



# **SOCIALLY DRIVEN BUSINESS - THEORY & PRACTICE**

Lessons learnt from the TAMK Consulting Academy -  
ProLearning collaboration for social business

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## **ABSTRACT**

This thesis provides a look at the different aspects surrounding socially driven businesses. It tells what they are, and what they are not, how TCA worked on exploring the discipline, and examples of a few global projects that illustrate their applicability. As a result, TCA receives an insight on what roles it can play in the field of social business as an educational program.

As social business is fairly new concept, a document analysis research was conducted in order to achieve the theoretical background needed to make any credible actions, analyzes and therefore conclusions. For the field work, observations about the on-site conditions where placed in event order to be able to analyze the collaborative aspect of the project. The assumption was that by living the day to day experience of working with an unknown group towards the same social goal, it would be possible to evaluate the common understanding of the goals by the actions taken. It relied on literature on creation of collaboration in order to create a controlled process, aided on topics such as common goal creation and group work collaboration. The combination of both methods provides this paper the content in which to base its organizational story; told with the intention to obtain answers to the question of why should a higher educational institution like TAMK allocate resources to study socially driven models like this one.

A great deal of information has been gained by the author in the area of socially driven businesses and how their potential in today's product and service market. As a result from this thesis, TCA, the customer, gained a great deal of knowledge about social business and more ways to use and channel the student creativity into a social focused project, as well as how to possibly expand in the near future.

**KEYWORDS:** Social business, CSR, innovation, social enterprise, social entrepreneurship, education.

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# 1 INTRODUCTION

## 1.1 Background

An emerging business concept caught the attention of a professor in Finland after reading the book *Creating a world without poverty* (Yunus 2007): "Social Business" (SB) - a business model that combines the practices and drives that make private enterprise successful with the idea of doing it all for a social goal. In other words, a business in which decision-making is based on sustainability and social impact rather on the prioritization of the company profits. Taking into consideration the economical turmoil which Europe is currently facing: What are the possibilities of SB beyond extreme poverty reduction? Can SB be used to help promote economically and socially sustainable enterprise and markets?

From the interest of studying such a concept and its potentials, a pilot project was started within the Tampere University of Applied Science (TAMK) in collaboration with the entrepreneurship honors degree program 'ProLearning' of the Polytechnic of Namibia. The task was to innovate and evaluate simple income generating solutions that could be put in place in Namibia. The project concentrated in finding a feasible activity that could be performed by women who live in the rural farms in the north region of the country. Currently women and children spend a sizable amount of time gathering combustible material for the daily preparation of food.

The tasks were coordinated by the Tampere Consultancy Academy (TCA), a student based consultancy program, part of the International Business (IB) degree offered by TAMK. However, conducting a SB proved to have challenges and even more so in an educational, project-based context. The conditions are different from "ordinary" SB in the following aspects:

- TCA only functions once a year; October through May
- Work force available consists of volunteer IB students
- Limited financial resources

## 1.2 Purpose and Objective

The main purpose of this paper is to gain a practical understanding of what SB is and how can its potential be used. It is explained in a social, educational and economic context. It attempts to provide evidence in which to base the conclusion on the question of why should a higher educational institution like TAMK allocate resources to study socially driven models like this one.

There are only few academic studies on SB so I hope this paper can be found useful as an information package for the upcoming stakeholders working on SB projects ran by the TCA program or elsewhere.

## 1.3 Methodology

The theoretical framework uses document analysis to gain a better insight of the social business model or other existing models found useful for answering the questions above. For the field work, an on-site field study in Namibia was used to document relevant observations about the on-site conditions, both for the working field itself and for the collaborative aspect of the project. The combination of both methods provide the content of this paper which takes an organizational storytelling approach to obtain the answers to the research questions planted further above.

## 1.4 Structure

The paper has been divided into 7 chapters to guide the reader through the data and outcomes. Chapter 2 gives an account of historical events, from the 1950's to today, that shaped the development aid work as it is known today. International development has played an important part in what has been done across the world in the name of progress. This section of the paper goes through some of the acting stakeholders in development, and their impacts, seem relevant for the understanding of the origin of socially driven businesses.

Chapter 3 speaks of innovation focusing in the efforts done in Europe and in Finland. It provides data on how innovation has helped economical recovery in the past and what are events took place from which lessons could be learnt for the upcoming waves of public investments.

Chapter 4 focuses on Corporate Social Responsibility (CSR) and how it is perceived by the companies that should adhere to it. Chapter 5 speaks of other business models with a higher ethical focus like social enterprise, social entrepreneurship and SB as an emerging model. In Chapter 6 the work done by the TAMK TCA group of 2010-11 in efforts to create a sustainable SB is documented. Chapter 7 ends the paper with the conclusions and recommendations of the author.

Although dense in some areas, I hope the topic and the form in which its written conveys the enthusiasm and respect I obtained for socially driven businesses during the making.

## **2 THE BUSINESS OF HELPING OTHERS**

“More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas.

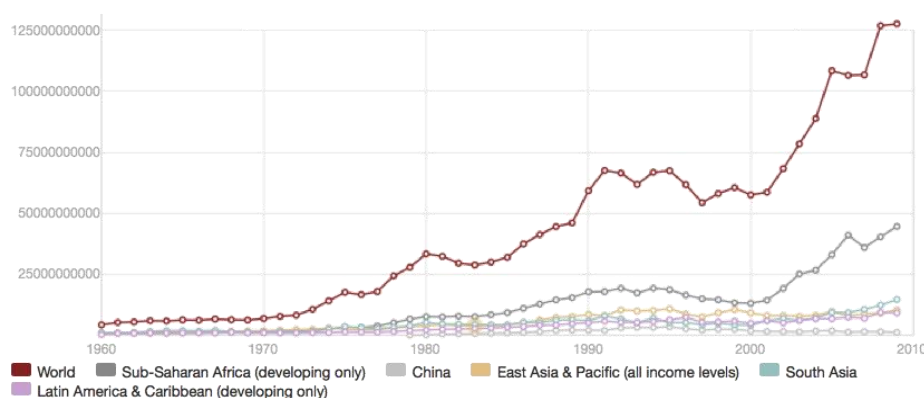
For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.” (Truman 1949: 45-46)

In the end of the Second World War and the start of the Marshall Aid, there were grand dreams about development of high living standards for people worldwide. The United States president Harry Truman, in his inauguration speech, called upon the need to be participants of the effective development of ‘underdeveloped’ countries. Initiated in Europe’s reconstruction, it was a call to implement efforts in places like Asia, Africa and Latin America to ensure a sustainable world development. He envisioned this to be met with capital, science and technology. Even though the change of mentality was generated by the Eu-

ropean post-war reconstruction, it was fueled by the Cold War influence struggles. The political ideology struggle between capitalism and communism shaped the efforts in poor countries as each ideology was fighting for expansion.

The promises of then have grown to more specific goals as the years have passed; with hard work and an academic interest in the subject. The international arena is now diversified into a myriad of not only development agencies but as well for-profit organizations and, more known, not-for-profit organizations like Non-Governmental Organizations (NGOs) working to achieve social goals. Over 20 trans-national and/or inter-governmental actors like the United Nations (UN), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), World Health Organization (WHO) and World Trade Organization (WTO), to a name few, are known to help, control, impose and therefore shape how development aid is spent and distributed around the world. The money is then used by nations and other aid organizations to run programs in developing countries designed to achieve the set goals for development. Funds from private donors make also part of social efforts by NGOs such as Amnesty International, CARE International, Plan International, and Oxfam to run projects that work towards achieving development programs similar to, if not with, those run by inter-governmental actors.

**Figure 1 - Net official development assistance and official aid received in US\$<sup>1</sup>**



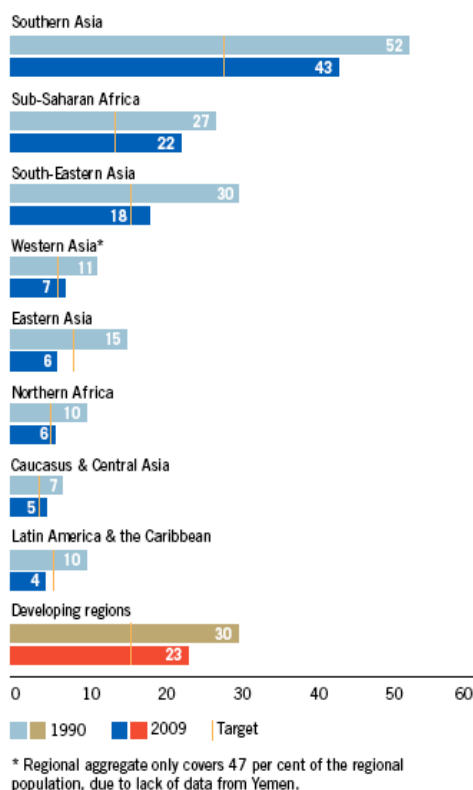
<sup>1</sup> source: World Bank (2011)



Since the 1960s, huge amounts of money have been pumped into the development industry. Nations across the globe have given more than 2.3 trillion US\$ in foreign aid by early 2000 (Easterly 2006: 4). The World Bank reports (Figure 1) that governments of developed countries spent over 120 bn<sup>2</sup> US\$ on foreign aid last year alone (World Bank 2011). In 2005 it was reported more than 12 bn US\$, a mixed sum of private and public money, were spent by NGOs in development tasks around the world (Allard 2011: 17). But even with all those efforts, there is still an overwhelming amount of poverty. There are indications of little apparent congruence between the goals desired and the available amount of money placed in development programs.

As a way of measuring and driving development world-wide, in September of 2000 the Millennium Declaration was adopted and endorsed by 189 states. In turn, it was made into a roadmap of 8 development goals to be reached by 2015 commonly known as the Millennium Development Goals (MDGs). (UN resolution 2000)

**Figure 2 - Proportion (%) of children under five who are underweight (1990 and 2009)<sup>3</sup>**



<sup>2</sup> abbreviation for billion

<sup>3</sup>source: UN MDG report 2011, page 13

Some amount of progress has been seen with regards to these goals, most notably in the area of children's health and life expectancy. The malnutrition in children below five years-of-age have decrease in the past 15 years (see Figure 2), deaths of children below five years of age dropped below 10 million by the turn of the millennium. Additionally, it is estimated that more than 90 % of children in developing countries are attending primary school. But not everything is positive, the MDG Monitor reports in its webpage that inequality is still widespread and the amount of ODA needs to double to about US\$100 billion a year to achieve the MDGs. The 'developed' countries seem to have taken on an ambivalent role towards the 'developing' countries but despite this progress, there is still a long way to go before the MDGs are reached. (MDG Monitor 2011)

In more recent years, the discussion on a naive belief in aid as a way of developing the 'underdeveloped' has taken a different course; unsuccessful programs along history show that the effects of development aid has not always turned out as expected (see Escobar 1995). The coming generations are left with the task to correct the definitions and refine the goals for development of a precedent time.

The author C. K. Prahalad (2006: xi) calls for a "*clean sheet of paper*" in his book, *The Fortune at the Bottom of the Pyramid*, when addressing the need to help relieve poverty:

"We should learn from the success and failures of the past; the promises made are not fulfilled. Doing more of the same, by refining the solutions of the past (...) has not redressed the problem of poverty." (2006: xi)

It is perhaps time to take Prahalad's words into consideration and see international development projects for what they are because behind the noble causes there are still large figures of money circulating in the global market. Usually a larger emphasis is placed on aid programs rather than to trade agreements to fight for the goals. Take the combat of HIV, malaria, and other diseases as an example, hospitals and other medical groups purchase vaccines for children and adults from private producers. In an attempt to grasp the size of this market, an internet search reveals the numbers ranging from 10 to nearly 30 bn

US\$ yearly (Leiden BSP 2011 and Global Vaccine Market 2010). The sum of money underlines the power large enterprises hold on the global market.

“Business activities both cause and alleviate poverty, and poverty generates both costs and benefits for business. These diverse relationships give rise to varied and often polarized views regarding the new roles that business actors are assuming in the social and public arenas.” (UNRISD 2010:233)

The United Nations Research Institute for Social Development (UNRISD) has taken notice that business enterprises can be used as a form of tool or initiative to help fight poverty (UNRISD 2010:233). However, in order to do so, in a fair and ethical form, *“it will require large firms to work collaboratively with civil society organizations and local governments”* (Prahalad 2006:1).

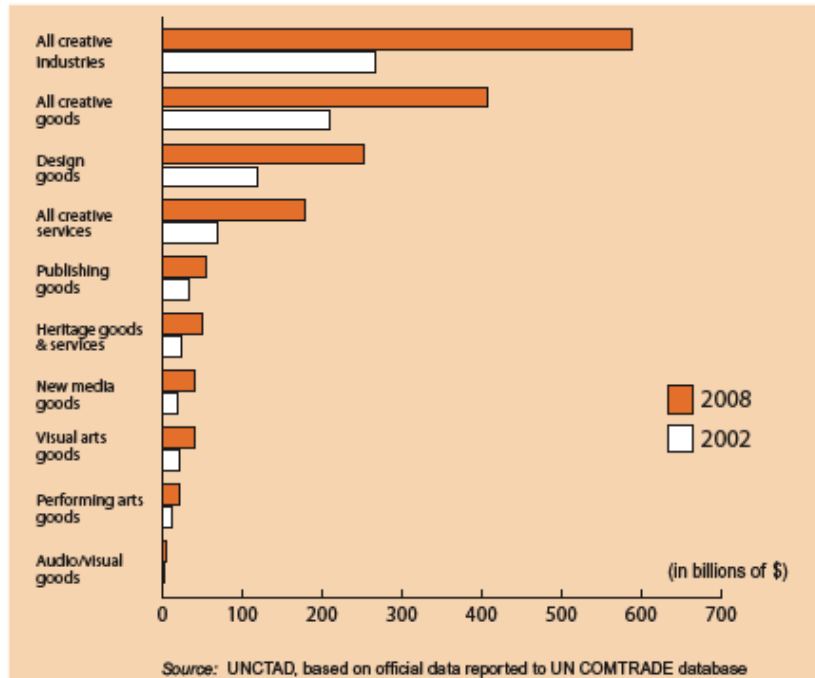
### **3 INNOVATION - ITS ROLE IN NATIONS, BUSINESS AND EDUCATION**

Creativity and innovation’s impact on the world economy is measured by the international trade of products and services of industries referred to as creative industries. The UK’s Department for Culture, Media and Sport (DCMS 2001) in their ‘Creative Industries Mapping’ document define creative industries as those that work directly with *“individual creativity, skill and talent”* and have the potential to create job opportunities through the *“generation and exploitation of intellectual property”* (Ibid.: 5). This includes companies and entrepreneurs that work in advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer services, television and radio (Howkins 2001: 116).

According to the UN’s creative economy report (CER 2010: xix), *“adequately nurtured creativity (...) constitutes the key ingredient for job creation, innovation and trade while contributing to social inclusion, cultural diversity and environmental sustainability”*. Globally, the international trade in products and services in the creative industries increased becoming *“one of the most dynamic sectors of the world economy throughout this decade”* (Ibid.: 127-9). In 2008, while the world’s global trade reduced 12%, the trade of creative goods and services con-

tinued expanding having an annual growth rate of 14 per cent during the period 2002-2008 as shown in Figure 3.

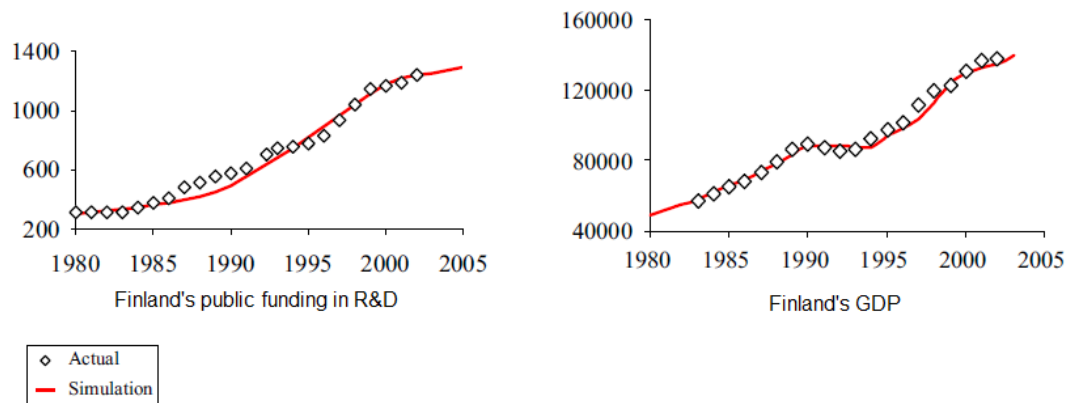
**Figure 3 - Evolution of world exports of creative goods and services, 2002 and 2008<sup>4</sup>**



Finland, for example, embraced the concept of innovation in response to a decline of foreign trade back in the 1990's. The Finnish Ministry of Education (FMoE) in their 2010 publication *Creative Economy and Culture in the Innovation Policy*, says that it used a great deal of public funds to support early stage research and human resource training within the new research fields. The recession came partly by the fall of the Soviet Union, one of Finland's strong trading partners. Finland's GDP reduced by 10% and the unemployment rate rose to 17% during the first years of the 1990's (OECD 2009: 11). Finland's intention was to strengthen the development of small and medium-sized enterprises (SMEs) with education, science and technology. The government played "a major role in reducing the risk for private sector participants in the development and exploitation of new technologies" (Walwyn 2007: 340). It can be seen in Figure 4 (Ibid.) that, during the first five years of the 1990's, the country's GDP was stagnant, the public R&D investment increased.

<sup>4</sup> source: CER 2010: 129

**Figure 4 - Finland's R&D investment correlation with GDP over the period 1987–2002 in millions of US\$<sup>5</sup>**



Finland today is considered a “*global center for innovation design*” (Kao, 2009). The country boosted technological advances with its R&D programs in areas like telecommunication, automation processes and biotechnology. Companies like Nokia, Fastems and Biotec have benefited from the Finnish innovation policy of the early 90’s. Innovation and creativity is promoted on both a multi-national level as well as national one in Finland. It is working to consolidate the collaboration between the ministry of education and the ministry of employment and the economy in efforts to increase the innovation of creative industries. Finnish universities and research institutes are expected to produce new knowledge and educate skilled professionals for the needs of companies and society at large. It is by sufficient supply of specialized labor from which the establishment and growth of companies can be secured. But even the Finnish Ministry of Education states they know all too little on how to integrate the user’s knowledge and skills into innovation processes.: The Ministry of Education has a great deal of knowledge that has not yet been fully used in innovation policy. (FMoE 2010: 22)

Universities and other higher educational institutes are at the core of the forming workforce of the future. They have the possibility and therefore the responsibility to provide new knowledge and educate skilled professionals that make decisions taking into consideration the needs of the society at large, rather than only profit maximizing. Even more when there are existing business models that

<sup>5</sup> source: Walwyn 2007: 338 and 340

have the ability to tackle ethical corporate responsibility and are capable of providing the same services and/or products as companies that ignore their social and environmental impact.

Many Finnish technology companies today are moving their operations to places which offer the most favorable conditions for them. Production is being transferred by some companies close to the growing Asian markets where labor is cheap. A reduced home base is kept to specialize in strategic operations, design and product development. (FMoE 2010: 8)

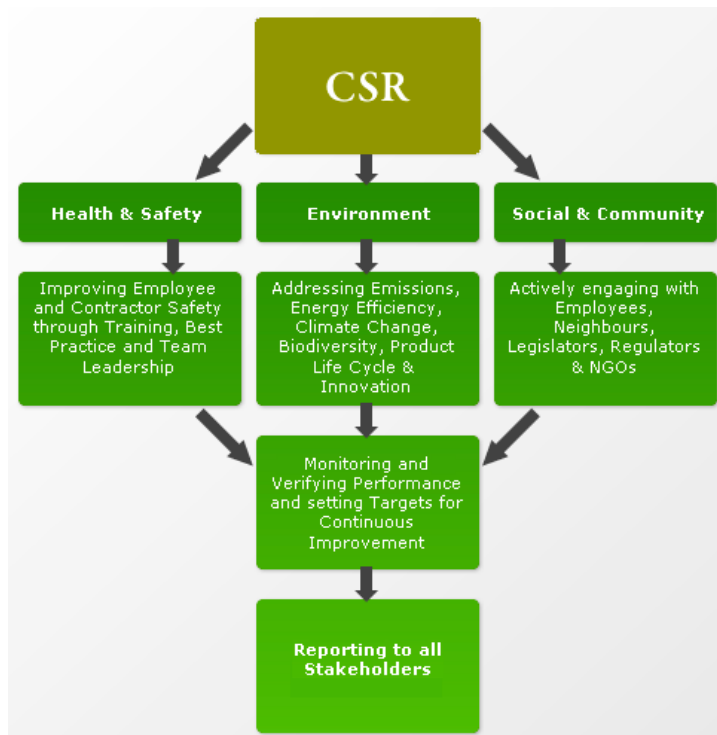
Nokia for example, traditionally one of Finland's largest employers, between 2009 and 2011 reduced thousands of positions in Finland and moved large parts of their production to low cost facilities abroad. This was part of a long-term strategy from Nokia's side. But for the Finnish state, the corporate decision represented a nation-wide instability with the rise of unemployment and reduction of public tax revenue. Finland has invested public funds in R&D projects throughout the 1990's which have helped shape the technologies from which large international organizations like Nokia, UPM, Metso and Kone make their revenue.

#### **4 CORPORATE SOCIAL RESPONSIBILITIES (CSR)**

Companies' awareness has heightened, corporate accountability has increased but the challenge still lies in the enforcement, control and improvement of the company social policies and supply chain management (UNRISD 2010: 233-4). Transnational corporations (TNCs) are the for-profit type organization that has more and more come to the public light for its "ethical" behavior in developing countries scrutinizing the social and environmental impacts created. Waves of concern flagging the connection to the development goals outcomes come from a *"wide range of sources including international trade unions, development NGOs, human rights organizations and environmental groups"* (Broomhill 2007:10-11). Once more in history the relationship of business and society has been seen to need revision as corporations have been seen "forced to respond to bad publicity surrounding their activities" (Ibid).

Corporations are being ‘forced’ to change policies to control social and environmental impacts as closely as they do the economic ramifications of their activities regardless of location. TNCs are asked to modify activities like “*codes of conduct, improvements in environmental management systems, improved health and safety standards, company reporting on social and environmental policy and performance, participation in certification and labeling schemes, an increase in corporate social investment in (...) community development projects*” (Utting 2003).

**Figure 5 - CSR Diagram<sup>6</sup>**



By advocating corporate social responsibility (CSR), TNCs partake in the evaluation and change of their relationship with the different stakeholders as seen in Figure 5. It is an attempt to uphold fair practices, giving more importance to other factors than only the shareholder’s profit when making decisions. But CSR is a voluntary act and, even if companies have something to gain from maintaining a sustainable business environment, it is mostly considered an extra cost.

<sup>6</sup> This is a modified version of the original diagram found in a WordPress site ([http://ciaraquinn.files.wordpress.com/2011/03/img\\_home\\_chart.png](http://ciaraquinn.files.wordpress.com/2011/03/img_home_chart.png), (accessed Nov. 24, 2011))

Franck Amalric and Jason Hauser (2005 in Broomhill 2007: 12) argue that companies have two reasons to take on CSR, one being to manage the “*responsible corporate conduct*” expectation of its stakeholders and secondly, the threat of imposed regulations by the state.

A good example is Nike’s CSR. It rose from the public accusation of using “sweatshops” since the early 1970s, when it produced goods in South Korea and Taiwan. Only in the 90’s was it that Nike decided to work seriously towards having real CSR in their business. In 1996, the first department specifically responsible for managing its supply chain partners’ compliance with labor standards was created and in 1998 it established a Corporate Responsibility department. Nike has evolved its CSR program up to the point of concluding that it had to manage CSR as a core part of the business (Zadek 2004: 5-7).

For different reason but in a similar manner other TNCs like McDonald’s, Coca-Cola, BP, Royal Dutch Shell, British American Tobacco and Chiquita, for example, adopted self-imposed regulations or CSR. But there still exists a public disbelief that some of the TNCs saying they have CSR practices really do or understand what it means. BP’s 2010 Deepwater Horizon oil spill placed the topic of CSR onto the table as the company created a \$20 billion fund for claims from the spill (BP 2011). What the public is requesting from existing TNCs is to go back and check what is secretly known, fix it and prevent more disasters like those from happening rather than spending the sums of money on costs generated by the accidents.

Even in smaller companies there are concerns towards the balance that profit-seeking companies have to make when having CSR as part of their doctrine working on becoming “profit consistent with social considerations”. Company directors would at some point or another have to make decisions where the CSR goal will interfere with the organization’s profit goal. A company X selling goods in a developing country can be used as an example. The goods are purchased by poor people to fortify their homes before the rainy season arrives. Company A receives an offer from a neighboring country offering to pay three times the price. The company is now placed in a dilemma of making a good monetary deal or leaving some houses unable to withstand the coming weather.



There is not enough time to increase the production in order to meet both demands. As CSR is voluntary, the decision-makers will be placed in a stressful position, like the example above, when having to take decisions when having social goals to consider (Yunus 2010:11).

## 5 SOCIALLY DRIVEN BUSINESSES

### 5.1 Social Enterprise & Social Entrepreneurship

As mentioned, there are organizations that apply business strategies towards helping achieve the MDGs. Social enterprises, for example, are a type of organization that generates earned income to support social missions (Dees and Battle Anderson, 2006 in Swanson & Di Zhang 2010: 75) and can be structured as a for-profit or non-profit organization. Moreover, they have a drive to create a long-term relationship with their client groups and other stakeholders in their environment (Leadbeater, 1997 in Shaw & Carter 2007: 421). Other key motivating drivers for these types of organizations to exist are the desire to make a difference and to tackle local social needs and issues (Shaw and Carter 2007: 427).

**Figure 6 - Characteristics of social enterprises**

Multi-agency environments	Social enterprises operate within complex environments comprised of diverse stakeholders and client groups
Enterprise orientation	As viable trading organisations, making an operating surplus, they are directly involved in producing goods or providing services to a market
Social aims	They have explicit social aims such as job creation, training or the provision of local services. They have strong social values and mission, including a commitment to local capacity building. They are accountable to their members and the wider community for their social, environmental and economic impact
Social ownership	They are autonomous organisations often with loose governance and ownership structures, based on participation by clients, users, local community groups or trustees. Profits are distributed to stakeholders or for the benefit of the community

Shaw and Carter (2007: 421) have drawn up a summary (see Figure 6) of the characteristics of social enterprises as seen in the field of study. Although the definitions of “social enterprise” are still in formation, there are some common characteristics of social enterprises:

Behind the creation of the enterprise is the social entrepreneur. It is a person or collection of people that can identify gaps in the market and has the creativity to innovate ways to fill it. Not everybody has the traits that social entrepreneurs seem to share. For most social entrepreneurs, it is the recognition of a gap in a service or an unmet social need which drives their creation and development (Shaw & Carter 2007: 426). Rather than relying on charitable donations as a source of long term financing, social entrepreneurs find alternatives in trading activities to achieve social goals and financial sustainability (Ibid: 421 and Swanson & Di Zhang 2010: 74). Networking plays a strong role in social entrepreneurship as many see the participation in the local communities as a necessary factor to build trust and credibility to the SB and the cause being worked on (Shaw & Carter 2007: 427-28). When speaking of financial gain and risks, the social entrepreneur does not identify profit as a key objective, and more focus is placed on the network loss of failure risks:

Personal risk for social entrepreneurs clearly exists: but it is the investment of personal local credibility and reputation, rather than finance that is jeopardized by their entrepreneurial actions. Failure implies not financial loss, but a loss of personal credibility, while success implies not financial gain, but increased social and human capital through an enhanced personal reputation. (Ibid: 431)

A known entrepreneur is Muhammad Yunus. Yunus was concerned with the need of the poor in a region of Bangladesh in the 70's and created a microcredit company known today as Grameen Bank and later came to build other social enterprises under the same Grameen name. The “Bank for the Poor” as it is their slogan is *“owned by the rural poor whom it serves”*. Borrowers of the Bank own 90% of its shares, while the remaining 10% is owned by the government. (Grameen Bank 2011a). It has disbursed 11.2 bn US\$ since it opened out of which 9.99 bn US\$ have been repaid. It has a loan recovery rate of 96.53 per cent. In 2010 Grameen Bank registered profits of 10.76 million US\$. (Grameen

Bank 2011b). It is examples like this that show how entrepreneurs can turn ideas into money.

This is the type of niche identification and creativity characteristic of a social entrepreneur. It is the inability to see innovative solutions that limit others to act upon ways to fill a social function in unseen forms. That may be one of the reasons why Dees (1998) concludes that not every social sector leader is suited to be social entrepreneur. The need is for different leadership types and style. Social entrepreneurship can then be studied as “one special breed of leader” (Dees 1998:6) that works for the same goals and purpose as the MDGs. It is then seen how it can become a plausible channel from which to work on trade development and other forms of development.

There are also a number of social enterprises in developed countries. Finland for example has companies like SavetheC Ltd. who make design uses of old boat sails. Their efforts are with the environment and the activity of recycling. Part of their revenue is reinvested in other projects that support the protection of the Baltic Sea. (SavetheC 2011) There are also companies that act in public services like, the Federation of Mother and Child Homes and Shelters, another Finnish social company. Their aim is to safeguard child rights and prevent family violence. (ETLry 2011)

## 5.2 Social Business

An emerging social model is ‘Social Business’ but before going into the subject, it is important to point out the limited resources of academic studies available. It is a concept created and mostly driven by one person, Muhammad Yunus, who has had the chance to collaborate with strategic partners in the efforts of testing it.

In the introduction to *Building Social Business* (2010: xiii) the author uses seeds as a metaphor for poor people when expressing the need to give proper care and space to grow. “*All it takes to get poor people out of poverty is for us to create an enabling environment for them. Once the poor can unleash their en-*

*ergy and creativity, poverty will disappear very quickly*” (Ibid., xiv). The book gives a description of a business idea that works towards achieving such environments. The concept is social business and it is defined as a “*non-loss, non-dividend business*” (Yunus 2007: 24). The decision-making focus is on the sustainability and social impact of the company rather than solely on the finances. A SB’s aim is to achieve defined social and environmental goals. It must also aim to become self-sustaining and it must do it without harming the quality of the goods or service provided (Yunus 2010: 26).

The concept can be considered a sub-branch of social entrepreneurship although according to Yunus, it is a new business model altogether. He proposes two types of social businesses (2010: 1-2):

- Type I SB focuses on providing a solution to a social problem. The profits generated by the product and/or service sold are reinvested in expanding or improving the business.
- Type II SB is similar to the Type I but it is owned by the poor or other underprivileged parts of the society. The profits generated who can be distributed to the owners (the poor) through direct dividends or by a trust dedicated to social cause. Grameen Bank is considered an existing model of this type of SB.

As it can be seen, both types of businesses have the social goal as their main priority. The differences lie in the profit allocation. One of them sets to expand the business while the other permits payment of dividends. As different in actions as the two types may seem, it is made clear that a social problem is being addressed by either using its product to serve a need or using its profits to finance a social program. In the case of a type II SB, the profits give the consumption power of the most needy making it also a social goal fulfilled.

Yunus draws out seven principles of social business (Ibid.: 3) as the main objective, priority scale, or in some form, the basic mission structure of a SB:

- The business objective will be to overcome one or more problems that threaten people and society at large like poverty; not profit maximization
- It will strive for financial and economic sustainability
- Investors get back only the amount investment; *“no dividend is given beyond investment money”*
- When the initial investment paid back, the company profit is to be used for expansion and improvement of the business
- It is an environmentally conscious company
- Employees get market wages and the business provides better working conditions
- “Do it with joy!”

A view of the model’s applicability in today’s market contemplates the need of new financial institutions like *“social venture-capital funds”*, *“social mutual funds”* and a *“social stock market”* to channel the funds for the social companies (Yunus 2007: 169). The stock value of the listed companies in this social stock market would fluctuate not for the monetary success of the company, but rather for its success in solving the social goal it set out to solve (Ibid:181).

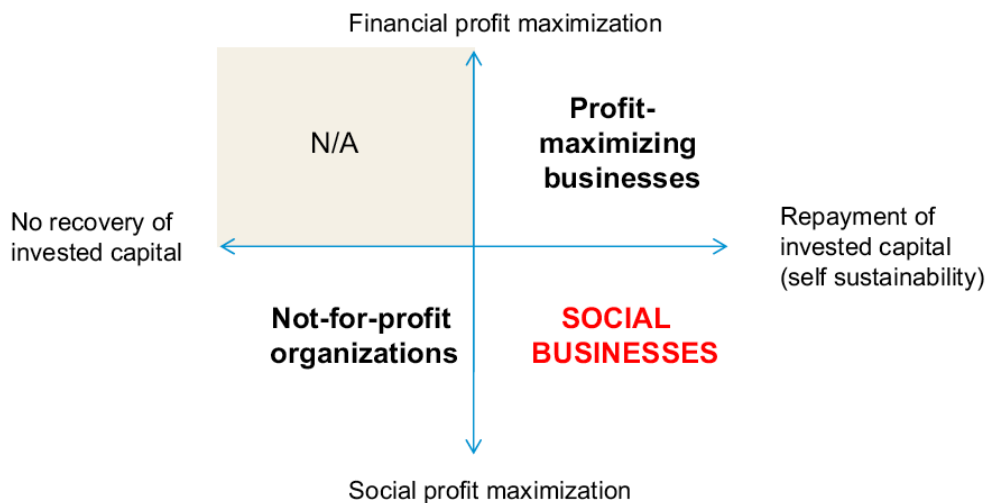
According to Yunus, to achieve the full potential of the concept, higher educational institutions would include SB studies in their curriculums like this creating a space where SB can develop its theories. It would serve as well as channel where the new job opportunities in the social market place are made visible to the new generations of labor. New institutions like the social stock market and social rating agencies will need brilliant and idealistic minds to evaluate the performance of the social businesses so that investors are correctly guided (Ibid: 166).

As investors cannot take any dividend beyond their original capital ventured, they must support the purpose of the investment which is purely to achieve the social targets through the operation of the company. To create a credible investment scenario, revenue and sales projections should be as close to reality as possible. When starting a SB, the business plan must present as realistic values as possible instead of promising big returns and then having to deal with

unfulfilled expectations (Yunus 2010: 115). As money is needed to start, a SB can initially draw from investors, banks, grants or donations to cover start-up costs. It is not considered a SB a company that is not able to payback its financial obligations or depend constantly on donations or grants. SB aims to pay back the initial investment, but at zero per cent interest and no monetary correction<sup>7</sup>. In this sense, investors can be considered donors since they will have to absorb such devaluation.

SB is said to have characteristic behaviors of both profit and non-profit models as seen in Figure 7. It works to generate enough income to cover its full costs from its operations and for its owners' invested money just like the profit driven businesses. But its drive for social profit maximization places SB alongside the non-profit organizations as a change agent for the world. (Yunus, Moingeon & Lehmann-Ortega, 2010: 310)

**Figure 7- Social business vs. profit maximizing business and not-for-profit organizations**



There are a few alleged social businesses already in existence. A concentration of these is in Bangladesh where a number of companies, mostly if not all, created by Muhammad Yunus, are registered as social businesses. The following are three type I social businesses that may well serve as examples:

<sup>7</sup> No monetary correction, meaning without regard to inflation rates.

Grameen Phone (GP) is a telecommunication service provider in Bangladesh. It is a joint venture enterprise between Telenor (55.8%), Grameen Telecom Corporation (34.2%), a non-profit sister concern of the Grameen Bank and the remaining 10% belong to general retail and institutional investors (GP 2011). The international shareholder brings technological and business management expertise while the local shareholder provides a presence throughout Bangladesh and a deep understanding of its economy (Yunus 2010: 19). The company's social mission is to provide affordable telephony to the entire population of Bangladesh. In 2010, GP counted with over 29 million customers covering 99% of the population and 89% of the land areas. Its added value was distributed in the following manner: 23% retained for expansion, 15% dividends to shareholders, 15% to employees and channel partners and 46% tax; showing efforts is complying with the SB aim to expand, repay investment and provide other social benefits. Their success is claimed to be based on "the 'telephone ladies', who provide a phone service in their villages by lending users a phone for just a couple of minutes". This is an innovative form of delivering a needed service to the poor while alleviating the costly handset purchases. GP employs more than 4 600 people and had a reported profit available for distribution of over 100 million US\$ in the financial year of 2010 (GP Annual Report 2010: 11).

Grameen Veolia is a social company joint venture between Veolia Water (France) and Grameen Healthcare constructed to design surface-water treatment systems to provide affordable access to drinking water to rural populations. Veolia Water will provide the technical support required (know-how and the transfer of technology) while Grameen will provide its local knowledge and networks in rural Bangladesh (Yunus Centre 2011a). For a total investment of 800 000 US\$, the plant, located in Goalhari, will eventually supply drinking water to 40,000 people in this village. The water produced is compliant with World Health Organization standards. The market goal is to provide drinking water to the inhabitants for a price of 0.2 euro centimes per liter. This price is 100 times cheaper than locally-available counterparts. All profits will be reinvested to drive the development of other water-related projects in Bangladesh. (Veolia Water 2011)

The last example is Grameen Danone, a company created between Danone (France) and Grameen Bank. It is a SB that offers an affordable and accessible dairy beverage that can meet the nutritional needs of Bangladeshi children and help combat their nutritional deficiencies (Yunus Center 2011b). The social joint venture of one million Euros built a factory in 2007 for the manufacturing of micronutrient-fortified yogurts to be sold in Bogra, Bangladesh. Danone brought the technical expertise in R&D, nutrition, manufacturing, quality, and marketing of dairy products. In turn, it relies on Grameen's expertise in local regulatory environment, micro-credit financing, agriculture management, product distribution and consumer education in Bangladesh to solve production challenges like milk supply and product delivery. The product is branded 'Shokti Doi' and has a very affordable market price. It is sold by Grameen ladies and small retail stores around the area. (Danone Communities 2011).

With the objective of highlighting the process of building a SB, Yunus, Moingeon & Lehmann-Ortega (2010) published a case study of these three alleged social businesses. The purpose of the research was to confront conventional literature on business model innovation with the SB experiences implemented by the Grameen companies, to test whether the business experiments were in itself a business model innovation. (Ibid: 322) From the study, some common traits were noted between conventional business models and SB (1-3) as well as the ones particular to the creation of a SB (4-5):

1. Challenging conventional wisdom and basic assumptions
2. Finding complementary partners
3. Undertaking a continuous experimentation process
4. Favoring social profit-oriented shareholders
5. Clearly specifying the social profit objective

The SB concept is still in a development stage and is there simply not sufficient empirical data to draw any definite conclusions regarding its effectiveness nor the forms in which it can be misused. A study by the John Hopkins University is allegedly being carried out to studying the impact of 'Shokti-Doi' on the health of Bangladeshi children. Even though the claim was the results would be available by the end of 2009 at the time of writing no such report of the study was found.



What is reported from Danone Communities is that in 2010 the company benefited 370 farmers that produce the milk and 821 women who distribute the product. (Danone Communities 2011)

## **6 TCA'S SOCIAL BUSINESS PROJECT**

In its webpage, TAMK states that it applies an entrepreneurial attitude to obtaining a competitive advantage by creating new and international expertise. With its multidisciplinary approach and strong orientation to working life, it promotes the success and development of a wide range of professional fields including the IB program already mentioned. Its values are sense of community, respect for the individual and individual differences, sustainable development and appreciation of expertise. TAMK's joint objectives are the student's success in the labor market and the communal wellbeing. (TAMK 2011a) Within the IB degree of TAMK there is a student task force that works in collaboration with companies offering them innovative solutions. It is called TCA and is part of the 'Management Consulting' minor with IB. It follows features of project-based learning methodology to "*exposes students to real consultative projects with external business clients*" (TAMK 2011b). It is free of charge and the projects are all supervised by an experienced instructor in the field of entrepreneurship and trade (TCA 2011a).

In 2010 a social pilot project was started within TAMK's TCA program in collaboration with the entrepreneurship honors degree program 'ProLearning' of the Polytechnic of Namibia (PL). The social goal was to fight poverty by helping create a simple income generating labor in Namibia (TCA 2011b). It is important to note that previous to this pilot, a workshop was held in Namibia on July 2010 with two study groups from PL participating. A TAMK senior lecturer flew for a six week long teacher exchange program in Windhoek. It also served to get familiarize with the environment, the economy and the culture while create connections for the social business project collaboration talked about in this paper.

Namibia is a country with only a bit over 2 million habitants and generates a GDP of around 14 bn US\$ but the distribution of the wealth is very unequal. The

Gini coefficient is high, over 70, meaning that a few people receive the majority of the money the country makes while a large majority receives very little. Finland and Namibia share a history of collaboration that dates back to the 19th century including the strong Finnish support and aid for Namibia's independence in 1990. After the independence, Finland has participated in the development of Namibia's rural water supply, health provision, good governance, forestry & mining, sustainable environmental development and decentralization programs. During the past years, Finland has started to finalize the long-term development programs in the region and place more focus on other cooperation instruments like trade, tourism, and institutional cooperation. (EoFW 2011a)

As a form of promoting investment in the region, the Finnish Foreign Ministry offers concessional loans as a new financial instrument form in Namibia. A concessional credit can be granted for up to 100 % of the contract amount and the interest rate is 0 %. The repayment period varies between 10 and 15 years (EoFW 2011b). The Concessional Credits have not yet been used in Namibia. It is from under-utilized funding like this that SB could be started. The challenge is to find a good and sustainable business idea that could be implemented in Namibia. Another piece of the puzzle needed was the creation of reliable local stakeholders that compliment the company's activity.

## 6.1 Start of the SB venture

TCA students were offered the chance to work on a new-of-a-kind project. The project intended to evaluate the feasibility of creating a SB in Namibia. A positive outcome could then serve as the start to a business plan that can later compete for concessional credit. Two out the fifteen TCA members (2010-11) volunteered to participate. From the Namibian team, four students from PL joined the pilot as well, giving a total of 6 people directly involved in the project. Early on in the project it had been agreed that some knowledge transfer would take place between the sites in the form of visiting representatives from each site. The first visit would be a TCA representative visiting Namibia and later a PL representative visiting Finland. To both representatives this meant the first visit to the respective countries.

In order to get the thinking process started, the TCA students were given the task to propose solutions to alleviate the physical strain of women in small villages who have to carry heavy loads of firewood kilometer distances and cook the meals of the household. The search for burning material is done in the early morning or late afternoon and can take many hours. When wood is scarce they use cow dung as a combustible fuel for cooking. It burns slowly so the time spent in cooking a meal increases. Wood is also used to warm the houses in the winter time. From the lack of ventilation, the fire produces high toxins that are the source of respiratory problems and in some cases mortal intoxication. By helping them get a more efficient source of fuel for cooking, the women would have time to engage in other income generating activity.

The proposal given by the TCA members were contrasted with the ones written by the PL students that participated in the SB workshop. As a result, the solar cooker (see Image 1) was chosen as a feasible solution from where to start. It relied on the work done by Petri Konttinen, "Solar Cookers for Use in Namibia", written in 1995. The thesis provides a concise information package of what is the cooking resource problem in Namibia, its social political situation and the advantages of solar compared to other means of renewable resources of the time. It also warns or provides areas of attention that are generated by difference of location. The data is from 1995, so much has changed since then, but it can be used a reference point from which to compare TCA's results from.

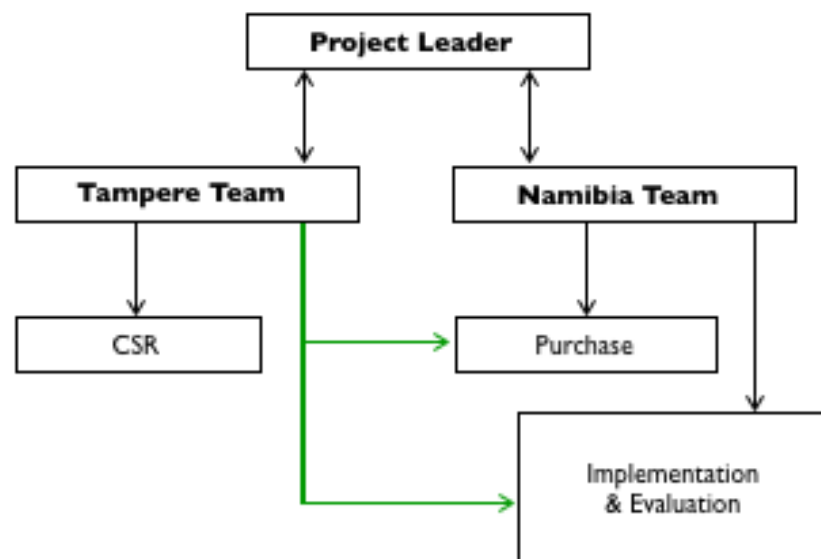
**Image 1 - Solar cooker made during the SB workshop (July 2010)**



In order to achieve the desired outcome in the time available (5 months) the team was reorganized, as seen in Figure 8. The green arrows in the figure represent the collaboration paths while the black arrows denote responsibility.

The project leadership was done by the TCA coach and a pilot project manager was appointed. Both positions had access and communication to the tasks done both in Namibia and in Finland. As the pilot was applied in Namibia, the PL team members would take charge of the supply chain management (SCM) process; as well as the implementation and evaluation process. The other area of development was corporate social responsibility (CSR) led by one of the TCA members. Its focus was to learn and later organize a fund raising event. It was also responsible for the brand creation of TCA's SB project.

**Figure 8 - TCA social business focus distribution**



The target cost for a solar cooker was to be under 20 €, so one of the things to create was the supply chain process of either materials to construct or the solar cooker itself that could match the target. As the materials needed to make a solar cooker proved hard to find at affordable prices in Namibia, a ready built solution was found for 25 €; which represented a 20% higher than what was targeted price. The product called 'Kyoto Box' is sold by Kyoto-Energy, a Kenyan

company. It is a solar cooker made from polypropylene with an acrylic glass cover. (Kyoto-Energy 2011) The company was contacted via phone and e-mail to discuss an order of 4 boxes to test the product. A price reduction was negotiated by bulk orders in efforts to reach the target cost of 20 € in the long term. On orders of 10 units or more, they offered a 10% discount and in orders of 1380 units (one 20 ft container) there was a 20% discount. The first order of 4 boxes was placed on December 8, 2010 having cost a total of 285 € due to transportation.

Once the order was made, the traveling plans could be finalized under the assumption that by the time the first visit was over, data on how many hours per household was being saved by the solar cooker would be collected. The first visit was to be done initially in February 2011. A representative<sup>8</sup> from the TCA SB project went for a one-week long study visit in Namibia with the purpose of meeting the PL team members and organizing a collaboration work-shop with them. Traveling to Namibia meant as well the chance to visit the countryside where the project was supposed to have an impact in order to learn about the local conditions and needs. Also, as part of the CSR tasks, a short film was to be made from footage taken in the trip. Two cameras were used during the visit to document the environment, the people and their living conditions. The footage was presented to the TCA team members. Strengthening the understanding of the social objective and the people it is aiming to help provides not only motivation for the actions but also a better view of the possible solutions that can be implemented.

Parallel to the 'SCM', the 'Implementation and Evaluation' team worked on finding suitable volunteers. Its team leader counted with the support of two other members. A solar cooker would be given to test for a period of one month to a number of two households. The team had the goal to create didactical material that would give instructions on how to use the solar cooker as well as local recipes that could be used with it. It was meant to reduce the risk of abandonment of technology in case the object would not appear better than the previously used methods of cooking. A survey would be required at the beginning, middle and end of the testing period to document and analyze the reactions to, usage

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<sup>8</sup> N.B the author of this paper.

and efficiency of the product. The best case scenario would be the solar cooker proving to be efficient and welcomed as a useful tool. The worst case scenario would be that the solar cooker was not effective and dismissed as a way of cooking. As saving time was the main goal, the amount in hours freed due to the use of the solar cooker, was a key figure for the pilot.

It was clear that more money would be required in order to achieve a proper initial investment that would give a future SB a chance to become self-sustainable in the long run. As part of the research two team members participated in a fund raising dinner held by a local non-profit organization in Tampere. Getting to experience the event provides an idea of which target group is interested in helping private development projects. One of the fund raising ideas selected was to create a CSR logo that could be used to attract investors from local companies. In return the investors would be able to display the logo as a sign of participation in a SB. The second fund raising task would be a photo exhibition to be held in Tampere during the month of April 2011.

A representative from Pro-Learning TCA SB project came for a one week visit to Finland with the purpose of meeting the TCA team members and to participate as a guest performer in the photo exhibition fund raising event. The photo exhibition, called "Under the African Sun", was held in a private gallery in the heart of Tampere. The event organizers divided the exhibition into three days focusing each day on three selected target group: teachers, politicians, and businessmen. The event did not raise many funds from the selling of the exhibited photographs but it did raise funds from the entrance donation. The guitar and vocal performance of the PL visitor helped increase the service satisfaction obtained by the people attending the event. The Namibian guest was also invited by a group of professors to take part in their lecture and speak of the country and its business culture. The event and the visit marked the end of tasks done for the TCA SB project 2010-2011.

## 6.2 Lessons learnt

Reality normally comes with unforeseen risks that materialize upon execution, and this pilot was no exception. As mentioned above, the order of 4 Kyoto boxes was placed on December of 2010 and was expected to arrive before the 20th of December. Aside from a reply on December 16th informing that the company's bank account had not been checked, there was no reply from Kyoto-Energy confirming the order was placed. Then, on February 23rd, 2011, an e-mail was sent to another company contact, by the TCA team leader and this time there was a reply stating that the employee which whom the deal had been made was no longer working in the company. Moreover, according to the Kyoto representative, the initial quote had been placed in an incorrect manner, and there was also to be an increase in the price of the solar cookers. Another payment was requested in order to be able to deliver the cookers. At this point, the TCA team leader decided to terminate the collaboration with Kyoto Energy as the responsiveness had not been satisfactory. In fact, so low that it cost the project two and a half months of valuable time and efforts. The money was refunded by Kyoto-Energy after the cancelation of the order was made.

All the relevant stakeholders, both the TCA and the PL academy realized that the solar cooker idea was no longer feasible within the time frame of the pilot project, seeing the amount of time it had taken to try to make business with just one supplier.

There was still a fund raising event to take place and two country visits. What could still be done was to try to deepen the knowledge and understanding of the SB venture. For example, a difference in communication was noticed between TCA and PL members. These differences became a bottle neck during the months of December and January when no information regarding the progress of the project reached the Finnish team, despite various attempts to contact the PL academy team leaders and members by e-mail. By figuring out why the events happened the way they happened, the team could then propose corrective actions for the upcoming efforts. In one of the weekly group meetings, the

TCA members, along with written feedback from the PL members determined three factors affecting the SB collaboration at the moment:

- Unawareness of team member's schedules
- Differences of opinions of what collaboration meant in the SB project
- The socio-cultural difference in human interaction between the different members regarding communication styles and response times

Corrective actions were taken for the first two factors when schedules were synchronized and a collaboration workshop was planned to take place during the TCA visit to Namibia in February 2011. The socio-cultural differences are harder to affect in the TCA SB project given the limitation of time and the little to no face-to-face interaction with the complete team.

From the fund raising event the experiences were mostly positive. It was motivating to see people were positive to help a cause. The events helped enter a network of actors working towards similar goals. It was encouraging to hear of other projects or ideas being pushed by others stakeholders. But the collaboration between the different actors was surely its biggest weakness. Efforts were made by different groups but little communication of what they were doing in practice or how they could help the others struggling for the same purposes. These actions seem short-sighted as it should be clearly understood that the successful entry to an external market of at least one of the proposals being worked on is the bigger picture. It would provide invaluable data to could serve the others to identify and change the details that are preventing them from succeeding. The withdrawal of information only creates double efforts when making the same mistakes others have committed.

Another issue arose that is not directly linked to the pilot's tasks. Selecting the representatives that were to travel to each site caused some internal turmoil in the teams, particularly on the Windhoek side. It was not clear how the representative would be chosen. This generated a negative climate between the PL



students that have helped from time to time in the project but were not directly involved with the TCA SB project.

During the visiting trip to Namibia, the identification of interested stakeholders was noticeable. Even though the workshop on collaboration was agreed upon months in advance, only a few participants were present the day of the event. In the visit to the north region was an important step in order to fully understand the purpose of the project. Meeting the people you are aiming to affect is an empowering experience that motivates the people living it. Walking through the surroundings it became clear there were many angles and solutions from where one can approach the social goal being worked on.

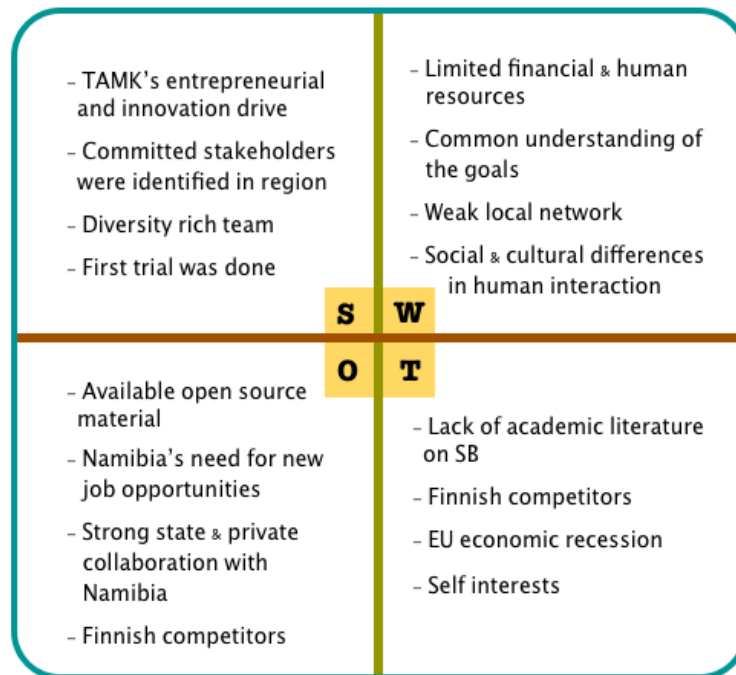
From the start, the TCA SB project leader said this needed to be seen as a first step. A lot was done as a first step even though little is left documented except the raw video footage and this paper. But the TCA SB members had the chance to practice learnt skills like purchasing, marketing, entrepreneurship and networking, in the different tasks performed in the pilot. New topics had to be as well investigated adding competitive value to the students that participated. The topics were virtual organization, CSR, SB, social entrepreneurship, brand marketing, collaboration and diversity methods.

### 6.3 TCA SB SWOT Analyses

As a form of evaluation of the TCA SB pilot project, a SWOT analysis has been constructed below. The purpose is to identify the internal and external factors which could be affected by the special conditions of running the SB in a format like TCA's. As mentioned, TCA only functions once a year during the months of October through May. It counts with limited amount of financial resources and has volunteer IB students as its workforce.

In the SWOT matrix (see Figure 9), it becomes clear that most strengths and opportunities can also pose weaknesses and threats. A team rich in diversity, for instance, also leads to more difficulties in creating a common understanding of the project.

Figure 9 - SWOT analysis of TCA's social business venture



The key is to utilize the strengths and opportunities rather than allowing them to turn in to weaknesses and threats. Management has a crucial role here, to be aware of the dangers before they realize.

## 7 DISCUSSIONS & RECOMMENDATIONS

Social Business is a fairly new concept and it has been challenging but stimulating to study it extensively, both theoretically and practically. The below text attempt to draw some conclusions about the TCA - PL social business project in particular, as well as provide some insights for the conducting of a social business in general.

This pilot project has shown the importance of a strong network and a common understanding between all of the participants. This kind of network takes time and effort, and resources, to create. The implication of this for the future of the TAMK TCA SB is that it is worthwhile continuing to work with the Namibia Polytechnic. As for the participants, both among students and instructors, the ones showing the most commitment to the social goal should be selected. To avoid

some of the challenges experienced, a proper collaboration framework agreement must be emphasized. The relevant stakeholders to come to agreements are the SB project leader and the corresponding head figure from the collaborating group. Processes in corporate governance, finance, communication, designation of positions and escalation of issues have to be mapped and presented to the new coming students.

Furthermore, knowledge transfer between the project teams is encouraged, both internally to the project, as well as between separate projects. A template should be created for effective summarizing of the different sides of the project. Constantly changing locations would mean a loss of human capital and is not to be encouraged, but in the need of an exit strategy, the template would also serve as a way of transferring knowledge horizontally. The creation of such a template also provides an excellent opportunity to learn about social business. As a participant of the project and the author of this paper, it is my wish that it can serve as a seed for further discussion.

What conclusions can be drawn about the planning and execution of a social business from the experiences of this project? First, the availability of strong networks where the social business is planned to operate is preferable. This implies that it could be useful for a social entrepreneur to seek out available, suitable networks when searching for a location. Hence, competition in the 'development market' is an issue that needs to be overcome and collaboration to be encouraged. Also, a strong commitment to the social goal is needed from the stakeholders as the monetary motivation for carrying out such an operation is relatively low.

As for Europe's current crisis and SB, the path to economical recovery will require the rebalancing and the restructuring of both the private and public sectors. Outside-the-box thinking is encouraged in companies to find a work-around or solutions to production issues. So innovative thinking is a competitive advantage for professionals in the labor market. Policy makers need to analyze the past events in order avoid repeating steps that, cannot perhaps be considered failures but do not benefit the society at large in the long term. It is my personal belief that socially driven business models seem to have the potential to

cover both quality and impact of the products and services Europe currently demands. Public funding will play a critical role, as it has done in the past, in creating new ways for funding company incubators in times when banks and investors demand harder evidence of success and a higher ROI for their risk. The question of company value still remains on whether creating more of the same, 'for-profit only' companies, will guarantee the long term sustainability of the markets. If diversification is important in an investment portfolio, why not apply that to a state level? The Finnish state should carefully consider in what type of company creation it will be investing in the upcoming years to strategically achieve economical stability in its most sustainable form. This should provide the state enough justification to request information on how those business ventures plan for the social, environmental and economic impact they can cause in both present and future. If so, socially driven business models would have a competitive advantage against the other ventures seeking public investments. For the state it could represent a more diverse attempt to solve a difficult problem, re-starting the national economy.

Last but not least, the IB program curriculum at TAMK gives their alumni a competitive knowledge of the conventional business practices. There is, however, little or no chance to study a new actor in the world economy, like the socially driven business presented above. As mentioned before the educational institutions have the responsibility to provide their students with the information that will benefit the society at large, so more courses on business ethics, corporate social responsibility, and socially driven business models should be taught in the undergraduate level.

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