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Monetizing Social Value Creation – A Business Model Approach

Abstract: The creation of social value through entrepreneurial ventures occurs in various dimensions, which are often difficult to compare. From an economic standpoint, however, value creation requires resources and activities that lead to expenditures. The sustainability of social ventures, therefore, depends on how these expenditures are financed. We develop a general framework in which business models of diverse social ventures can be analyzed and categorized. Using a gallery of real-life case studies, we illustrate that social business models can be characterized and ordered by the degree to which they monetize social value creation and the level of generated market revenues in excess of expenditures. Our analysis reveals a positive correlation between the monetization of social value creation and financial output, and it shows that relatively simple changes in the business model can have a significant impact on monetization and market performance. Our framework thus yields several strategic implications for business modeling.

Keywords: business modeling, monetization, social mission, social value creation, social entrepreneurship

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1 Introduction

Social entrepreneurship describes a business field that is oriented toward efficiently serving basic human needs which existing markets and institutions have failed to satisfy. According to Austin, Stevenson, and Wei-Skillern (2006), social entrepreneurship is defined “as an innovative and social-value creating activity

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that can occur within or across the nonprofit, business, or government sectors.” Perrini and Vurro (2006) explain the rising popularity and adoption of social entrepreneurship, on the one hand, by requests from stakeholders of the non-profit sector to increase economic efficiency and organizational effectiveness, and, on the other hand, from stakeholders of the for-profit sector to facilitate socially responsible behavior. In line with this diversity, Dees (1998a) finds social entrepreneurs ranging from a primary focus on a social mission to a mainly commercial orientation with secondary social objectives. In his view, a social enterprise should be neither purely philanthropic nor commercial to achieve a productive balance. Accordingly, a social enterprise should use the full range of options and it should operate like a business in the way it acquires resources and distributes products or services. As a consequence, the acquisition of financial resources for social enterprises should also be considered with the full spectrum of options ranging from public or private donations *for* the social mission to market revenues generated *with* the social mission.

In this paper, we analyze how the financing of social missions varies with the design of the business model for the social venture. We describe how social value creation can be gradually monetized by strategically shifting the financial focus from revenues *for* the social mission to revenues *with* the social mission. Accordingly, the nature of the earnings changes from social investments to market revenues. With this transformation the potential for profitability also rises.

Within a standard business model framework, we develop a conceptual setting in which business models of social enterprises can be analyzed as well as categorized. In order to be able to deal with a broad variety of social missions with social value being created along a multitude of dimensions, a clear focus is laid on the design of the social mission’s underlying business model with special regard to financing forms and sources. Specifically, we argue that every social business model can be characterized by the degree to which it monetizes social value creation and the level of market revenues that it generates in excess of expenditures with the underlying social mission.

In order to substantiate our claim, we draw on a sample of prominent social enterprises by Ashoka Fellows in Germany as well as well-known and well-documented global case studies. We categorize these ventures by their business models, and we demonstrate how the classes of business models can be ordered according to their degree of monetization.

As the monetization of social value creation increases through the changing role of the social mission within the business model, our analysis reveals how external funding, e.g. through donations, is gradually replaced by market revenues. Although this shift in the structure of revenues increases the potential for

profitability of the venture, we find that the overall effect still depends on the nature of the social mission and the composition of the customer segments.

The major conceptual contribution of our paper is a general framework for analyzing the monetization of social value creation based on social enterprises' underlying business models. By acknowledging that different types of social business models generate qualitatively different sources of revenue streams, our approach intuitively reveals a positive correlation between the monetization of social value creation and the generation of market revenues. Furthermore, the strategic orientation illustrates that relatively simple changes in the business model structure can have a significant impact on the monetization of value creation and financial output.

The rest of the paper is structured as follows. In Section 2, we first establish necessary working definitions for the concepts that we analyze within our framework. In Section 3, we then present the general framework for the categorization of social business models, and we illustrate how the diverse cases that we draw on fit into this setting. Section 4 deals formally with four distinguishable generic business models that are illustrated by diverse cases of real-life social enterprises. In Section 5, we discuss the strategic implications of our analysis for social business planning. Section 6 concludes with the general implications of our analysis for entrepreneurship research, teaching, and policy.

2 Diverging perspectives of social enterprises

In order to deal with the financing of social enterprises, one must first have a general notion of social entrepreneurship, in general, and a clear but broad enough understanding of what characterizes social enterprises, in particular. The vast literature in this area has developed in several directions, often driven by specific cases that themselves have often been highly diverse.

As a working definition, we view social entrepreneurship as any operation involving the resourceful use and efficient combination of resources to create opportunities that foster social change or meet social needs. Hence, social entrepreneurs as founders combine resourcefulness with a social mission to create a sustainable change in society. Mari and Martí (2006) see social entrepreneurship as a practice that integrates economic and social value creation.

The entrepreneur's mission represents the cornerstone of his venture and provides a clear understanding of the organization's purpose and reason for being to all people involved – leaders, funders, and customers (cf. Dees, Emerson, and Economy 2002). According to Perrini and Vurro (2006), the

mission represents an organization's soul and beliefs in describing the company's service area, service recipients, and main expected outcome. In addition, key elements such as innovation, entrepreneurship, and tension toward specific social changes are outlined. Dees (1998b) finds that a social mission is oriented toward fundamental changes in the way things are traditionally done, thus declaring social entrepreneurs as reformers, revolutionaries, and change agents in the social sector. As such, social entrepreneurs aim at reducing needs rather than meeting them; they create systematic change and, thus, achieve sustainable improvements. For that matter, serving customer desires, creating wealth, and making profit can be part of the business concept, but the crucial aspect is the social impact based on lasting improvements. Peredo and McLean (2006) claim that the idea of social entrepreneurship must allow some actors to have "selfish motives behind their social mission, or be less than relentless, or be uneven in their performance, or be otherwise less than exemplary."

With a strong focus on social value creation, our working definition of a social mission describes any process that creates social value by combining resources efficiently. All resource combinations intend to encourage the adoption of social value by meeting social needs and activating systematic social change. In detail, social value is generated by any form of stimulating or satisfying consumption needs (e.g. hunger, housing, health, and supply), employment needs (e.g. education and work), or society needs (e.g. environment, policy, and security). As emphasized by Perrini (2006a), social expected value can enhance social conditions, e.g. through working conditions, access to technological progress, or integration and participation within the community. In following a social mission, we view the social entrepreneur as a change agent within the social sector, serving not only customer desires and creating wealth but also enabling the generation of profits.

With the social mission on their agenda, social entrepreneurs need to avoid a drift too far away from their underlying social welfare objectives (cf. Hockerts 2006). Indeed, the social entrepreneur distinguishes himself from the commercial entrepreneur essentially through the pursuit of a social mission addressing a social need or problem. Despite a consensus over this basic differentiation, the literature nevertheless provides a variety of discussions on where to draw the line between both concepts, where researchers mainly debate on the weight given to social goals in relation to financial aims.

At one end of the spectrum, the priority is laid on social wealth creation relying extensively on philanthropy. For that matter, Peredo and McLean (2006) find that a negligence of earned income is legitimate, due to the exclusive concentration on social gain, analogous to the way traditional charities are treated (cf. Zahra, Gedajlovic, Neubaum, and Shulman 2009). However, although this

focused construct may yield innovative approaches to social problems, it lacks a clear objective toward a sustainable, long-term, and self-financed venture (cf. Mari and Martí 2006; Weerawardena and Sullivan Mort 2006).

The other end of the spectrum features ventures with primary financial and subordinate social goals. This broader construct may have advantages for business activities, but the element of some social value creation is seen to be characteristic for almost all forms of entrepreneurship, regardless of a fundamental social mission, making it difficult to distinguish between social and commercial entrepreneurship. For example, commercial enterprises benefit society in the form of efficient resource usage and sustainable business models including long-term employment (cf. Austin, Stevenson, and Wei-Skillern 2006).

Given this multitude of approaches in the literature, it thus seems appropriate for our subsequent analysis to allocate social ventures along a continuum ranging from purely social to purely commercial. As a consequence, the acquisition of financial resources for social enterprises should be considered with the full spectrum of options ranging from public or private donations for the social mission to market revenues with the social mission.

Weerawardena and Sullivan Mort (2006) advocate the idea of a social enterprise that creates social value while simultaneously pursuing financial viability. Described as a double bottom line, Peredo and McLean (2006) additionally underline the art of simultaneously pursuing both financial and social returns on investments in social entrepreneurship, which also implies some form of income-generating ventures. The combination of non-profit with for-profit organizational features is referred to in the literature as a hybrid form. In order to acknowledge the diverse entrepreneurial constructs, we consider social business models to be dedicated to creating social value while simultaneously generating economic viability and sustainability. Thereby financial needs can be met through very different funding sources ranging from earned income over investments to donations (cf. Lumpkin et al. 2013).

3 Categorizing business models of social ventures

In the social sector, the business model concept in its entirety has attracted much attention from researchers over the last years.¹ Particularly, Osterwalder

¹ Cf. Osterwalder and Pigneur (2010, 2011), Yunus, Moingeon, and Lehmann-Ortega (2010), Perrini (2006b), Foster and Bradach (2005), Seelos and Mair (2005), and Dees (1998a).

and Pigneur (2010, 2011), Perrini (2006b), Seelos and Mair (2005), and Dees (1998a) have advocated innovative forms of social business models including new value propositions, value constellations, and profit equations. Especially hybrid forms of social ventures that generate social, economic and environmental benefits are given careful consideration.

Beside the accentuation of financing mechanisms for social enterprises, Perrini and Marino (2006) state that the special challenge for the social entrepreneur is the typically broad and diverse stakeholder community, which, however, can be met by placing emphasis on the process of business planning. We, therefore, wish to provide a framework for social entrepreneurs to achieve a more strategically and result-oriented procedure of business modeling and planning as well as to determine appropriate financing forms and sources according to the social enterprise's underlying mission.

In order to provide a common economic basis for comparing the multitude of diverse social ventures found in practice, we lay a clear focus on the design of the social mission's underlying business model with special regard to financing forms and sources. In particular, we classify every social business model according to two characteristics: First, by the degree to which it strategically monetizes social value creation and, second, by the level of market revenues that it generates in excess of expenditures with the underlying social mission.

The monetization of social value creation refers to the strategic direction of a social business model and describes the enterprise's position between acquiring funds for the social mission and earning money with the social mission. At one end of the business model spectrum, the social mission itself constitutes the value proposition, for which the entrepreneur seeks to acquire funds, and, at the other end, the social mission becomes a means with which a further commercially oriented value proposition is generated. In between are business models, in which the social mission has commercial value that can be marketed.

The market revenues generated by a social venture indicate to which extent an enterprise has established a commercial position on a consumer market, as revenues are acquired by the sale of products and services. Since all social ventures incur expenditures, sustainability of the social venture requires expenditures (E) to be met by either market revenues (R) or other social investments (F), e.g. public funds or private donations. Formally, sustainability requires

$$R + F \geq E.$$

Hence, if market revenues fall short of expenditures ($R - E < 0$), the social venture must acquire additional social investments ($F > 0$) to maintain its operations.

Graphically, we can position the business model of a social venture in two-dimensional space according to its strategically chosen degree of monetization, allocated horizontally, and its market-oriented performance, measured vertically by the level of revenues in excess of expenditures ($R - E$). Figure 1 illustrates the positions of different social ventures according to the two characteristics.

To substantiate our claim, we draw on a sample of real-life cases, most of which are well-documented social enterprises of prominent Ashoka Fellows in Germany. Ashoka is the leading organization for social entrepreneurs in the world. As such, the non-profit organization comprises a broad variety of social entrepreneurs with highly innovative pioneering social enterprises and presents them in a well-documented manner. We also employ cases of several prominent non-Ashoka social enterprises, in order to convey the scope of our approach and to demonstrate that our analysis is not restricted to the world of Ashoka alone but applies to social enterprises in general.

In order to illustrate the monetization of social value creation, plotted horizontally in Figure 1, we empirically categorize our case studies by their business model structure, which reveals not only the role of the social mission

Figure 1: Positioning social business models according to the monetization and market performance.

within the complete process of value creation, but also the extent to which value propositions are oriented toward commercial customer segments. In doing this, we find that different social ventures pursuing highly diverse social missions can be grouped into four distinguishable business model classes due to the structural similarity of their business models within each class. The classes of business models can be ordered according to their degree of monetization, where the monetization of social value creation increases through the changing role of the social mission within the business model. Moreover, one can observe how external funding, e.g. through donations, is gradually reduced or replaced by market revenues as monetization increases. Moving toward the left on the horizontal axis, value creation with the venture occurs for the social mission, which requires external funding by social investors. Moving toward the right, one finds ventures that create value through or with the social mission, thereby generating market revenues.

As Figure 1 shows, however, revenues do not automatically rise with the degree of monetization, as the generated revenue streams depend on the size and the nature of the different customer segments. The bigger the customer segment and the higher the commercial value of the value proposition is, the more profitable the venture can be created.

It is important to note that the precise position of each case in Figure 1 is debatable, as the monetization of social value creation is a strategic concept, which is not precisely quantified. Moreover, the economic performances of different ventures can only be directly compared with precise and comparable financial data. Nevertheless, the attempt to interpret the degree of monetization of qualitatively different social ventures reveals the conformance of their underlying business models and, thus, the existence of a common category. With respect to economic performance, the crucial aspect to consider is whether the venture generates revenues in excess of expenditure ($R > E$), or whether funds by social investors are required ($F > 0$).

In the following sections, we analyze the four business model classes revealed in Figure 1 in more detail. By employing a standard business model framework, we construct four generic business models, which we then use to discuss and compare the different real-life cases of each class.

4 Generic social business models

We conduct the subsequent analyses within the prominent business model framework developed by Osterwalder and Pigneur (2010), which is based on

the interaction of nine key components. The graphical arrangement of the components in a “business model canvas” is a convenient didactical tool, which supports the understanding of the interaction of the key components and, thus, the logic of the value creation process. The business model canvas with a description of the nine components is depicted in Figure 2.

As many case analyses in the literature have illustrated, the nine key components, briefly described in Figure 2, suffice to formulate the business model’s rationale of value creation. As we will see in our characterization of the generic social business models, though, not all nine components are necessary to characterize the nature of each model.

Partners <i>Who are the most important partners for value creation?</i> <i>Which activities are provided?</i> <i>Which resources are provided?</i>	Activities <i>Which activities for value creation are required?</i> Resources <i>Which resources for value creation are required?</i>	Value Propositions <i>What value is provided?</i> <i>What problem is solved?</i> <i>Which needs are satisfied?</i> <i>Which goods or services are offered?</i>	Customer Relationships <i>What is the relationship with each customer segment?</i> Distribution Channels <i>Which are the main distribution channels?</i>	Customer Segments <i>For whom is value created?</i>
Expenditures <i>Which are the most important expenditures?</i> <i>Which activities/resources create the highest expenditures?</i>			Revenue Streams <i>Which values are being paid for?</i> <i>How are payments made?</i>	

Figure 2: The business model canvas of Osterwalder and Pigneur (2010).

4.1 Model I: the one-sided social mission

We begin with the class of business models located to the far left in Figure 1. These are ventures featuring the lowest degree of monetization of social value creation. The generic business model, displayed in Figure 3, is particularly characterized by a one-sided social mission. The numbered arrows illustrate specific relationships between business model components, where the dashed arrows indicate supplementary relationships, which characterize extended variants of the basic model.

is allocated to the far left in Figure 1 and below the horizontal line, indicating the financing through social investments ($F > 0$).

In some cases, the social target group may be required to pay a low price, thus generating small market revenues (6), which can then be used to make the product or service available to a larger group of needy recipients (cf. Starke 2012) or to reduce the required amount of funds from social investors. Although the generation of market revenues represents only a supplement to the core business model of a one-sided social mission, it also implies a higher degree of monetization of social value, which would then move the *soup kitchen* a bit toward the right, where we have positioned it in Figure 1.

Within this first category of model I, further examples of social enterprises can be found. The business model of *Arbeiterkind* (working-class child) by Ashoka Fellow Katja Urbatsch outlines a typical case: *Arbeiterkind* supports young people with non-academic family backgrounds to start a university career by offering them a mentoring network and information platform to overcome traditional barriers in attending the university. These barriers mainly comprise financial concerns, social networks, and a low regard for free German university education. With the support of 70 local groups, *Arbeiterkind* helps to create a positive identity for working-class children within the society. Resolving the lack of accessible, comprehensible information, the venture furthermore tries to fight social segregation within the German university education system. To achieve this aim, local groups and mentors work pro bono and donations as well as government aid are received.

The underlying business model of this social enterprise creates social value – a mentoring program for the social target group of working-class children – for the social mission of supporting young people with non-academic family backgrounds. Describing a consumption need of working-class children, the social mission is funded by several social investors, e.g. volunteers and government. Paying for the resource inputs, social investors make the social mission available and, thus, enable the one-sided creation of social value for the social target group. Within our framework, this venture is categorized as creating value for the social mission implying a low degree of social value monetization. As the social mission requires external funds ($F > 0$), the enterprise is positioned below the horizontal line and to the left of the *soup kitchen* due to the absence of market revenues.

Our third example in this category is represented by *Aiducation International*. The social mission of *Aiducation International* involves scholarships for financially disadvantaged students in developing countries. The four year scholarships are funded by donors, called AiduMakers, who can choose the specific student they want to support. As individual AiduMakers are directly

included in the election process of awarded students and receive yearly recipient progress reports, they become actively integrated into the business model, thus reducing their tendencies of donation dismissal. *Aiducation International* invests 90% of the donations in education, which implies that only a small amount of funds is used for personnel and infrastructure. The large percentage is achieved through the support of Aiducators, volunteers that work pro bono on several continents. In Figure 1, *Aiducation International* has a stronger monetization approach of social value creation than the traditional *soup kitchen*, because it directly matches individuals among the group of social investors and the social target group. However, the social mission is still one-sided – financially disadvantaged students receive a scholarship funded by AiduMakers. The social mission, thus, requires funds ($F > 0$), placing the venture below the horizontal line in Figure 1.

4.2 Model II: the two-sided social mission

Within our framework in Figure 1, the second generic business model features a higher degree of monetization of social value creation. Social ventures in this category address two different social target groups, one on the consumption and one on the production side. Thus, required funds for this two-sided social mission are potentially reduced due to the free but valuable production support of the social target group on the production side. Similar to the first generic model, the value created by the venture is still entirely *for* the social mission. As the market-like matching of target groups through the social mission suggests a stronger monetization of social value creation in this class of business models, we allocate the corresponding cases further to the right in Figure 1.

As shown in the business model canvas in Figure 4, the social mission typically implies the satisfaction, on the one hand, of a social target group's consumption need, and, on the other hand, of a social target group's production need. The mission is, therefore, aimed at two social target groups, which are positioned on the consumption (1) and the production side (2). Specifically, the social target group on the production side offers free production support (3) for the consuming social target group, which means that the group on the production side is used as a business model resource input (4), in order to satisfy the consumption need (5) of the social target group on the consumption side. Note that, in supporting the social mission, there is a crucial conceptual difference between the social target group on the production side in this two-sided business model (arrows 3 and 4 in Figure 4) and the volunteers as partners in the one-side business model (arrow 5 in Figure 3), because the social mission in the

Figure 4: The two-sided social mission.

two-sided model explicitly creates value for the productive social target group. Our examples below demonstrate this difference quite clearly.

To make the social mission available to both social target groups, the social mission in Figure 4 additionally addresses social investors (6) who contribute funds and/or donations (7). The funds are used for expenditures such as supply and infrastructure, whereas personnel as a specialty of this category are largely covered by the social target group on the production side. Due to the support of the social target group on the production side, the social target group on the consumption side mostly receives the social mission for free.

For some social ventures, the free production support can be marketed, if it is qualitatively good enough to additionally satisfy a consumption need (8) of a market target group (9), in which case market revenues are generated (10) that further support the social mission by exemplarily reducing the required amount of funds from social investors. Nevertheless, market revenues represent only a supplement to the core business model of a two-sided social mission aimed at two social target groups funded by social investors.

For this business model structure one can find different examples. Our first case is given by Ashoka Fellow Raul Krauthausen and his social enterprise *Wheelmap*, which represents the first crowd-sourced online map of wheelchair-accessible and inaccessible places around the world, thus supporting the inclusion and awareness of urban wheelchair users. Based on an OpenStreetMap

mapping platform, users can easily tag public places as accessible, inaccessible, or partly accessible by wheelchair. Furthermore, a blog and other features allow additional information sharing and community organization. The information provided on the website is free and easily searchable, can be adapted to individual needs and shared with others. As a consequence, the mobilization and integration of disabled persons into everyday life increases. Putting the wheelchair-accessibility problem and the respective solution in the hand of everyone, *Wheelmap* created a new, effective, and also mobile self-help tool which also provides employer information about government funds for improving wheelchair accessibility. To create the data platform free and open, users and volunteers work pro bono. *Wheelmap* generates additional (market) income from alliances with wheelchair manufacturers, city authorities and event managers offering them a white label version of the platform to create branded maps. In addition, donations, awards and incentives represent further income streams.

The basic structure of *Wheelmap*'s business model builds on bridging two different target groups, namely urban wheelchair users as the social target group on the consumption side and topic-interested internet users as the social target group on the production side. The topic-interested internet users, most of which are identical or closely associated with wheelchair users, deliver free production support to contribute to the social mission of a free mapping platform. To finance the social mission, market revenues such as alliance incomes are generated by satisfying the consumption need of a further market target group. These revenue streams are used to reduce required donations from social investors. In our setting in Figure 1, *Wheelmap* demonstrates a higher degree of monetizing social value creation than the previously introduced case studies as it bridges two different target groups, which moves this example farther to the right. Due to the free production support of topic-interested internet users, required funds are largely reduced compared to the first class of business models with a one-sided social mission but still below the horizontal line ($F > 0$).

A further example in this category, but quite different in content, is Ashoka Fellow Anja Kersten with her social enterprise *Was hab' ich?* (What do I have?). This is an online translation service for diagnostic findings, where doctors in spe (i.e. medical students) translate medical reports for patients into an easy to understand language. On the one side, patients are enabled to understand their diagnosis, to meet doctors at eye level, and to overcome their anxiety and insecurity. On the other side, advanced medical students are trained and sensitized for understandable, transparent and clear communication within the doctor-patient relationship. Furthermore, involved translators have access to an

internal social and supervision network fostering an exchange among students and doctors, knowledge management, learning opportunities, and quality control. *Was hab' ich?* also includes important stakeholders and builds up partnerships with foundations, associations, and health insurances. The online translation service is primarily financed by voluntary patient donations and partly by other donations and partner contributions.

Was hab' ich? connects patients, the social target group on the consumption side, and medical students, the social target group on the production side, by providing them an online interaction platform for the translation of medical patient reports and training of future doctors. Hence, social value is created on both sides of the table. This example clearly demonstrates that the translators are explicitly a target group of the social mission, and not merely volunteers supporting it as partners.

In contrast to *Wheelmap*, the social target group on the consumption side can donate money for the translation service, which is done by one-third of all patients, thus increasing the degree of monetization of social value creation. Further revenue streams are generated by partner contributions leading to a reduced amount of required funds compared to *Wheelmap*. As a result, *Was hab' ich?* is positioned toward the right and closer to the horizontal line in Figure 1.

Our last case study in this category is given by Ashoka Fellow Gregor Hackmack. The business model of *abgeordnetenwatch* (parliament watch) places great emphasis on bridging members of parliament, the social target group on the production side, and individual citizens, the social target group on the consumption side: *abgeordnetenwatch* is an online platform enabling direct public dialogue between citizens and elected members of parliament. Based on the fundament of transparency, the platform offers citizens easy access to political information, holds politicians accountable to the public, and tracks politicians' actions over time by recording speeches or contributions in debates and listing their voting record in parliament. Users can easily visit profiles of delegates with detailed political information. Based on a strict code of ethics, users can additionally post questions enabling a new form of democratic participation. Answers to individual user questions are published and also viewable by other users. Providing a searchable database of past political actions, *abgeordnetenwatch* overcomes the gap between elected representatives and individual citizens. To ensure neutrality, *abgeordnetenwatch* does not accept institutional public funding. The online platform takes micro-fees for premium profiles of delegates, micro-donations, and franchise fees. A small amount of money is earned by users gaining access to extended search and newsletter functions. Lastly, *abgeordnetenwatch* offers paid premium functions, e.g. access to archives, daily digest and hits by topic, to different interest groups such as media partners and citizens organizations.

Concerning our business model framework in Figure 1, *abgeordnetenwatch* obtains a higher degree of monetizing social value creation than the previously introduced case studies. As most of the parliament members pay for the service of *abgeordnetenwatch* and also some of the regular platform users, the monetization of social value creation in this two-sided constellation rises, respectively. Besides, market revenues reduce and almost replace required funds for the social mission. As a consequence, *abgeordnetenwatch* features the highest degree of monetization of our examples for this category. Moreover, it is more oriented toward market revenues than the previous two cases. Accordingly, it is positioned closest to the horizontal line.

4.3 Model III: the market-oriented social mission

The third generic business model features a social target group only on the production side, which, although a recipient of social value creation, does not provide its support free of charge, but becomes a paid resource in the production of new value propositions. On the consumption side there is no social target group. Instead, the venture focuses on the consumption needs of a market target group. Hence, required funds are more and more replaced by market revenues, thus increasing the monetization of social value creation. Rather than having

Figure 5: The market-oriented social mission.

value creation *for* the social mission as displayed in the first two generic business models, value is now created *with* the social mission. Figure 5 visualizes the generic structure behind the third business model with a market-oriented social mission.

The central value proposition contains a social mission, which is oriented toward the satisfaction of a production need and aimed at a social target group positioned on the production side (1). As a production resource (2), the productive social target group satisfies a consumption need (3) of a market target group on the consumption side (4), thus generating market revenues (5). Market revenues are expended for supply, infrastructure, and now also personnel, which constitute required resources for the creation of value with the social mission.

A well-known example for this category is given by England's star cook Jamie Oliver and his social enterprise *Fifteen*, which consists of several top class restaurants giving disadvantaged young people – homeless and unemployed, overcoming drug or alcohol problems – the chance to gain professional training and to start a career in the restaurant industry. Due to the reputation of Jamie Oliver as the inspirational founder and trustee of *Fifteen*, one can conceive that the restaurants generate high market revenues and profits, which, in turn, are used to fund the educational program. An analogous business model is implemented by *Querstadtein*, a German social enterprise arranging city tours with homeless people. Instead of relying mainly on funds, *Querstadtein* markets an innovative and competitive product involving homeless people as a productive resource, thus offering tourists and residents of cities new perspectives and insights. As a consequence, revenues are generated on the market replacing funds ($R > E$).

If the social target group is too expensive as a resource or its productivity too low, then the generated market revenues may not be sufficient to meet expenditures. In this case, the social mission must further attract social investors (6), who support the mission with their funds (7). A classical example is given by the *Christmas cards* designed by handicapped people or disadvantaged children. The business model includes the social mission of satisfying a production need, the *Christmas card* design, of the social target group. Market revenues are then generated by the sale of the *Christmas cards* to a market target group on the consumption side. Here, the market target group often must be willing to pay a higher price than for commercial *Christmas cards*, thereby acting as a social investor. Consequently, not only market revenues but also funds are generated ($F > 0$).

Very similar in its business model structure is *Dialogue Social Enterprise* founded by Ashoka Fellow Andreas Heinecke. This venture represents an

exchange platform creating interaction as well as building respect and understanding for marginalized people regardless of whether they are disabled or otherwise impaired. By redefining “disability” as “ability,” *Dialogue Social Enterprise* overcomes traditional barriers and breaks down prejudices. The first and most widespread platform *Dialogue in the Dark* focuses on the interaction between blind and not-blind people. In national and international exhibitions the disabled act as guides for the non-disabled, thus bridging the gaps between both groups. By managing the platform and teaching visitors, blind people acquire leadership, communication, and management skills. Furthermore, they train school classes, companies, and human-resource departments or executive teams in special seminars. *Dialogue in the Dark* is financed by exhibition entrance and seminar fees as well as license payment and consulting fees for exhibitions worldwide.

In our setting in Figure 1, all four discussed cases are positioned as business models for creating value *with* the social mission, and they feature the same degree of monetizing social value creation, because the social target group in all cases is on the production side producing value propositions that can be marketed. The only difference we see is the amount of generated market revenues. *Fifteen*, *Dialogue Social Enterprise*, and *Querstadtein* are clearly positioned above the horizontal line with $R > E$. As the comparison of cases shows, the more products and services are diversified and the larger target customer groups are, the more profitable the venture can be created. *Christmas Cards* with the same concept of value creation is typically found below the horizontal line, with $F > 0$. The case-study comparison seems to suggest, however, that this could possibly be remedied with a more marketable product or concept of value creation.

Alternatively, one could consider raising the productivity of the target group and, hence, the degree of monetization as the market-oriented value proposition becomes more marketable. Within the same business model category, but with a higher degree of monetization, we observe two further case studies. The first is *auticon*, which exclusively employs autistic people as consultants in the IT sector, utilizing the logic-analytical strengths of autistic people in the fields of software testing and quality assurance. As this target group has traditionally been largely excluded from the high-profile labor market, *auticon* uses the special capabilities of their employees as a unique value-increasing asset within a new environment. The specialty of autistic employees enables them to fulfill the specific IT job requirements even better than non-autistic employees. The second example is the social enterprise *discovering hands* of Ashoka Fellow Frank Hoffmann. *Discovering hands* created a new low-cost breast examination method by training blind people as skilled diagnosticians to become Medical

Tactile Examiners (MTEs) for detecting breast cancer. The differently-abled constituency of blind people, the superior sensitive touch, represents a valuable asset and unique capacity in the field of preventive breast-cancer diagnosis. Compared to the non-standardized breast-cancer examination conducted by doctors, MTEs possess a higher precision rate and detect breast cancer earlier than the average doctor, which enables earlier diagnosis and more efficient treatment by doctors. Opening the medical field with a new profession for blind people, *discovering hands* established an improved and more cost-effective early breast-cancer diagnosis. Moreover, patients get innovative and more reliable examinations and become aware of blind peoples' valuable abilities. The program offered by *discovering hands* is paid through the cost-covering system of several insurance companies. Doctors employing an MTE pay a license fee to *discovering hands*.

Within our business model framework in Figure 1, both case studies, *auticon* and *discovering hands*, imply a higher degree of monetizing social value creation, because they use the specialty of the social target group on the production side to create highly competitive and demanded products or services for market target groups. Moreover, products and services are not primarily aimed at creating understanding and respect, but to establish innovative and effective problem solutions. The consumption need is satisfied by the social target group in an improved and more cost-effective manner. As a consequence, the case studies of *auticon* and *discovering hands* are positioned to the right of *Fifteen*, *Dialogue in the Dark*, *Querstadtein*, and *Christmas cards* and both above the horizontal line ($R > E$). In some cases, social investors exemplarily fund the education of social target groups, especially before the social enterprise is established on the market. In the long run, generated revenues on the market are largely used to fund the educational program of the social mission, and social investments are more the exception within this generic business model. Finally, the financial outcome is greatly influenced by the enterprise's degree of specialization and product diversification moving the examples up or down in their vertical market–performance position in Figure 1.

4.4 Model IV: the commercially utilized social mission

We conclude our business model categorization with the fourth generic class located to the far right in Figure 1. Featuring ventures with the highest degree of monetization of social value creation, this category is mainly characterized by a commercially utilized social mission. In particular, a social target group on the consumption side is attracted by the social mission, and, as a select group, it is

then used as a resource input to satisfy specific consumption needs of a different market target group. As a consequence, market revenues are generated and largely reduce or replace funds for the social mission. In contrast to the previous generic models, donations are not intended within this business model. Analogous to the third business model category, value creation occurs predominantly *with* the social mission. Figure 6 illustrates the generic structure of this business model with a commercially utilized social mission.

Figure 6: The commercially utilized social mission.

The central value proposition comprises a social mission, which is directed toward the satisfaction of a consumption need. The mission is thereby aimed at a social target group positioned on the consumption side (1). Rather than having to pay for consumption, the target group itself is used as a resource (2) to satisfy a consumption need (3) of a market target group on the consumption side (4), with which market revenues (5) are generated. Market revenues are expended for supply, personnel, and, in particular, the infrastructure of the social mission. As a supplement, the social mission may address social investors (6), who contribute funds (7) to make the social mission available to the consumptive social target group. Note the almost identical structures of the generic models III and IV. The only difference is that in model IV a consumptive social target group is used as a resource for further value creation, while in

model III the social target group is on the production side of the social mission. The higher degree of monetization stems from the fact that the utilization of a target group on the consumption side is often easier to scale upward than the employment of a productive target group, simply because the satisfaction of a (social) consumption need is easier to expand than the satisfaction of a production need.

In Figure 1, we find three different enterprises within this business model category. The first is the social enterprise *co2online* by Ashoka Fellow Johannes Hengstenberg, which is an online platform providing free online tools that enable customers to track their energy consumption and, thus, help them to reduce energy consumption, CO₂ emissions, and costs. The hands-on system includes a program that analyzes consumers' energy bills by offering a personal comparison to national average energy consumption. Furthermore, it identifies saving potentials in terms of money and CO₂ emissions. The established tools also calculate the economic benefit of sustainable products, trying to emphasize energy saving as a crucial factor in consumer product choices. Moreover, *co2online* supports direct communication between consumers to improve information about consumers' demand for higher-efficiency products and manufacturers' latest energy-saving technologies. The efforts for energy handling reforms are complemented by a special government service which provides institutions with a "HomeResourcesAccount" and an energy monitoring device. *Co2online* receives several major government grants for energy-saving campaigns, service payments, and consulting fees. In addition, they take rents for the "HomeResourcesAccount" from institutions and online users. Moreover, commercial companies can buy their expert knowledge based on user data concerning statistics of energy-saving tools, questionnaires, trends, and user preferences.

The underlying business model of *co2online* comprises different business concepts targeting different customer segments and, thus, funding approaches. Based on the core concept, the social enterprise earns money by employing users – the social target group on the consumption side that uses the service of *co2online* free of charge – as a resource input. Information and statistics from user contacts with *co2online* are marketed to companies. As a consequence, the degree of monetizing social value creation is very high because the social mission – offering users free of charge information and consultancy service about energy-saving technologies – is commercially utilized to earn money. Nevertheless, this specific business approach is followed in a rather rudimentary way as market revenues are generated at only a moderate level. The work of *co2online* is largely supported by the German government (70% of its yearly budget is publicly funded). As a consequence, the need for generating market revenues is low. Within our framework in Figure 1, the venture is positioned as

creating value *with* the social mission but nevertheless receiving high social investments ($F > 0$), placing it below the horizontal line. However, with its strong focus on energy-saving technologies and high-efficiency products, *co2online*'s concept of selling user data could presumably generate higher market revenues, if governmental funding were reduced, thus moving *co2online* further upward in Figure 1.

Following the logic of value creation with this generic business model, we find that the internationally operating social network *Facebook* also belongs to this category. We argue that *Facebook* as an enterprise earns money by utilizing the social mission of a free social network. By activating systematic and fundamental change, *Facebook* improves not only the modern way of communication but also the integration and participation within communities. Considering the creation of social value, *Facebook* works as a change agent within society reforming the traditional way of communication. Especially incidents such as The Arab Spring demonstrate the social importance of this communication platform and its social mission. Enabling fast and easy communication among network users, civil resistance in the form of demonstrations, strikes, matches, and protests could be organized. In addition, information to raise the awareness outside the Arab world could be sent unfiltered despite state interference and internet censorship. Concerning *Facebook*'s business model, users as the social target group are allowed to use the social network for free and to create personalized profiles. Simultaneously, *Facebook* applies its users as a resource input to satisfy the consumption need, viz. personalized advertising, of commercial companies as their market target group. Due to the enormous global importance of the social network within our society, companies buy personalized advertisements, create own company or brand profiles, and try to push their online popularity on *Facebook*. As a consequence, *Facebook* generates enormous market revenues. Furthermore, different applications and online games are designed for *Facebook* and pay a license fee to the social network. Within our framework in Figure 1, *Facebook* has the highest degree of monetizing social value creation, utilizing its social mission commercially to earn high market revenues in excess of expenditures ($R > E$).

Similar to *Facebook*, we consider *Google* as another social enterprise obtaining an identical degree of monetization of social value creation. More specifically, *Google*'s social mission is a free of charge online search machine. Making information globally accessible and creating further free of charge online tools such as *Google Maps* or *Google Scholar*, the social enterprise created systematic fundamental change and achieved sustainable improvements. For example, *Google Maps* is not only free of charge but also extremely effective in terms of support during natural catastrophes, in which the tool is freely used to find

family members after earth quakes or to mark main access and support points during flood disasters. Working as reformers and change agents within the technological progress of our society, the user access to *Google's* products is basically free of charge. Here again, users represent the social target group and are additionally applied as a resource input for advertising companies as the market target group. Thus, an enormous amount of revenues is generated with the social mission making the venture highly profitable.

The high profitability of the example cases *Facebook* and *Google* at the high right end of the spectrum within our business model framework is mainly caused by these companies' strategic business development. In the early stage of both ventures, value creation was established with the social mission of free access to communities and information, respectively, generating low or rather no market revenues. As their user base grew tremendously and became individually identifiable and scalable as a resource, the focus of their business model shifted from only addressing the social target group on the consumption side to targeting a very profitable market target group. In other words, social value creation was monetized by using the elementary social mission to create further commercially oriented value propositions. The commercial value was very successfully marketed and generated high revenues, which, in turn, were then used to diversify their product portfolio and to enter new and also non-social markets. In contrast, other social enterprises – such as the Ashoka projects *Dialogue in the Dark* or *co2online* – use the monetization of social value creation to make their social mission available to a larger social target group or to expand to topic-related social markets in other countries.

The extreme cases of *Facebook* and *Google* highlight how far the monetization of social value creation can be pushed in order to finance and expand the social mission and, in addition, to implement further for-profit elements within their ventures. For the conducted analysis, social ventures are allocated along a continuum ranging from purely social to purely economical (cf. Austin et al. 2006); social and financial returns on investments can be simultaneously pursued (cf. Peredo and McLean 2006). Even at the extreme end of the spectrum, both social and economic elements can still be found. Yet, at the high end of monetization, the question inevitably arises whether or not the social entrepreneur drifts too far away from the underlying social mission and social welfare objectives (cf. Hockerts 2006), turning the social enterprise into a primarily commercial venture, even though the underlying social mission may remain largely unaffected. As Ashoka has very restrictive selection criteria in terms of idea, creativity, entrepreneurial quality, social impact, and ethical standards (cf. Ashoka 2015), their projects represent ideal examples of social venturing and change making. However, the contrast with the extreme

non-Ashoka cases illustrates that the boundaries of what are commonly understood and widely accepted as social ventures, to a large extent, are drawn by individual orientation rather than a generally accepted definition.

5 Strategic implications of the business model approach

Our conceptual framework of monetizing social value creation as well as the empirical analysis of different Ashoka and other well-known case studies reveal that different types of social business models generate qualitatively different sources of income streams. The income streams thereby range from funds and donations over mixed forms of financing social enterprises to pure market revenues. The previous sections identified four generic business model categories showing a positive correlation between the monetization of social value creation and the generation of market revenues. If financing a social venture is evaluated from a strategic perspective, the social entrepreneur is able to increase the enterprise's market revenues and, thus, reduce or replace required funds by raising the degree of monetizing social value creation. As our case studies highlighted, this can be exemplarily done by creating new value propositions to further social or even market target groups or by using social target groups as resource inputs for new market-oriented value propositions. This transformation in the structure of revenue streams raises the potential for the venture's profitability. Nevertheless, we assess that the overall outcome effect depends, first, on the nature of the social mission, and, second, on the composition of customer segments. It is important to note that our framework focuses on comparing the monetization approaches of social value creation by social enterprises and not the social value creation itself. We believe that the social enterprises used as case studies in this paper differ strongly in their social missions and outputs, which makes it impossible to compare them according to their economic, social, and environmental benefits.

Beside the four identified business model categories, we believe that further hybrid forms of social business models exist. Accordingly, some social enterprises obtain very complex business models with different financing forms and sources. For example, *co2online* uses their social mission and respective expert knowledge to address diverse customer segments. In fact, the government and its institutions are both a social investor and a market target group.

In addition, we find that relatively simple changes in the business model structure of a social enterprise can have a significant impact on the monetization of social value creation and the venture's financial output. If our framework is understood as a strategy map for social business models, a social entrepreneur can readily design the social enterprise's business model according to the individual needs and wants of the underlying social mission. Moreover, the entrepreneur can change the existing structure and, thus, increase the monetization of social value creation and financial output. For example, *Aiducation International* with its one-sided social mission could increase the monetization of social value creation by creating further value for their *AiduMakers* and, thus, change to a business model with a two-sided social mission. Similarly, the traditional *soup kitchen* could search a market target group, for example, a media partner with a consumption need for real-life documentaries. As a consequence, the satisfaction of a market target group's consumption need would push the business model from a one-sided social mission with a low degree of monetization of social value creation to a commercially utilized social mission with a high degree of monetization. The new market target group would then yield market revenues, which, in turn, replace required funds. Consequently, the potential for the *soup kitchen's* profitability rises respectively. Representing a change within the business model structure at its extreme, this example clearly illustrates the huge leverage effect of a social enterprise's underlying business model structure.

6 Conclusions and implications for research, teaching, and policy

As social capital markets demand higher levels of transparency and accountability and, thus, the importance of vehicles for financing social enterprises rises constantly, there is much to learn about social financing sources and mechanisms. The major research contribution of our paper is a general framework for analyzing the monetization of social value creation based on the underlying business models of social enterprises. In particular, we illustrate how the creation of social value can be monetized by shifting the financing strategy from revenues *for* the social mission to revenues *with* the social mission. Accordingly, the nature of the social enterprise's earnings changes from social investments to market revenues, which implies an increased potential for profitability of the venture. Our framework demonstrates that different types of social business models generate qualitatively different sources of revenue streams, which intuitively reveals a positive correlation between the monetization of social value

creation and the generation of market revenues. As a consequence, the design of a social enterprise's business model becomes crucial in terms of financing strategies. In addition, we find that changes in the business model of a social enterprise can push both the monetization of social value creation and revenues in excess of expenditures.

Our business model approach entails significant practical implications. The general framework, together with the gallery of real-life cases, can be used by social entrepreneurs as a strategy map to find the right type of business model for their venture, i.e. an appropriate business model for the underlying social mission with a sustainable financial structure. By illustrating that simple changes in the business model structure have a significant impact on the monetization of value creation and the financial output of a social enterprise, we show that the social entrepreneur is able to adjust the business model according to the needs of changing environments. For example, if a major social investor rejects funds or donations and, thus, endangers the venture's social mission for a social target group on the consumption side, the social entrepreneur is now able to identify the respective steps to make the mission further available to the recipients. Hence, the social entrepreneur could create a two-sided social mission by satisfying a production need of a social target group on the production side, reducing the venture's expenditures for personnel. By ordering social business model categories according to their degree of monetization, we also open up new perspectives for policymakers. With the help of our framework, social enterprise funding policies can be fine-tuned, as financiers are better able to judge the monetization of social value creation and thereby estimate the financial outcomes of social enterprises.

In addition to the examined case studies in this paper, future research should focus on analyzing further social enterprises to prove whether supplemental social business model categories can be found. The conceptual framework behind our business model approach may also be extended to further research fields concentrating on monetization approaches and financing sources and mechanisms, respectively. Social entrepreneurship finance is a fairly new frontier as a field of research with numerous ambiguous, unexplored aspects. Generally, social entrepreneurs and their missions enjoy increased importance in society as stakeholders pursue suitable solutions to social problems of our time. Hence, the business models of their ventures increase in significance, especially as hybrid forms and partnerships with commercial enterprises attract attention. For social entrepreneurs, the business model and its special characteristics are related to the nature and configuration of the venture's underlying social mission. Ultimately, the social purpose does not alter the basic logic of a social enterprise's business modeling and planning.

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