

ADDRESSING SOCIAL PROBLEMS THROUGH SOCIAL ENTERPRISE: THE ROLE OF MARKETING

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ABSTRACT

The paper shows that in pursuing the double bottom line of social transformation and financial self sufficiency, social enterprises represent interesting organizations that are neither exclusively 'non profit' nor 'for profit'. The paper develops research propositions focusing on how social and commercial marketing practices and approaches are viewed and utilized in social enterprises.

INTRODUCTION

Potluck, located in one of Canada's poorest neighbourhoods in Vancouver's downtown east side (DTES), is a registered charity that works to improve the quality of life for residents of Vancouver's DTES through its business activities. In combining both business activities and its goal of making positive changes among disadvantaged people, Potluck is an example of an emerging type of organization known as social enterprises, which have been growing in importance. Due to increasing social needs and problems throughout the world, accompanied by reduced government ability to provide the funding necessary to effectively combat these problems, it is expected that social enterprises will continue to grow in both number and importance (Dees 1998b; Christie and Honig 2006). In spite of this current and projected growth, academic research has been undertaken only relatively recently and has largely been case based and anecdotal.

In response to the growing importance and role of social enterprises as mechanisms for achieving social change, and the lack of research concerning marketing practices in such organizations, the purpose of this paper is to develop a deeper understanding of such enterprises and develop propositions for future research concerning marketing in social enterprises. To achieve these specific objectives, the paper first provides a brief review of existing literature concerning social enterprises, and establishes the need for future research on marketing in such enterprises. The paper then reviews develops propositions concerning the role of marketing in social enterprises. The concluding section of the paper presents a brief summary of the conclusions of the paper.

SOCIAL ENTERPRISES: BACKGROUND LITERATURE

Much of the developing literature base has focused on definitional issues around what exactly is meant by social entrepreneurship and social enterprise (Dees 1998a; Mair and Marti 2006; Martin and Osberg 2007; Peredo and McLean 2006). It is widely recognized that social enterprises, in comparison to commercial enterprises are established with the primary purpose of making positive change in the world – helping disadvantaged people and solving social problems. This notion of social transformation is embedded in most definitions of social enterprise and the closely related concept of social entrepreneurship (Alter 2006; Brooks 2009). For example, one definition of social entrepreneurship illustrating the central role of social transformation is given by Mair and Marti (2006:1):

“a wide range of activities: enterprising individuals devoted to making a difference; social purpose business ventures dedicated to adding for-profit motivations to the nonprofit sector; new types of philanthropists supporting venture capital-like ‘investment portfolios; and nonprofit organizations reinventing themselves by drawing on lessons learned from the business world.”

As the Mair and Marti (2006) definition further suggests, social enterprises are also seen as being different from traditional not for profit enterprises in that they seek different forms of financing. In contrast to traditional not for profit organizations that rely primarily on grants and donations to achieve their social goals, social enterprises often engage in profit making activities in order to finance their social missions and gain a form of financial self sufficiency (Austin, Stevenson, and Wei-Skillern 2006; Boschee 2001; Thompson and Doherty 2006). Lastly, social ventures are frequently described as innovative in that they represent new organizational forms and seek new ways to accomplish social change and finance their missions (Brooks 2009; Mair and Marti 2006).

Much of the developing literature has focused on three dimensions considered key to social enterprises – social transformation, financial self sufficiency and innovation (Austin, Stevenson, and Wei-Skillern 2006; Brooks 2009; Dees 1998b; Mair and Marti 2006). Social transformation refers to the impact of the social change desired or achieved by a social

enterprise. Much of the literature concerning social enterprises contrasts social entrepreneurs and business entrepreneurs and underscores the major difference between the two as being the social change emphasis of the social entrepreneur.

The impact of social transformation can be on the number of persons affected, the scope of change, as well as the importance of the change. Because social enterprises are established to address social needs and alleviate social problems, virtually all social enterprises seek to attain social change or social transformation (Austin, Stevenson and Wei-Skillern 2006; Babos, Clarence and Noya 2007; Dees 1998a, 2001; Dees and Anderson 2003; Haugh 2007; OECD, n.d.; Thompson and Doherty 2006; Shaw and Carter 2007; Sullivan Mort, Weerawardena and Carnegie 2003). The pragmatic issue of balancing the double- or triple-bottom line paradigm (most often financial and social returns, sometimes environmental returns) is frequently discussed in the literature (see for example, Neck, Brush and Allen 2009). The assumption is that most effective social enterprises demonstrate healthy financial and social returns – rather than high returns in one and lower returns in the other (Thompson and Doherty 2006).

Financial self sufficiency refers to the ability of a social enterprise to gain financial autonomy through generating profits from income generating activities. This is often discussed in comparison to traditional not for profit organization who rely primarily on grants, sponsorships and donations in order to meet their social goals. Many writers argue that earned income or financial self sufficiency/sustainability is an essential aspect of social enterprise (Boschee 2001). Alter (2004, 2006) identifies two forms of financial self sufficiency, cost recovery (discrete) and earned income (ongoing). Others have indicated a distinction between financial sustainability and self sufficiency, and note that sustainability can be achieved through philanthropy, donations, grants, government subsidy and earned income, but self sufficiency can only be achieved through reliance on earned income.

In many definitions of social enterprises and social entrepreneurship (Austin, Stevenson and Wei-Skillern 2006; Dees 1998a, 2001; Dees and Anderson 2003), social enterprises are characterized by innovation. For example, Austin, Stevenson and Wei-Skillern (2006:2) state:

“Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (e.g., Zadek & Thake, 1997), and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices.”

Brooks (2009) and Mair and Marti (2006) see social enterprises as using innovative behaviour to achieve social objectives. Social enterprises themselves are also seen as innovative structures to solve social problems (Fowler 2000). Mair and Marti (2006) view social enterprise as the outcome of social entrepreneurship. In turn, social entrepreneurship is seen as innovative in that it is a "process of creating value by combining resources in new ways" (p. 37), and "involves the offering of services and products but can also refer to the creation of new organizations" (p.37). Further, the term social entrepreneur is regularly used to describe innovative individuals who initiate and run social enterprises (Neck, Brush and Allen 2009).

What Is Known About Marketing in Social Enterprises: The Need for Research

Probably due to the early stage of development of the research literature on social enterprise, the authors were unable to find literature aimed at examining marketing practices in social enterprises. There is, of course, a literature base on marketing in not-for-profit organizations (complete with specialized journals such as the Journal of Nonprofit and Public Sector Marketing). However, it is important to recognize that many emerging social enterprises are *not nonprofit* – they often seek profits to finance their social missions. However, there may be similarities between marketing in social enterprises and marketing in nonprofits due to the common goal of social transformation pursued in both types of organizations.

Supporting earlier work in the field of marketing in not-for-profit organizations (for example, Andreasen and Kotler 2003), a recent paper by Dolnicar and Lazareski (2009) comparing non-profit organizations in the UK, the USA and Australia found that non-profit managers indicated that the most important marketing activities are promotional in nature. Very few of the managers studied, acknowledged the importance of market research and strategic marketing. Also supporting earlier work, Dolnicar and Lazareski (2009) found that non-profit organizations have an organization rather than a customer centric mindset. Pope, Isely and Asomoa-Totu (2009) show that the growth in the nonprofit sector has been accompanied with greater support and interest from that sector concerning the importance of marketing. They argue as do others (Andreasen and Kotler 2003; Dolnicar and Lazareski 2009), that while nonprofit managers see marketing as important, they do not use

traditional marketing approaches to a great degree (for example, while a majority the managers in the study viewed marketing as important, more than eighty percent failed to define target markets).

ACHIEVING SOCIAL ENTERPRISE GOALS: THE DEVELOPMENT OF RESEARCH PROPOSITIONS CONCERNING THE ROLE OF SOCIAL AND COMMERCIAL MARKETING

Given the growing importance of social enterprises as vehicles for positive change in the world, it is important to consider how social marketing (long viewed as the marketing approach for tackling social change (Andreasen 1995), and marketing in social enterprises may relate to each other in achieving social transformation in social enterprises. It is also critical to consider how traditional commercial marketing might best assist social ventures achieve their financial self sufficiency objective.

Andreasen (2002) has noted that adoption of social marketing in organizations and situations where it may be deemed most useful has been hindered by a number of factors including lack of knowledge about social marketing. Following from Andreasen (2002), in considering the application of social marketing to social enterprises, is likely that social marketing will not be used heavily even in social enterprises where a key aspect of their social transformation goal is consumer behaviour change.

Proposition 1: Social enterprises attempting to achieve behaviour change are most likely to benefit from adoption of social marketing approaches, however, it is expected that (a) many managers in social enterprises will be unaware of the social marketing approach, and (b) relatively few social enterprises will be utilizing the social marketing approach.

It will be important to study the number and type of social enterprises that do indeed seek to attain behaviour change and to understand the approaches that are currently being used to achieve that behaviour change. It will also be important to understand the level of knowledge beliefs and attitudes concerning social marketing that exist in such enterprises. Such knowledge will help in the marketing of social marketing as a potential tool to be used in achieving desired behaviour changes.

With regard to increasing financial self sufficiency in social enterprises, bringing the tools and approaches of commercial marketing would seem appropriate. For example, adopting a market or marketing orientation in the social enterprise would require the enterprise to conduct consumer and competitor analyses and research; but offers the potential to improve the sales of goods and services in such enterprises. Building on research focused on gaining understanding of what consumers want will allow the social enterprise to communicate effectively with targeted consumers and offer appropriate products and services to the market in a form and place where they will be most likely to be purchased by targeted consumers. A marketing orientation also focuses on undertaking competitive analyses in order to better survive in the market. Developing marketing strategy around a careful assessment of the '4Ps' should also help social enterprises succeed better (Kotler and Lee 2008). Given that social enterprises may compete both with other social enterprises as well as commercial for profit enterprises (for example, for profit caterers, or for profit landscapers), adoption of the tools and approaches of commercial marketing may help to compete effectively.

Proposition 2: Managers in social enterprises are likely to (a) have positive attitudes toward marketing, and (b) believe that adoption of marketing approaches and practices can assist them in achieving financial self sufficiency.

However, since virtually all social enterprises are seeking to balance the dual goals of financial self sufficiency and social transformation, it is likely that (similar to marketing in not-for-profit organizations), there will be barriers to the adoption of commercial marketing approaches in social enterprises. The extant literature concerning marketing in not for profit organizations showed that interest in marketing is high among managers in such organizations, but adoption of key marketing practices such as market orientation and target marketing is very low. In particular, this research also suggests that promotion has been adopted by more nonprofits than have the practices of marketing research and strategic marketing planning. However, given that social enterprises seek to attain financial self sufficiency, one may expect that adoption of commercial marketing approaches to be greater in social enterprises than in non-profit organizations.

Proposition 3(a): Adopting a market orientation will be infrequent among social enterprises.

Proposition 3 (b): From the array of possible marketing tools that can be adopted, social enterprises are likely to adopt promotion practices earlier than the practices of marketing research and strategic marketing planning.

Proposition 3 (c): Adoption of commercial marketing approaches will be higher in social enterprises than in nonprofit organizations.

Although social ventures typically adopt the goal of financial self sufficiency, it is not to be achieved at the expense of the equally important social transformation goal. Therefore, it appears likely that the practices of commercial marketing may need to be altered when adopted by social enterprises where the culture is one of achieving both social transformation and financial self sufficiency.

Proposition 4: The practices of commercial marketing are likely to be altered or changed to suit the social enterprise culture when adopted by social enterprises.

The ways in which commercial marketing practices are altered and adopted need to be explored in future research. For example, future research is needed on positioning and branding in social enterprises. Do they and should they emphasize the 'doing good' aspect of the enterprise in their branding or downplay it? How important is this benefit to key target markets?

SUMMARY AND CONCLUSION

Because new types of social enterprises have grown both in number and importance as vehicles for achieving social change, the major purpose of this paper was (a) to develop a deeper understanding of such enterprises, and (b) to develop directions and propositions for future research concerning marketing in social enterprises. The paper shows that in pursuing the double bottom line of social transformation and financial self sufficiency, social enterprises represent an interesting type of organization that is neither exclusively 'non profit' nor 'for profit'. The paper also shows that a research gap exists – little is known concerning marketing in such enterprises. In an attempt to address this research gap and build knowledge concerning how marketing is and should be practiced and adopted in such enterprises, the paper has developed four research propositions to be addressed in future research. The propositions focus on developing knowledge around how social and commercial marketing practices and approaches are viewed and utilized by social enterprises.

It appears then, that while the marketing literatures in the respective fields of commercial, not for profit and social marketing may be helpful, they provide insufficient insights in assisting social enterprises to achieve their goals. Future research is required to fully understand how these organizations manage and market their products and services within these social ventures. Perhaps equally important, knowledge gained concerning marketing in social enterprises may be useful to both social and commercial marketing programs and campaigns in the future. In today's environment where commercial marketing practices have become criticized heavily, it is particularly important to understand what both social and commercial marketers can learn from social enterprises.

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