

Conceptual Note

Title: Social business as a hybrid ventures for sustainable development

Summary: Social entrepreneurship combines a social purpose with for-profit organizational structures that guide their managerial decision-making and determine their success. Therefore for-profit social ventures measure their success in terms of social impact, however must pay close attention to the creation of economic value as well.

Social business basically the same as profit-maximizing businesses: it is not a charity, but a business in every sense. The managerial mindset must be the same as in a business: when you are running a social business, you think and work differently than if you were running a charity, even though your objective is different from a profit-maximizing company. At the same time as trying to achieve their social objective, social businesses need to recover their full costs so they can be self-sustainable. Their owners never intend to make profits for themselves (there are no dividends), but they are entitled to get their money back if they wish. Rather than being passed on to investors, surpluses generated by the social business are reinvested in the business, and thus, ultimately, passed on to the target group of beneficiaries in such forms as lower prices, better service or greater accessibility.

Thus, a social business is designed and operated just like a 'regular' business enterprise, with products, services, customers, markets, expenses and revenues. It is a no-loss, no-dividend, self-sustaining company that sells goods or services and repays investments to its owners, but whose primary purpose is to serve society and improve the lot of the poor.

Here it differs from NGOs, most of which are not designed to recover their total costs from their operations, and are therefore obliged to devote part of their time and energy to raising money. As it seeks self-sustainability, a social business only relies on its investors at the beginning of a development project.

Aims: The programme aims to disseminate the expertise in social business development through incubators and services providers in order to mobilize more resources and collaborate with different expertise networks for the enrichment of social business. Moreover this programme aims to support the development of an impact investment market that would enable more social enterprises to take on repayable finance for developing and scaling their innovative business model.

Objectives:

- to understand the impact of social businesses in addressing the needs, both social and economic.
- to work with social businesses through a community-based participatory research strategy to help the organizations develop strategies in building capacity around such needs as leadership, management, governance, marketing, and external supports such as access to capital and appropriate government policies, and to put in place a process for researching the effectiveness of these strategies;
- to add to existing knowledge on leadership, management, governance, marketing and finance of social business. This step will include the development of education and policies that relate to the capacity issues addressed in the research.

Expected Outcomes

- Establishment of social business partnerships.
- Establishment of social finance instruments and mechanisms.
- Establishment of collaborative funding models for social business enterprises.
- Development of investment readiness support for social business enterprises.

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