



# Social business as a sustainable business model: making capitalism anti-fragile

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## Abstract

In the last two centuries, developed nations have had an unprecedented generation of wealth showing a strong economic progress. Unfortunately, such economic development has not been witnessed in all countries and it does not represent the holistic face of the social progress. The main reason stands in the ideological limitations of capitalism itself, often ignoring local communities and environment while focusing exclusively on profit maximization, market share, dividends and bonuses. This failure it is also because of the division between two basic entities: nonprofit and for profit sectors. The segregation created between the economic values and social values, has created a system where the two different entities have failed to capture and integrate the multi-dimensional nature of the human being to satisfy social needs. Because of this increasing tension, the society needs to find a common ground solution, where the social and economic benefits of these two entities are merged together to generate an anti-fragile system. This research is an attempt to determine if the social business (SB) is capable to solve the problems arose from the free market ideology, nonprofit philosophy, and the consequent social and economic inefficiency. Thus, the boundaries between the private, public and nonprofit sectors need to be changed. In addition, it is aimed to show that SB can solve social, economic, and environmental problems by using the entrepreneurial engine and the profit instrument, proving at the end to be by default a sustainable business model that respects the triple bottom line approach. The investigation method is based on literature review and theory development from three different fields: economics, development studies, and nonprofit management.

**Keywords** Social business · Capitalism · Nonprofit · Development studies · Antifragile

## Introduction

When we consider the human history, in the last two centuries, the most successful nations have had an unprecedented generation of wealth and resources. Unfortunately, such economic development has not been witnessed in all countries and also it does not represent the social progress. Beyond the developed countries, every year around the world nearly 10 million people die as a result of hunger, the number of children not enrolled into schools is a high as 69 million. Children born in developed countries are 15 times more likely to survive in the first 5 years, than those born in developing ones. Nearly one-third of the human population lives without the proper sanitation, where 34.6 million people are diagnosed with HIV, every 30 s one child dies from malaria. To achieve the millennium development goals, the budget of US 100\$ billion needs to be doubled. As our society is

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faced with such difficult problems, there have been enormous attempts to create a better world. While many projects have been successful, much more have failed to achieve the results we hoped.

The reason why these problems are so difficult to deal with is in the ideological limitations that our society has constructed. In other terms, the narrow interpretation and vision of capitalism has created ideological limitations, which prevents us from creating a more social economic environment (Bruni and Zamagni 2007). There are numerous cases, where the economic values have had the prioritization over the social values; as a result it is very important for the society to reflect and change their assumptions regarding the priorities. The social illnesses that the world is facing are a consequence of different reasons. One of those reasons might be that, developers and donors from rich countries do not properly take into account how local survival mechanisms in developing nations work (Rosberg 2005). Arguably we can assume that corruption and political instability, created as a result of military conflicts and colonial dominations are also a reason. Understandably there are also other factors, such as geographic and climatic conditions that can determine the success and development of a country. Another fundamental reason of this failure is the division between two basic entities, nonprofit and for-profit sectors. The segregation created between the economic values and social values, has created a system where the two different entities have failed to capture and integrate the multi-dimensional nature of the human being. As a result, it has not been possible for these sectors to efficiently meet the social needs.

It is being increasingly more difficult for the nonprofit sector do deal with the financial pressure and the skepticism, which mainly comes from the failure of this sector to incorporate the positive element of the free market in its structure (Johnson 2003; Anheier 2006; Ashoka 2000; Austin 2003; Barton 2007; Cavanagh et al. 2005; Chambers 2004; Noya and Clarence 2007; Clark and Driscoll 2003; School 2009). On the other hand, dissatisfied groups are increasing the pressure towards the for-profit sector as an effect of their inability to deliver an important social benefit. Because of this increasing tension, the society needs to find a common ground solution, where the social and economic benefits of these two entities are merged together to generate a better system.

During the last four decades, a new term has been used: “Social Business” (SB). This tries to address the difficult social and market needs, by using the tools of the entrepreneurial sector. There are two different views regarding Social Business, on one hand we have the group which sees SB as a new ideology, which is capable to merge both the economic and social elements (Grove and Berg 2014; Yunus 2017). On the other hand, we have the other group, which sees SB as a trick to make profit using social problems (Tavignot 2016).

The latter viewpoint has been facilitated also from the lack of legal infrastructure in several countries. For instance, in Albania, the social businesses are registered as limited liability companies which gives them the opportunity to share hidden dividends from the business profits.

This research is an attempt to determine if SB is capable of solving the problems created by the present system of capitalism. Thus, the boundaries between the private, public and nonprofit sectors need to be changed. In addition, it is aimed to show that SB can solve social, economic, and environmental problems by using the entrepreneurial engine and the profit instrument, proving at the end to be by default a sustainable business model that respects the triple bottom line approach (Simone et al. 2018; Barile et al. 2014; Elkington 2008). In this way, by promoting this philosophy globally but acting locally, there are strong possibilities to make capitalism an anti-fragile system with lower fluctuations and a better distribution of wealth (Taleb 2012).

The goal of this study is to understand SB and use it as a new organizational structure, which can be used in both developed and developing countries, as a tool to cure the market inefficiencies as of today (Nieuwenhuys 2006). This research will help us to surpass the barriers that the current ideology has created, and truly understand the real social potential of capitalism. This study is not anti-globalization, or anti-capitalist, but a research into understanding the problems that the system is currently facing and to “cure” them to achieve a sustainable system.

The main research question to be answered is: Can Social Business be the cure for Capitalism?

To find an answer to the main question, there is a number of sub-questions to be addressed:

- Is Capitalism sick?
- Is Social Business just another name for the nonprofit sector?
- Why should we consider Social Businesses?

Finding an answer to these questions, will make it clear to determine if SB is the next evolutionary step of capitalism, not abolishing it, but transforming this economic mindset into something sustainable and anti-fragile.

This research is not specific to a particular region; it does not have any geographical boundary. In order to complete this research many cases have been studied from around the world, and also literature has been reviewed. We should take in consideration that the majority of the research done regarding the nonprofit sector is of Western origin. Also, it needs to point out that most of the examples and case studies were found in existing databases and foundations. Hence, this research focuses only on the most successful cases of SB. During this research, it has been noticed that social businesses mostly identify themselves legally as nonprofit

organizations, because the legal framework worldwide has almost ignored the need to create an ad-hoc legislation for social businesses. Clearly as the SB ideology develops, it will need a new legal framework. There are cases in which SB is registered as a non-profit, as a limited liability company, and as a foundation. In United States and some other countries like Italy and Australia, a similar type of organization called ‘Benefit Corporation’ has emerged to satisfy social and environmental needs that go beyond the profit ones. According to Marquis et al. 2010, a benefit corporation is a new form of organization that should meet and satisfy simultaneously the needs of shareholders and other stakeholders (consumers, employees, investors, policymakers, etc.), in order to produce a more socially and environmentally beneficial economy. This type of organization has an ad hoc legislation to discipline the whole activity of “b corps”. In USA, there are already 34 the states which has established an official legal framework; instead, in Italy, this is spread all over the country. However, this kind of organization is still different from the social business, because it is acting more like a social enterprise, allowing the distribution of dividends (that are not allowed in case of social business). Consequently, it is a good starting example of how to create a dedicated legislation for social business, but should be adapted accordingly.

### Concept and method: preliminary notes

The main question in this study is strongly connected with the inefficiencies of the current economic system, and if there is a suitable alternative which can cure such problems. To this theoretical question, the answer that follows at the end reflect the same approach. The analysis of this topic is the result of a systematic literature review in the fields of capitalism, nonprofit ideology and Social Business.

When we consider SB in practice, it needs the help of scholars, businesses and nonprofit professionals, and governments to make it all work, while when we consider academic study of Social Business, it needs a combination of different fields of study. As a result, to conduct this research, literature and theory from three different fields have been studied: economics, development studies and nonprofit management. To better understand the SB ideology, the integration of these fields is needed.

The connection of SB with development studies, represent an important gap in the current literature. Information regarding the definition of SB has never been short, but there is very little information regarding its increase popularity and the effects that it can have on social development, programs, strategies and ideologies.

To address this problem, it has been paid particular attention to the connection between economics and social

development and also focusing on the market inefficiencies, so that it can evaluate SB correctly. Also, by understanding and identifying the current ideological and principle failures of the current capitalist system and the nonprofit sector, it demonstrates how SB is the key to overcome such difficulties. Additionally, by using a different number of academic works focused on international development, it is possible to identify the challenges and recommendations regarding the future of SB.

In summary, the present research type is a conceptual research based on the interpretivist paradigm. From the ontological viewpoint, this research relies on constructivism and relativism, emphasizing the role of the SB as an alternative to the obsolete capitalism and market inefficiency. Therefore, it overcomes the “objective belief” that exists only one reality. Furthermore, it shows as a dangerous illusion the fact of perceiving only one reality (Nardone and Watzlawick 2005). Instead, it promotes the philosophy of multiple realities and invented ones (Corbetta 1999; Watzlawick 1984). From the epistemological standpoint, the present research focuses on non-dualism, subjectivism, holism, and quest of the possible. Thus, the effort is made to search the meaning of phenomena and not precise laws of experimentation. From the methodological perspective, the focus is on constructivism and constructed realities derived through a systematic literature review. Hence, the concentration is on the empathy of interaction between the observing system and the observed one (Foerster 2003).

Conceptually and technically, the systematic literature review starts with the nature of social business, analyzing its organizational structure, and showing different perspectives and contradictions among scholars. Then, it is shown the “sickness” of capitalism where the present version is a limited one compared to the positive potential that can derive by the interaction of markets and actors. Thus, this limitation is addressed by analyzing the free market ideology as the main pillar of capitalism and the market failures produced by the social inefficiency. So, the capitalism of this state of art has failed to be sustainable and eco-systemic, by empowering materialistically only few hands and simultaneously ignoring some basic social and environmental needs. It is exactly, this unsustainability that makes this system (as it is shaped now) very fragile. Afterwards, the analysis continues with the limitation of nonprofit ideology that, despite of some social implications, produces an overall economic inefficiency. Consequently, neither the free market ideology—which is a predominance of the current capitalistic system—nor the nonprofit ideology, can make capitalism anti-fragile and sustainable. We assume that a combination of for-profit philosophy with for-people philosophy and for-ecosystem as well, is the solution, and this solution coincides with the social business principles. Hence, SB serves as a bridge between profitability and sociability.

## The rise of social business

Some researchers believe that the roots of social business might be as deep as religions themselves. All religions encourage the quality of helping other human beings, making social welfare an integral part of human history (Yunus 2007). On the other hand, there are other scholars who consider SB tightly connected with “Victorian liberalism” (Johnson 2003; Mair and Marti 2006; Skoll Foundation 2009).

Social Business can be described as a movement to solve social problems, by encouraging an evolution of the current ideologies. There are two different views regarding SB. On one hand, there are individuals who see SB as the incorporation of business ideology into the nonprofit organizations, and on the other hand there are individuals who see it as a way to implement social values into the economy. Both interpretations are plausible (Light 2008).

In essence, SB can be characterized by the following: social impact, social transformation, innovation, challenging existing ideas, building an anti-fragile system, and sustainability. An interesting definition of SB comes from Oxford Said Business School:

Social Business is the product of individuals, organizations, and networks that challenge conventional structures by addressing failures and identifying new opportunities in the institutional arrangements that currently cause the inadequate provision or unequal distribution of social and environmental goods (Oxford Said Business School 2009).

If we analyze this definition, we can understand that SB has the ability change current ideologies, by demanding a transformation of the structure of the economy, so that social values can be a part of the new structure.

According to the Skoll Foundation,

Social Business is being described as an important drive for innovation and change, calling the social entrepreneurs “pioneers of innovations that benefit humanity” (Skoll Foundation 2009).

This approach gives importance to the idea that every citizen should determine the path of the society.

However, this study highlights and supports mainly the view of Yunus Social Business, named by the Nobel Peace Prize (2006) and Indira Gandhi Peace Prize (1998), Prof. Muhammad Yunus. According to Professor Yunus, Social Business is a company created with the sole purpose of solving a social problem in a financially self-sustainable way. Good social business combines an unwavering focus on meeting social needs with entrepreneurial energy, market discipline, and great potential for replicating and

scaling successful enterprises. A social business is a bridge between a charity and a traditional business. Like a charity it works to solve a social problem, and like a traditional business it is financially sustainable because all the profits are reinvested to help the business grow and benefit society. Therefore, a SB is a non-dividend based company, because all the profits are reinvested into the same business or in another one that promotes a different cause. Sometimes this is called “non-profit distribution constraint” (European Commission 2013), and this is also the main difference with Social Entrepreneurship. In addition, there is a difference between a social investor and a traditional one. The latter invests for his own benefit; instead, the social investor invests to benefit others (Yunus 2010; Yunus et al. 2010).

### Social Business, its organizational structure and contradictions

Social Business is a bridge for nonprofit, private and public sector. As a result, SB has a variety of organizational forms. The way a SB is set up, is normally dictated by the nature of the social needs addressed, the amount of resources needed, the scope for raising capital, and the ability to capture economic value (Mair and Marti 2006). In addition, whether an organization has existed before as a traditional business or as a nonprofit, or it is a new startup organization, it can be easily transformed into a social business.

Some authors sustain that the SB must make profits in order to distinguish itself from other organizations (Massetti 2008; Yunus 2007). For supporting this view, Massetti (2008) divides organizations in four different groups:

- The Traditional Business—market driven/profit maximization
- The Transient Organization—respond to market/not interested in profit maximization
- The Tipping Point—socially driven/making profit to survive
- The traditional not-for-profit—socially driven/donor funding

According to Massetti (2008), SB is part of the “Tipping Point” organizations, and consequently, to distinguish itself must make a profit.

The 2006 Nobel Peace Prize Laureate, Prof. Muhammad Yunus, one of the pioneers of Social Business and the founder of Grameen Bank and modern microcredit (Yunus 1999), suggests that one of the goals of the SB is to have a surplus. And the surplus must be used to pay as soon as possible the initial invested capital. These funds, if the investors choose, can be reinvested into the same SB or in a new one. As demonstrated by the Grameen Bank or other initiatives,

the surplus generated must be invested to increase the range of services that the social businesses offer. This strategy leads in the ability of the organizations to be sustainable and self-sufficient, which gives them the possibility to grow and increase the social benefit.

Differently, there are others who believe that the generation of income is not important and traditional nonprofit organizations are viable social businesses (Skoll Foundation 2009). For example, an organization such as Skoll Foundation often tend to invest on ideas of nonprofit organizations, which are not able to generate profit, nor are self-sufficient, but are believed to be entrepreneurial and innovative. In addition, Acumen Fund believes that the generation of surplus is not important as long as the organization is sustainable. Thus, even though the idea of SB is to become sustainable, it is not obligatory for them to be self-sufficient or make profit. To be identified as a SB a mix of characteristics such as social impact, sustainability, innovation and entrepreneurship are important (Dees 1998, 2007).

In other words, the most popular SB structure is the one which uses both the characteristics of for profit and nonprofit, which can make a profit, but still is dependent on donations. There are also authors that advocate the hybrid forms of SB, defining it as an activity intended to address social goals through the operation of private organizations in the marketplace and which is capable to adopt and use different strategies which vary from traditional nonprofits to socially conscious for-profit business, and the number of hybrid arrangements in between (Cordes and Steuerle 2009).

When we consider the last decades, there are two main movements which are predominant related with the economic and social development. On one side, there is the continuous increase in dissatisfaction with the failures because of the free market ideology and institutions. On the other side, there is the problem with the absence of economic freedom of nonprofit sector; as a result, the dissatisfaction of this sector increases. Therefore, it seems important to understand these two different movements to figure out if SB lies in the range of development ideologies.

## Free market ideology and social inefficiency

One of the most important factors which has changed the structure of the society around the world has been the shift away from a social welfare state approach to development and towards a neoliberal approach with an emphasis on market forces as primary mechanisms for the distribution of resources (Johnson 2003). This is the result of the idea that the increase in consumption and economy is the key to human progress and development (McMichael 2007; Sen 2000). Even though the impact that this ideology has been generally discussed in political and economic terms, it is

also important to recognize the significant implications it has had also on social change.

Since the seventeenth century, with the beginning of the idea of progress, it gave primacy to the economic view in our ideological universe to achieve a social result, societies tended to rely on economic growth. In other words, economic development has become a normal science (as defined by Kuhn 1962) where, once established, a field of knowledge defines its own questions, brushing aside as illegitimate other questions, and evidence, which do not fit its assumptions (Shanin 1997). The belief that economic development would result into an optimal social system, has made possible for the social welfare to get devaluated and the center of the society has become increasingly empty of human content. Consequently, capitalism started to be sick because the people impacted by this system were unable to afford the accumulation of wealth and power in very few hands. The majority of world population started to suffer this misbalanced power and the unequal distribution of wealth. Not only, but the economic growth based on the principles of fierce capitalism and symbolic economy (of virtual finance and stock exchange markets) has become a mindset. This mindset has created a culture of selfish and deceitful capitalism throwing the foundation of what Zamagni and Bruni (2013) call “anthropological cynicism”. The thesis of Zamagni and Bruni, is based on the Italian tradition of the founding fathers of the Civil Economy, Antonio Genovesi and Giacinto Dragonetti. In his “A treatise on virtues and rewards”, Dragonetti (1769) advances a theory of action based on awards for virtues. The idea of awards relies on the hypothesis that good or virtuous citizens act for intrinsic reasons. Modern economics has followed the path of incentives (and “punishments”), not that of awards. So, development theories, following the path of modern economics, ignored the noble principles of human values, suffocating with econometric formulas the market spirit and slaying the virtues of humanness. Intentionally or unintentionally, advocates of development studies, and especially economic development, has used interchangeably the terms economic growth with economic development. In Italian economic literature tradition, economic growth and economic development have been analyzed as two different concepts, although complementary, but still positioned in two different logical levels. While development includes growth, growth does not include development (Sciarelli and Rinaldi 2017). Growth refers to an increase in the gross domestic product (GDP) of a country, or the ability of the country to produce goods and services relying on the principle of capital accumulation. When it comes to development, this is a process of economic growth occurring alongside the transformation of a society in terms of welfare. Thus, development goes beyond economic growth, and it is concerned with a better distribution of wealth within a country. If there is development, this



is not just an increase of GDP, but especially an increase of GDP per capita, and an increase of the general well-being accompanied by social and cultural transformations (Schumpeter 1943). In practice, developed countries have both an economic growth and development. But the developed countries are fewer compared to the underdeveloped and the developing ones. In this evolutionary history, the present capitalistic system has its contribution (for good and for bad).

Sadly, for the Earth's least developed nations, the structural adaptations suggested from the Washington consensus, were not able to deliver the widespread results that were expected. As a result, today we have a situation where almost half of the post-colonial world now dwells in slums, which shows that globalization and the free market work for some countries, but not for all, which creates a winner and a loser (McMichael 2007). There are cases, where economic liberalizations have obligated a large number of individuals to leave their homes and communities, which had given them a dignified life. Dams, forestry projects, and many other interventions financed by the World Bank and other foreign assistance agencies have disrupted their lives for purpose that benefited those already better off (Korten 1980). Consequently, there are many cases where the ideology of the market fundamentalist institutions, like the IMF and the World Bank, has made things worse than they were before (Stiglitz 2007).

Another problem that rises as an effect of the economic mentality is the fact that not everything can be measured in dollars. Although the growth rates are an important indicator to the living standards when comparing different countries, the measure of growth is not the best tool to identify the development possibility as a process of expanding the real freedoms that people enjoy (Weil 2008; Sen 2000). Growth of GNP of individual incomes can, of course, be very important as means to expanding the freedoms enjoyed by the members of the society. But freedoms depend also on other determinants, such as social and economic arrangements, as well as political and civil rights (Genovesi 1820; Sen 2000). The fact that we put so much attention to the economic growth, has decreased the importance of anything else which cannot be measured in dollars, and we need a lot of work, to create a measure for human welfare, besides the monetary system (Waring 1990). Values like peace, quality of life, empowerment, social cooperation are not taken in consideration, since they are not able to convert it in dollars.

According to Transparency International (2013), financial gains and corporate gains are more important for the private sector and political agendas, rather than human interests. The same agency states that corporate funding has been used to buy even political influence.

Another suboptimal social value which has been on the rise is inequality. Since the 1970, the gap between the

richest and the poorest has more than doubled, now standing at about 89:1 (McMichael 2007). In 2007, the CEOs of large US companies were paid in 1 day what the average US worker makes in an entire year (Dickson 2008).

In the recent decades, there have been an increasing number of former passionate players of the free market policies, which now are admitting that there is a need for a new value measure system (Stiglitz 2002, 2007). Consequently, orthodoxy has increasingly come under the assault by a group of economists and social scientist who would like to see the narrow concept of economic development replaced with a broader notion of social, or human, development (Kapur 1998).

There are several new trends of development models emerging. The new “Kerala model”, is one of the most notable models of development which explicitly seeks reconciliation of social, productive and environmental objectives at the local level, and tries to develop synergies between civil society, local governmental bodies, and the state government (Genovesi 1769; Vernon 2001). This particular model is a clear example of a socially sustainable development model. Even though the income per capita and economic growth rate is low, the popular movement and progressive state interaction has improved the living standards and brought a high level of social development in Kerala, India (Kapur 1998; Vernon 2001). This example of cooperation between the state, businesses, NGOs and community, shows that there is a better model when it is focused on the community, also is decentralized and goes above the state regulations.

The increasing interest in the sustainable development can be considered also as social progress. There are different new tools used to measure the development progress. In 1972, the King of Bhutan coined Gross National Happiness as a qualitative benchmark combining material and spiritual development in emphasizing equality, preservation of cultural values, environmental sustainability and good governance (Barile and Saviano 2018; Barile et al. 2012). This might have been the starting idea for the United Nations to develop the Human Development Index (HDI), which with the help of life expectancy, adult literacy and GDP evaluates a countries status and performance. The United Nations since 1990 has been publishing the Human Development Report, which evaluates the poverty, democracy, gender, cultural liberty, human rights, climate change, water scarcity and globalization. Also, the Gender Empowerment Measure and the Gender Development Index have been created to study and evaluate the differences between men and women in development. All these examples emphasize that globalization does not have to be bad for the environment, increase inequality, weaken cultural diversity, and advance corporate interests at the expense of the well-being of ordinary citizens (Stiglitz 2007). It is important to understand that the free market and economic development play a crucial role

in curing the world's social illnesses. It is true that there are a lot of problems with the current system but, we must also recognize that no other large scale economic system has been able to do as well for so many, and that many of the vast gains in areas such as food production, technology and science, and medicine are directly attributable to the same economic drivers. We should not be naïve to believe that economics does not have a place in development, but we should be aware as well that unregulated and free markets will create a socially optimal world. Sadly, the narrow interpretation of capitalism, which in many cases overemphasizes economic goals, insulates entrepreneurs from all political, emotional, social, spiritual, environmental dimensions of their lives (Scheuer 2000).

### **Nonprofit ideology and the connection with economic inefficiency**

The nonprofit sector for decades has been the bridge between both the governments and the private sector, and the solution of social problems. The nonprofit sector has made some very important progress in addressing social issues. The result of the heavy ideological overlay remnant of Puritan times has prevented the nonprofit sector as a result of the lack in economic freedom to achieve its full potential in eliminating social problems (Pallotta 2008).

An incorporated ideological limit of nonprofit is that these organizations should not take any risks. The lack of risk taking might be one of the important reasons why the nonprofit sector is so slow to innovate and adopt, and one of the slowest changing sectors and very fragile. Since this sector is discouraged to implement programs with high risk or innovation, it is not possible for this sector to have that big needed impact.

A different view of the inefficiency of the nonprofit sector is the idea that such organizations should spend all their funds every year, without taking in consideration investing or saving money. This means that the nonprofit does not have luxury to plan, since they must spend as much as possible now, to fight social problems. It is normal that there will be situations where the nonprofit should spend as much money as possible immediately but, providing the nonprofit sector with a limitation of their ability to invest in their future, does not allow them to have a safe existence, which is another test of their economic inefficiency. Both effectiveness and efficiency are based on planning; i.e. setting and achieving future objectives.

A further limit is the lower accountability of nonprofit compared with the for-profit sector. In the past, information about performance in the nonprofit sector has not been clearly and keenly demanded, required, assembled, and analyzed to the same extent as in the for-profit or public

sector (Anheimer and Salamon 2006). At the present, for the nonprofit sector it has become increasingly important that the nonprofit report to be available and very accurate. As an outcome of increased regulation and controls, in order to decrease the risk of losing funding from donations, there have been an increasing number of organizations who have distorted the costs of fundraising and administration. Thus, if charities focused more on solving the world's problems than on keeping overhead low, more of the world's problems would get solved (Pallotta 2008).

In synthesis, the nonprofit sector has been separated from the rest of global economy. Setting unreachable and unrealistic goals to the nonprofit sector, and at the same time preventing it from using the tools of the free market, obstructs this important market player to solve social issues. Furthermore, the separation that has been created between the for-profit and nonprofit sector, has relieved the for-profit sector from its social duties, and at the same time has increased the pressure and demand toward the nonprofit sector to solve the social issues. The reason why social problems have not been solved yet, its not only thanks to the failure of the neoliberal ideology, but also from denying the nonprofit sector from using the free market strategies. Hence, there is a clear need for a new system which will be able to solve and elevate the limitations of both neoliberal and nonprofit ideology.

### **Challenges and prospects for a sustainable business system: a preventive view**

The main research question of this work to investigate was: is social business the cure for capitalism? To find an answer to this question is not a simple mechanical process. One way to identify a productive solution in a system is to analyze all the attempted solutions until the present, since in most of cases there are exactly these solutions that keep the problem alive (Nardone 2009). In the same way, in this research it has been analyzed through a reversed procedure what is contributing to make the capitalist system worst, and afterwards to propose a possible solution that until now has proven to be very effective and efficient, at least at local level.

From the literature above we can understand that the current economic system is not the most efficient and inclusive one. Capitalism as it stands now is not a completed ideology. It is a system that only thrives for profit maximization and increasing market share. This system has dehumanized the social values, and this variable is not taken in consideration when for-profit businesses operate. In the last decade, we have witnessed the true destructive power that this unfinished system is possible to produce. The crisis of 2008 was one of the most devastating crises in the recent history. The monetization and the dehumanization of the social values, is the proof that the actual capitalism is not an efficient system.

It is a widespread credence that this unfinished system, called Capitalism, is sick.

The nonprofit organizations have been operating for many decades now. Their primary goal has been to solve the problems that the communities around the world are facing. This goal is very similar to Social Business but the approach these two different ideologies implement is not. Nonprofits organizations seek donations to conduct their fight towards solving social problems, while Social Business thrives to become self-sustainable, by generating enough resources to continue its mission. The goal of both these organizations is similar, but the way they approach it is different. So, we can clearly say that Social Business is not a synonym for nonprofit organizations. It is a new ideology, which uses a different set of tools and ideas to challenge the problems of the society.

Despite of the strong potential, SB is a relatively new system and may be considered weak in some points if institutions and social business investors ignore them. This research has identified some of them and explained what needs to be done in order to develop SB through an anti-fragile infrastructure.

### Cultural relativism and ethnocentrism

Any approach has behind a set of values, beliefs, and attitudes. If an approach has a transformative agenda, it is in a specific direction towards change; approaches to development are not neutral (Eade and Rowlands 2003). Because of such idea, the social development ideology has adopted an ethnocentric economic approach towards development. The term development itself is often defined by some western cultures as ethnocentric, which represents inevitability, growth and progress. In a similar way, it is relevant for social businesses to be aware of values and assumptions. To achieve success, these organizations should consider the development in the most effective and inclusive way possible. The conceptualization given by Amartya Sen regarding the ‘development as freedom’ shows the idea of human development as the standard for the social business. According to Sen (2000), development is the result of the elimination of sources like poverty, tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over-activity of repressive states. Human development is about putting people at the center of development. It is about people realizing their potential, increasing their choices and enjoying the freedom to lead lives they value (Human Development Report 2013).

One of the biggest challenges of SB is the ability to reflect the desires and needs of the people these organizations serve. Therefore, social entrepreneurs should be culturally sensate and be careful to the possible unintended outcomes of their

programs. The limitation of someone to understand the culture besides their own is known by sociologists and anthropologist as ‘cultural relativism’. Such concept might not be familiar to many new social entrepreneurs. Because the number of institutions teaching Social Business is increasing, it is important to incorporate in their programs the need to be culturally aware. A tool to overcome such challenge is to use participatory methods before the beginning and the design of a project (Chambers 2004). Such tools can help to mobilize the community and to better understand the desires and the needs, while at the same time decrease the chance for unintended results.

### Empowerment and local participation

The empowerment of the local people is the best strategy to accelerate the development according to development experts. Social Business should use such strategy and contribute in the empowerment of the local people. For instance, one strategy the Yunus Social Business as a foundation is following is that of “Accelerator Program”, in which youth participate in a competition by presenting social business projects to be financed by the foundation. A part of such local mentality relates with the protection and the encouragement of local businesses. One of the duties of SB is to promote and help the generation of community ownership.

Finally, to empower the locals needs the support of local leaders to encourage and become social innovators themselves. Philanthropists and foundations should not focus only in financing and helping Western projects, but also non-Western ones. Social Businesses which operate in nonnative countries must attract local to become part of their project. An example is the Amazon Conservation team.

### Equality

One of the factors in the marginalization of women in society is the traditional culture of capitalism. The development of nation-states in the culture of capitalism undermined women’s status by dismantling the larger, family-based institutions on which ‘sister’ relations rested, turning women into dependent wives. Supporting this idea, Robbins (2013) states that economic and social policies of the colonizers undercut the traditional role of women as farmers, merchants, and participants in the political process of families by undermining the power of extended family or clans, taking away women’s rights to land, and relegating women to the household or low-paying wage labor. So, it is very important for SB to support and utilize social capital resources, differently from that ethnocentric mentality which broke social structures and created gender inequality.

Social Business should also be aware regarding gender equality encouraging women to be part of the social



development. SB should consider UNESCO's recommendations to assess the implications for women and men of any planned action, including legislation, policies or programs, in all areas at all levels (Tiessen 2014). The general consensus is that women are often more concerned about their children's welfare (Yunus 2007). Consequently, the empowerment of women can bring benefits for all the family. Such strategy is used in the field of microcredit, where most borrowers are women.

## Measuring social development

Social Business by itself has yet to establish a common understanding of 'social impact', what it is or how to measure it. Though there are many tools emerging including the HDI and GPI discussed earlier, measures of impact often vary from funder to funder, and organization to organization (The Rockefeller Foundation 2003). This will be a particular challenge for the social business ideology, since such measurement does not need a monetary method for measuring the social value (Dees 2007). Normally, in businesses we have established generally accepted principles of accounting and an international legal infrastructure to help manage the reporting of financial returns. A comparable norm for social impact accounting does not yet exist in clear terms (Clark and Driscoll 2003). Although many attempts have been placed to find a standard measure of social impact, still the consensus is missing on it (Ballesteros-Sola 2014).

One of the problems that is present in the field of Social Business is the multitude of diversity that exists, it ranges from economic development, to youth development, to education and environmental development. However, the center of the problem is the fact that social value is not possible to be measured every time, and some argue that it should not be quantified. As shown during this paper, activities related with family life, like food preparation, childcare and education, under the neoliberal economic ideology must be converted into money denominator. The role of SB is not to just the monetization of social values, but mainly value things that are not possible to convert into dollars.

## Sustainability

In the academic setting, as well as in the practical one, the most well-known and logical approach to Corporate Sustainability is the Triple Bottom Line (Elkington 1997, 2008). This approach states that an organization, to be sustainable must satisfy a triple perspective: economic (make enough profit to survive), social (stakeholder engagement/community oriented) and environmental (managing waste and lowering negative impact on nature). Given the above

considerations, from the moment the social business aims to contribute to society, economy, and environment is by default sustainable in its ideology. It satisfies a social need that in Yunus Social Business terms (this social need) can manifest also an economic or environmental character. In fact, this ambition is explicitly advocated in the latest Yunus' "A world of three zeros" (2017), where the author, after declaring the traditional capitalism as a broken (fragile) system, proposes an anti-fragile capitalism and the new economics of zero poverty, zero unemployment, and zero net carbon emissions.

Nonetheless, to be sustainable, any social business must respect some principles and avoid some other ideologies. One of the unintended effects of the free market ideology is the destruction of the small-scale businesses, which was the source of income for many people. This is one of the policies that SB should be careful not to incorporate in its ideology. In this paper, it has been mentioned the ability of SB to create jobs. While social business improves employment rates, it is essential to be careful in not destroying sustainable parts of local life such as the rest of the local community and environment. There are numerous cases, where independent workers, have been transformed into wage employees, and forced to move in areas, where they have experienced a worst quality of life. SB must be careful not to become the cause for the disempowerment of individuals, but rather be the promoter of the self-sufficiency. For capitalism to exist, wealth or money must be able to purchase labor power. But as long as people have access to the means of production—land, raw material, tools—there is no reason for them to sell their labor (Robbins 2013). Social Business must go beyond such belief, and show that consistence in the economy is much more sustainable than the idea to create a population, which the only way for them to support, is to sell their labor. Social Business must not be the source of cheaper services, products and systems, which pushes people to consume more and more. If SB becomes like this, it will send a distorted message regarding development. As Graeber states:

On the one hand, they set out to teach the 'natives' proper work discipline, and try to get them involved with buying and selling their products on the market, so as to better their material lot. At the same time, they explain to them that ultimately, material things are unimportant, and lecture on the value of the higher things, such as selfless devotion to others (Graeber 2007).

One of the challenges to be faced by the Social Business, while developing as an ideology and growing as a business practice, is to keep the balance between economic and social values.

## Final reflections

Most of the social problems are the direct result of current ideologies and structures used by the global economy. Consequently, there is a need to implement a new system which takes into consideration both the economic and social development.

Social Business is the result of the belief that all three components, social, environmental and economic are compatible with each other, and it is not simply the implementation of the private sector into social development. As stated below:

It is a mistake to believe that social business is just a subset of business activities aimed at more ‘social’ outcomes, much like corporate social responsibility this is a dangerously limiting approach to the extraordinary richness of socially entrepreneurial activity that is found in all three sectors of society (Perrini 2006).

Social Business goes beyond the current economic limitations in term of policies, goals and motivations, which by the current system are top down, exclusionary, formulaic, disempowering and male based. A system like this seems to guarantee stability for a certain period but then the oscillations are radical; consequently, the actual capitalist regime is tremendously fragile. This opinion is supported by evidence such as the recent financial crisis. The Social Business is the opposite and focuses on values such as gender equality, inclusiveness, empowerment, people centered and participatory (Eade and Rowlands 2003).

Social Business supports the idea of community/local sustainable business models, which are believed to generate a more sustainable development, rather than supporting the global corporations. Hence, SB is inspired by the principles of corporate social responsibility, bringing value simultaneously to “shareholders” (i.e. the social business itself) and stakeholders (i.e. community and environment) (Becchetti et al. 2012). An illustration to this regard is the microcredit movement, which has helped people to become self-sufficient owners, rather than wage employees. So, as a social business investor, one can be at the same time entrepreneur, employee (of himself) and employer (of others) by impacting personal finance and local employment. Thus, the Social Business can be a system of the neoliberal privatization, since it relies strongly on private individuals to create and implement social innovations.

In Social Business making profit is perfectly allowed. This is particularly important due the fact that the generation of profit is very important to investment capital. Since Social Business is a free market structure, it does not necessarily reject the GNP growth; it simply values

the growth in the quality of life much more. Social Business has the potential to bring innovation and growth to humanity, especially to the billions of individuals at the bottom of the pyramid, who are practically not allowed to take part in the economy. Social Business supports the fact that new ideas and economic goods are the key to economic development.

Since the choice for the customers is increasing between the social business ideology and the for-profit one, the pressure for the traditional business to become more social is increasing (Vidal 1999). Muhammad Yunus has stated that with the introduction of the social stock market, where Social Businesses can be sold, bought and traded, the pressure of the traditional business will increase, since they will have to compete for investments (Yunus 2007). With the continuous refinement of the market mechanisms, which measure social value, Social Business can prove that GDP is not able to fully demonstrate the value of a country. As a result, Social Business will accelerate the progress made in measuring social value.

Social Business has the ability to inspire the youth, thanks to the innovative ideas to change the world. Many young people today feel frustrated because they cannot see any worthy challenge which excites them within the present capitalist world, and some others are totally excluded. Those, particularly in rich countries will find the concept very appealing since it will give them a challenge to make a difference by using their creative talent (Yunus 2007). Thus, social business can be the tool which will help the youth to find a meaning to their life and give them the opportunity to solve social problems (James 2007). And especially in developed countries, social business can increase local employment, engage talents, and consequently reduce labor migration and brain drain (Riulli et al. 2016). With this business model, the focus is shifted from the problem to its resolution, from the social pain and unsatisfied social needs (caused by hunger, health conditions, unemployment, etc.) to the market opportunity aiming to offer a useful service with economic, social, and/or environmental impact (Hysa and Zerba 2015).

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