obtain general guidelines that are common to social companies and social entrepreneurs, independently from the specific social field in which they operate.

The purpose of this research is to identify the main features of social companies, such as profit or non-profit approach, geographic scope, financial sources, collaborative networks and decision making structure. To complement the study, attention is also paid

to the motivations and general profile of social entrepreneurs, as well as to the type of customer that benefit from these social actions, with respect to the BOP.

The research methodology is based on the data collected from the members of two Spanish social entrepreneurs network, namely “Ashoka Spain” and “Hub Madrid”. A survey was developed and distributed among the entrepreneurs members of the mentioned networks. Finally the results from the statistical analyses have been discussed with a panel of experts through semi-structured interviews. Several interesting results emerged.

First, the results of the research reveal that the generation of social entrepreneurship activities is generally motivated by the entrepreneurs’ social vocation and not by the perception of a business opportunity in this field or the self-employment need.

Second, the majority of social companies are for profit companies and have a low tendency to distribute dividends among their members. Concerning the financing system adopted, it is worth noting the orientation towards a self-sustaining model, without donations and public transfers. This result may be due to the current crisis that reduced the availability of subsidies and donations. Moreover, from our results, the preference to adopt collaboration with private sector over public sector emerges as a significant trend.

Regarding the composition of employed human resources, the results show that social companies make a wide use of volunteer employees. A peculiar feature of social companies is also the prevalence of women over men among employees.

Concerning the scope of the social companies, the creation of global and not local businesses is spotted as a favored trend.

Results regarding the decision-making system reveal that in social companies a democratic and participatory decision-making system is adopted.

Finally, results point out that social companies in Spain tend to focus their activities on customers who have their access to basic services and products covered. On the contrary, people belonging to the lower BOP are mainly left unattended by social companies, receiving only the help of the public authorities.

Of course, our study features some limitation that necessitate further research. Especially the study was limited to the analysis of those data collected from social entrepreneurs members of Hub Madrid and Ashoka Spain, therefore future research could extend the research through a cross-cultural validation in different countries. In particular, the developed survey could be distributed among members of Hub community and

Ashoka network external to the Spanish context in order to conduct a more global analysis.

## Acknowledgements

The authors are very grateful to the social entrepreneurs of Hub Madrid and Ashoka Spain that have provide needed information for the research by responding the survey. We are also particularly indebted to Carlos Mataix, Jaime Moreno and Catalina Parra for the contribution provided through the interviews.

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