

DEVELOPMENT OF AN EFFECTIVE FRAMEWORK FOR SOCIAL ENTREPRENEURSHIP IN SRI LANKA

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Abstract

Social entrepreneurship is a subsector of entrepreneurship with a growing trend. This allows people to solve social or environmental issues while having an income. This concept is all about sustainability where the solution not only fixes the social issue but business entity should be continued to be sustain without losing. So it is different from both charity and traditional profits only focus businesses. In Sri Lanka Social Entrepreneurship (SE) eco system is at a very early stage and it is worthwhile discussing how SE can contribute to support the society. Even in Sri Lanka below poverty line population is 4.1%, some districts it is over 20% and during the time Samurdhi beneficiaries head count increases where people need more support which is not helpful for the economy of the country. When compared to GDP growth rate presently Sri Lanka is below some of the lower middle income countries. Therefore it important to discuss what can social entrepreneurship does to recover from current situation of Sri Lanka. This study adopts qualitative research approach and used multiple-case approach to gather data required to understand and fulfill the research gap. Eight interviews were conducted from five different sectors to collect data. Then the interviews were translated in to English whenever necessary and transcripts were prepared for further analysis. Research findings gave a clear view of the current status of social entrepreneurship in Sri Lankan context covering initial funding, challenges and how to overcome them, about profit re-investment, future expansion plans, overall understanding of social enterprises, poverty factor, and finally reasons for failing of current social support systems. Then author

discuss about contribution of social entrepreneur to the society. From the collected data from interviews author identified available social enterprise models in Sri Lanka and suggested a universal social enterprise development model that can be used by social enterprise developers. Finally effective framework has been suggested to improve social entrepreneurship in Sri Lanka.

Key words: Social Entrepreneurship, business, model, sustainability, social network

1. INTRODUCTION

The purpose of this study is to identify an effective framework to improve social entrepreneurship in Sri Lanka. Also with this study author is discussing current status of the social entrepreneurship of the world as well as Sri Lanka, what are the available social entrepreneurial models, suitable general model to design a social enterprise. The concept of social enterprise has different meanings depending on country or the region (Defourny & Nyssens, 2006), also cannot see the clear boundaries of the concept. Galera and Borzaga (2009). In general social entrepreneurship is described as "entrepreneurial activity within an embedded social purpose" (Austin, Stevenson, & Skillern, 2006). There were five main set of criteria identified as how a social entrepreneur act as a change agent to the society by, (Dees, 2001); Based on a mission, create not private but a sustain social value, Recognizing and following new opportunities to serve based mission, Do continuous innovation, adaptation and learning, Taking risk without being limited only on on-hand resources and Provide high accountability to constituencies served and for the outcomes created.

2. RESEARCH PROBLEM

Ecosystem of social entrepreneurship is still at the infancy phase in Sri Lanka and awareness is

also less (Alwis, 2018). Research “State of Social Enterprises in Sri Lanka” mentioned that even the term Social Enterprise is novel to Sri Lanka and There are only very few researches that were done under the field of social entrepreneurship. When we consider about the global entrepreneurship and development index, Sri Lanka’s world rank is 90 which is low and needed to improve. But Sri Lanka is in top 10 in the world giving index and individuals and large corporations have a sense of value and responsibility about society already which is a positive environment for growth. (Kiessel, 2017). So these niche market gaps can be filled with social enterprises which can be responsible business to reduce poverty. According to Dr. Amanda this will be the new ecosystem. Sri Lanka is in a critical situation considering poverty. Even based on officially published statistics national averaged below poverty line population is 6.5% 2014, some districts below poverty line population is over 20% (Wijewardena D. W., 2014). When compared to GDP of some of the lower middle income countries like Bangladesh, Vietnam, India, Philippines, Pakistan, Indonesia and Kenya after 2012 GDP growth rate of Sri Lanka has dropped drastically.

Main objective of the research is to develop an effective framework to improve social entrepreneurship in Sri Lanka. Also focus on identifying the current status of the social entrepreneurship in Sri Lanka, to understand how social entrepreneurship contributes to the society, to examine the available business models in the field of social entrepreneurship and to identify effective social design entrepreneurial model.

3. LITERATURE REVIEW

There are relatively small number of articles has been published in mainstream journals under title of social entrepreneurship. Researchers (Jeremy C. Short, Todd W. Moss, G. T. Lumpkin, 2009) argue that study of social entrepreneurship is still in state of embryonic. Author has come-up with definition. “A business operation which has social or environmental objectives which significantly modify its commercial orientation” (Lanka Social Ventures; ESCAPE, 2018)

Oneworld Health: In general 1/10,000 drug discoveries will qualify for clinical trials and from there 1/10 will get in to the market. Therefore during this lengthy process 70% of R&D investment is not recoverable. Also there are few categories of failure. In general that medicine might not universally accepted due to particular side effect, but that side effect might be ok for some specific patient. So they utilize those resources at a low cost for a usable medicine which is affordable.

The Aravind Eye Care System: Dr. G. Venkataswamy has founded The Aravind Eye Hospital in 1976 with a mission of ending needless blindness in Madurai. Therefore he prepared a strategic model by establishing a new hospital ground floor as fee-for-service model and from earned surplus next floors was built until five story building. Then by using the cash flow of main hospital free of charge hospitals were built and started operating.

Grameen project: Founded by Muhammad Yunus which already consisting with 30 subsidiaries and also connected to Grameen Bank (Yunus, Moingeon, & Lehmann-Ortega, Building Social Business Models: Lessons from the Grameen Experience, 2010). It was the pioneer in microcredit and one of the motivation was people get it to a trap of money lenders when traditional banks refuse to provide support with loans to poor people. Business model canvas introduced by Osterwalder and Pigneur is purely based on economic factor, which is only one aspect. But triple layered business model canvas will facilitates to illustrate sustainability oriented business model innovation considering economy, environment and society

4. METHODOLOGY

This study was conducted as a qualitative research with inductive approach based on qualitative research methodologies. During the research both primary and secondary data is going to collect. Research design discuss on framework for data collection and analysis. Relevant to this qualitative research, six steps were taken as introduced by Bryman, Bell, Mills and Yue (2011). Author adapts qualitative case study method as main research design. Samples were selected based on purposive sampling method which occupies both with-in case and across-case sampling (Miles,

Huberman, 1994). Samples covered industries such as Manufacturing, Agriculture, Culture and creative industries, environment – recycling, upcycling, awareness and Health care, seven social enterprises operating from western province and one from Ampara district which from Eastern Province, two of the selected SEs are operation all over the country.

5. FINDINGS AND DISCUSSION

Initial funding is also very critical for a social enterprise, for some it is the main barrier. SE1 initial funds were granted from “friends, family and fools”, where they took it in the second stage of expansion. As their initial focus is community building, much funding was not necessary. SE2 always proceed with minimalistic concept where they even don’t have a fixed office or fixed staff. SEs use smart methods to mitigate initial funding barrier. In a social enterprise as author discussed there should be a sustainable income generation model, in the same way entrepreneur has to keep re-investing to their initiated social mission, otherwise there will be no growth in social or environmental impact. Based on interviewees, SE1, SE3 and SE8 re-invest 100% of their profit back into the social mission. SE2 agreed with-in the organization to re-invest 65% of their profit back to the business. Some SEs are having an exponentially growing community based on their certification and standardizing methodology. At the moment author working on this research there are 802 registered community members with SE1 and it is the largest and strongest social enterprise community in Sri Lanka. SE1 co-founders’ vision is “*We want to make a transition into a whole new economy in the whole world*” When considering poverty in Sri Lanka, SE1 described poverty as it is about whether people feel the freedom to make choices. According to SE1 for poor people in Sri Lanka there is a safety net, where same poverty level will be worse if that person lives in USA. SE2 identify one of the major reasons for the poverty situation as unequal distribution of resources, also cause for huge gap between rich and poor. So methods and strategies can be provided through social entrepreneurship and when continuously distribute resources for a particular amount of time for the community,

that ecosystem will come to equilibrium where gap between rich and poor is less and majority of people are satisfied. Current social support systems fail basically due to too much dependency in donor funding which makes them unsustainable without continuous support. Also donor will become the client of the organization where supporting group will do what donor wants instead of what group that needed support actually needs.

Identify the current status of social entrepreneurship in Sri Lanka.

Considering rough estimation of 5% of NGOs, 27% of Co-operatives and 10% of MSMEs are social enterprises which is social enterprise prevalence rate, there has to be 11,000 social enterprises in Sri Lanka. Based on the results of respondents 27% of social enterprises are from Gampaha followed by 26% from Colombo district and 25% from Kandy. (Lanka Social Ventures; ESCAPE, 2018). Also there are many universities in Sri Lanka promoting Entrepreneurship where social entrepreneurship is a subsector

To understand how social entrepreneurship contributes to the society

In general for profit focus traditional business might consider a disabled person as an unproductive employee where they will not get priority and lesser chances in getting employment, but social enterprises’ main objective might be giving employment to them. Social entrepreneurs have different vision which is not profit maximization and they see problems and future differently. Also every society and environment matters to them. Therefore without any hesitation by keeping their self-sustainability, surplus or other benefits and resources will distribute among their target group. In 2018 October 10th Sri Lanka signed memoranda of understanding with United Nations and they will fund over \$25Mn for projects with social impact and for capacity building for such enterprises

Examine the available business models in the field of social entrepreneurship

Business canvas is one of the most popular tools which can simply elaborate an entire business model. Business canvas was initially illustrated by (Osterwalder & Pigneur, 2010).. But this is solely based on economic factors, but

later (Alexandre & Paquin, 2016) introduced Triple layered business model canvas. It is an extension of the business canvas. Another identified social business model was value proposition which was designed based on Grameen Bank concept in Bangladesh (Yunus, Moingeon, & Lehmann-Ortega, Building Social Business Models Lessons from the Grameen Experience, 2010) There are three main operational models were identified in social business. They are fundamental model, combining model and enhancing model.

Identify the available Social entrepreneurial models in Sri Lanka.

There are three main operational models available in theory. (Alter, Social Enterprise Typology, 2007), from those models interviewed respondents were categorized in to Complex/mix/ low income client as the market and employment model. Most of the models are either complex or employment model.

Identify effective social enterprise models

By considering interviewees' business canvas models and research findings social enterprise model in Figure 1 was prepared;

With this extension social entrepreneur get the opportunity to mention all the key partners, key activities, value propositions, customer relationships, customer segment, key resources, channels, cost structures and revenue structures as the regular business canvas, but he/ she can mention what are the social costs and social profit from each choice as well as economic cost or profit with same choice. In a social business self-sustainability is a very important parameter, so with this model it is possible to clearly visualize social and economic impact.

Proposed framework is divided into 5 stages; [1]Preparing social entrepreneur friendly environment, [2]Facilitate social entrepreneur

grant required knowledge/ skills, [3]Social enterprise designing, [4]Social implementation and market linkage, [5]Social and environmental impact measurement

6. CONCLUSION AND IMPLICATIONS

It is important to mention that the literature related to business models for social businesses are on very infancy stage. But Elkington and Hartigan (2008) provided universal business canvas which can help to visualize all the important business structures, which was the base for social business model. It was found that one of the major groundwork to be done is to improve awareness of secondary schools and university students and faculty. Also social entrepreneurs don't have a friendly welcoming environment to initiate and grow.

There were some limitations which were unavoidable. While selecting the samples judgement sampling method was used, even though discussed with experts and select some samples, readers need to interpret the final findings with prudence and it is no doubt if large number of samples taken in to account and more in-detailed examine will provide more generalized results.

Social entrepreneurship is a growing field in Sri Lanka, so there will be many opportunities and gaps to be discussed in this field and research has to be done. There has to be standard way of social and environmental impact measurement procedure, reporting mechanism and auditing guideline for social enterprises. Also there is opportunity for to conduct a research to find out best managerial practices to achieve both profit and social impact purposes.

Develop an effective framework to improve social entrepreneurship in Sri Lanka.

Proposing framework

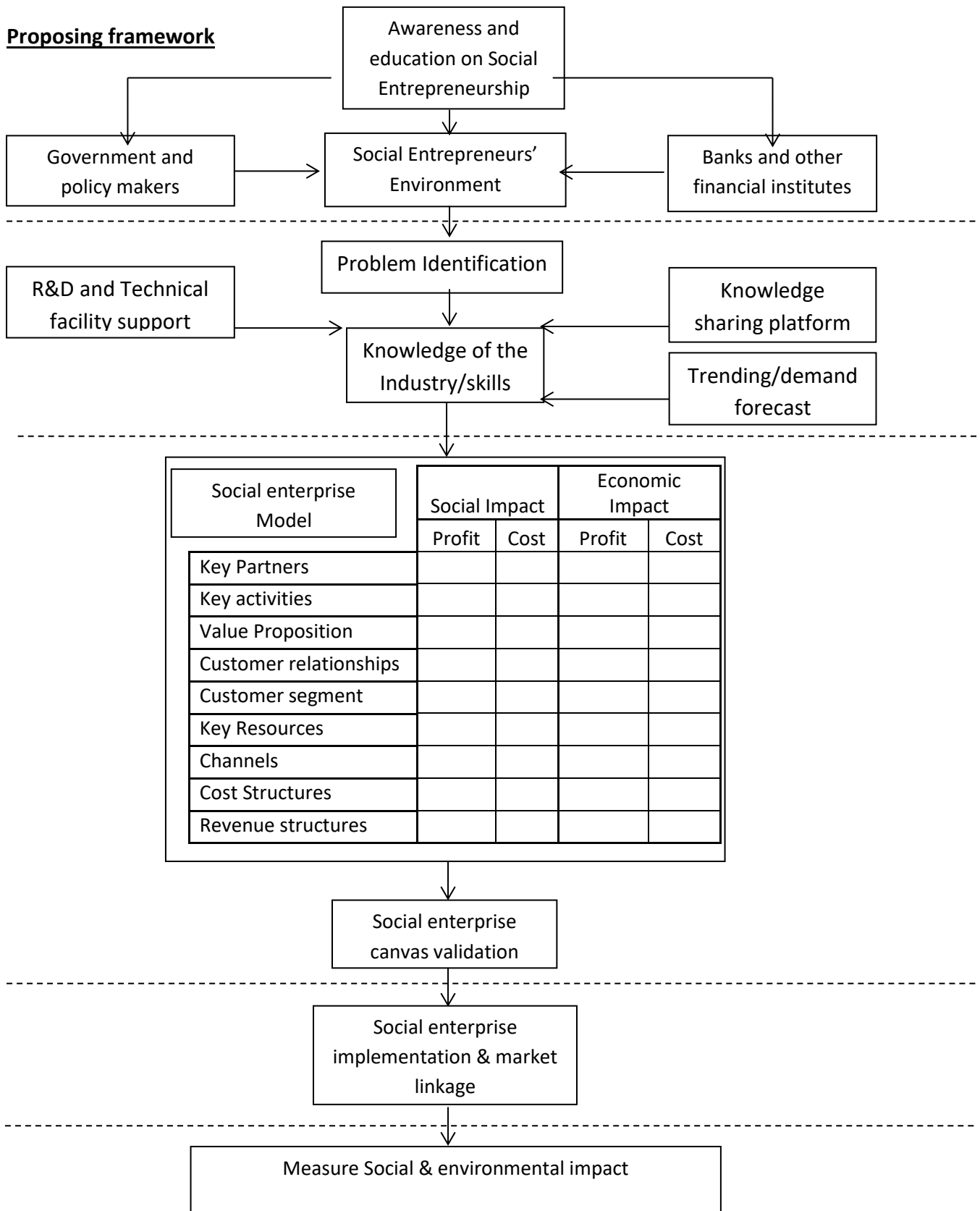


Figure 1: Framework to improve social entrepreneurship in Sri Lanka

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