

## Chapter 9

# Social Entrepreneurship in the Arab World: Lessons from Lebanon

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**Abstract** While much more breadth in the conceptualization of social entrepreneurship exists in the literature originating from the developed world today, the growth in interest and practice of social enterprise in Lebanon and the Middle East is on the rise. This is mainly due to the opportunities presented by social enterprises for solving the salient social, political and environmental problems that are stifling economic development in this part of the world. Businesses in Lebanon and the region are increasingly integrating sustainable platforms for social and environmental impact into their corporate strategies, in an effort to meet the rising demands for Corporate Social Responsibility (CSR) and social entrepreneurship to address glaring socio-economic ills in their environment.

While the social enterprise model is rapidly gaining traction in the region, a framework for establishing a common understanding of these enterprises and how they can succeed has yet to be solidified. If levels of success in social enterprises are not achieved, then their role as change agents in the sphere of economic development risks being compromised. Hence this chapter is largely practical in nature, using established literature on social enterprises to identify the factors that lead to success in the social enterprise landscape, particularly in terms of creating social impact, sustainability and scale. We analyze the social enterprise context in Lebanon and consequently paint a picture of the strengths and shortcomings faced in the local context. These findings are three fold, inherent to the businesses themselves, to the systemic forces within the fabric of Lebanese society and to the nature of the market. Consequently, we formulate recommendations intended to bridge the gaps that today stifle the potential success of social enterprises in Lebanon and compromise potential benefits to society. We draw implications from there that are relevant to the social enterprise discourse in the wider Middle East region.

**Keywords** Social entrepreneurship · Arab · Lebanon

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## 9.1 Introduction

Social entrepreneurship (SE) today has proven to be a viable business model that is gaining momentum on an international scale. Much of the literature on social enterprises however has been largely influenced by the developed nations, while practice of social entrepreneurship has been international in scale and scope. This presents a gap and therefore a need for increased academic knowledge on the understanding and implementation of SE in developing economies, where SE can play a major role in paving the way to modernization.

In this book chapter, we strive to make the case for social enterprise as one solution to the stifling economic development in the region. We examine five cases of budding social entrepreneurship ventures from the Lebanese context, and illustrate through the cases, the opportunities and challenges for social entrepreneurship in the Arab region. We begin by compiling a model that consolidates the success factors for social enterprises, based on available literature on the topic. From there, we assess how these Lebanese social enterprise models fare in relation to the presented framework. The findings highlight the strengths and shortcomings of the social enterprise sector in Lebanon and bring to the fore the role of institutional factors in shaping the potential development of social entrepreneurship. The chapter concludes with guiding remarks that pave the way for solutions that will drive the future success of social entrepreneurship in the region.

## 9.2 Literature Review

In the context of this chapter, social enterprises (SEs) are defined as ventures that have the advancement of a social and/or environmental objective as an end, justified by the requisite financial means to survive and thrive (Dees 1998a; Dees 1998b; Bornstein 1998; Alter 2007). The differentiating features of social enterprises are thus based on prioritizing social mission over profit or wealth objectives, and focusing on a model of value creation through social impact (Dees 1998b). The words social enterprise, social venture and social business are used interchangeably throughout the text.

### 9.2.1 *Why the Arab World*

A large majority of the Arab World is characterized by rampant unemployment, poverty, weak educational systems, underdeveloped healthcare systems, corruption, environmental degradation, and political unrest, among other pressing concerns; all of which play a critical role in stifling social and economic development. According to the Failed State Index in 2011, Lebanon ranks 5th in the MENA and 43rd on a list of 177 states, just ahead of Syria and Egypt, on an indicator where the lower the rank of the country, the worse off it is in terms of corruption and economic decline.

Additionally, as part of the Measurement of Arab Public Opinion Survey conducted in 12 Arab countries in 2011, it was found that “83 % of respondents say that corruption is widespread in their countries and only 19% of respondents believe that their countries’ legal systems treat all citizens equitably” (The Arab Center for Research and Policy Studies 2011).

Coupled with these concerns is diminished trust in the government to impact change, due to the inability of the public sector to cater to the needs of its constituencies. In Lebanon for example, there are over 4,000-registered international and local NGO’s (United Nations, Economic and Social Commission 2001), which comes out to 1 NGO per every 10 people in the country. Despite the startling numbers, these NGO’s often dissolve or become inactive, with little impact on society; each working towards similar end-goals, but in silos, with little private partnership, and with minimal funding, most of which is distributed along sectarian lines (Chahine et al. 2009, p. 25–27). Today, as a consequence of the Arab Spring and the political turmoil permeating the region, these concerns are multiplied, with several countries at an even greater risk of less support from their public sectors.

The Middle East as a whole, inclusive of the GCC countries, made up of the UAE, Saudi Arabia, Qatar, among others, as well as the Levant region and North Africa, suffers also from what has today been coined “the youth bulge.” Youth unemployment in the Arab countries as of 2012 stands at 25 %, while 2/3rds of the region is under the age of 30, and this number continues to grow (The Arab Center for Research and Policy Studies 2012). “Young people in the Middle East now say that being paid a fair wage and owning their own home are their two highest priorities—displacing their previous number-one priority, living in a democratic country” (The Arab Center for Research and Policy Studies 2012). Lack of access to financial security represents one of the largest and most looming issues in the entire region, specifically after the rise of the Arab Spring. On the other hand small to medium sized enterprises, including entrepreneurial ventures are a main source of job creation (Nasr and Pearce 2012). Here, the role of SE’s becomes crucial.

Given the bleak outlook of the role of the public sector to create the necessary improvements for the region and its people, the significance of the private sector is magnified. Social enterprises specifically are a double-edged answer, addressing the call for job creation on the micro-level and for social development, on that of the macro level.

## ***9.2.2 Success Factors of Social Entrepreneurship in Focus***

Lessons and prescriptions relating to the success of social entrepreneurship have gradually been compiled in the literature from a predominantly developed world perspective (Urban 2008, p. 14). Sharir and Lerner (2006) contributed to this dialogue in their own social entrepreneurship success factor framework based on a study of 33 Israeli-based SEs, inclusive of both private business, and revenue generating entities within NGO’s, all of which covered various social issues. The sample of enterprises came from the diverse ethnic subsets that make up Israeli society,

**Fig. 9.1** Three elements of social enterprise success



including Israeli Arabs (Sharir and Lerner 2006, p. 8). Accordingly, success of social enterprises was defined in relation to the following criteria (Fig. 9.1):

1. The degree to which the social venture achieves its declared goals;
2. The ability of the venture to ensure program/service continuity and sustainability by acquiring the resources necessary to maintain current operations;
3. the measure of resources available for the venture's growth and development (Sharir and Lerner 2006, p. 8).

In 2010, Gumaste (2010) further developed the Sharir and Lerner framework by adding a developing world perspective. Based on his study of the contemporary literature of social entrepreneurship, Gumaste added depth to and integrated additional success factors based on the same definition of social enterprise success presented by Sharir and Lerner (Table 9.1). This new model encompassed success factors for social enterprises that span different countries such as Kenya, Bangladesh, Guatemala, and Mexico among others. The basic components of the Gumaste framework are summarized below.

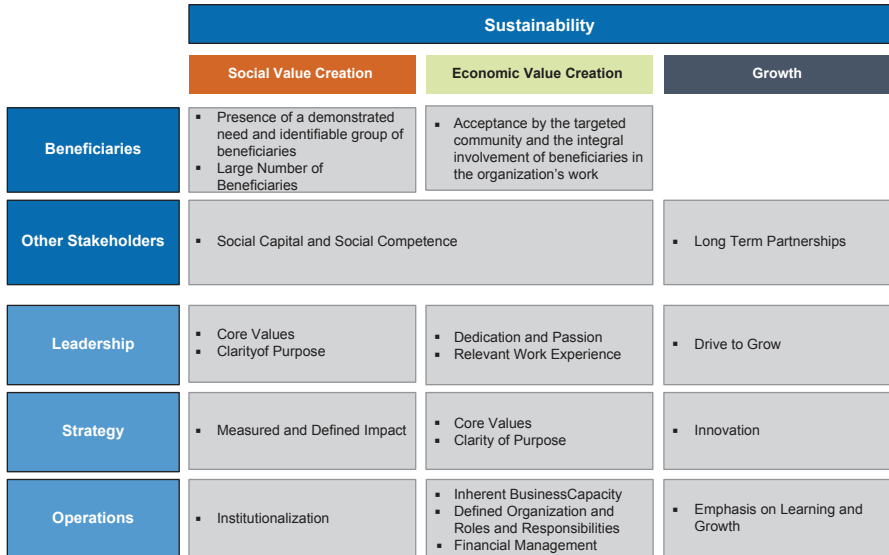
These frameworks highlight predictors for success of social entrepreneurship; however they remain somewhat oversimplified given the lack of emphasis on the for-profit private social enterprise underscored in this book chapter. Additional research therefore on for-profit social enterprises and commercial enterprise success uncovered other factors of success that should also be considered (Collins and Porras 1996; Dees and Anderson 2003; Borschee 1998; Bagnoli and Megali 2011; Elkington and Hartigan 2008). The framework (Fig. 9.2) compiled by the authors in the next portion of the chapter summarizes these elements in combination with the findings of Gumaste.

While the authors conducted research on success factors, it became clear that case studies of social enterprises from the developing world have become more prevalent, however the developing nations in the Middle East remain largely untapped. While the context of the available research is not directly applicable to the Middle East region, the research conducted in Lebanon based on the framework detailed below represents one-step towards contributing to this gap in context-specific information on for-profit social enterprises in the Arab World.

**The Social Enterprise Framework** The largest contribution of the new framework is the structural component that provided the overall assessment with a lens upon which each of the internal elements can be better understood. These structural

**Table 9.1** Proposed factors explaining success in social ventures. (Adapted from Gumaste 2010, p. 74)

Social impact	Implementation/survival	Growth, expansion and development
1) Presence of a demonstrated need and identifiable group of beneficiaries (Sharir and Lerner 2006)	1) Acceptance by the community and involvement of the beneficiaries (Alvord et al. 2004)	1) Emphasis on learning and improvement (Alvord et al. 2004)
2) Measured and defined impact (Alvord et al. 2004)	2) Social capital (Baron and Markman 2000; Alvord et al. 2004)	2) Long-term cooperation with other organizations (Sharir and Lerner 2006)
3) Large number of beneficiaries (Alvord et al. 2004)	3) Appropriate level of embeddedness (Mair and Marti 2005) 4) Sound financials and reliable source of funding (Alvord et al. 2004) 5) Dedication of the leadership team (Sharir and Lerner 2006) 6) Relevant work experience (Sharir and Lerner 2006) 7) Org. structure with well-defined responsibilities (Sharir and Lerner 2006)	3) Drive to expand and grow (Alvord et al. 2004)



**Fig. 9.2** Social enterprise framework: total value creation. (Compiled by Authors)

components are classified according to beneficiaries, stakeholders, leadership, strategy and operations. This is done in order to help contextualize the success factors along the strategic priorities of a firm, while highlighting the various stakeholders upon which the firm is both dependent upon (Freeman 1984) and must engage with for optimum social and economic results (Porter and Kramer 2011). This structure paves the way for total value creation and growth for each social enterprise along the triple bottom lines they seek to achieve.

Incorporated into the Social Enterprise framework alongside the pillars of social and economic impact, is the imperative objective of growth, which measures the firm's capacity to expand (or replicate) so as to continue to amplify its impact. Additional factors that have become embedded within the framework are core values, clarity of purpose, innovation, institutionalization of social ends within the value chain, and inherent business and financial capacities. Comprehensive research of the various elements of both social and commercial enterprise success contributed to these enhancements.

Companies that enjoy enduring success have core values and a core purpose that remain fixed (Collins and Porras 1996). "Core values are the essential and enduring tenets of an organization. A small set of timeless guiding principles, core values require no external justification; they have intrinsic value and importance to those inside the organization" (Collins and Porras 1996). Clarity of purpose follows a similar logic. As discussed by Borschee 1998, often times, mission-driven organizations try to do too much for too many people, and the level of impact gets diluted because the resources get spread too thin (Borschee 1998, p. 3). A clear and defined purpose in a social enterprise will ensure that the business remains focused on outcomes without veering off track and inefficiently utilizing its resources.

The institutionalization of purpose and core values leads to greater social value creation as a result of ensuring that all the operations in the value chain of the business remain aligned to the fundamental values and mission of the firm itself. The greater the integration of the social purpose into the value chain the greater the social returns (Dees and Anderson 2003, p. 2)

Additionally, a social enterprise must function in a similar manner to a for-profit enterprise when it comes to its operations and finances, if it desires economic sustainability (Dees and Anderson 2003). "Unlike other nonprofit voluntary organizations or foundations, social enterprises are enterprises, and therefore their social goals are to be pursued only by respecting economic and financial efficiency" (Bagnoli and Megali 2011, p. 151).

Last but not least, the ability to innovate, has been emphasized in case studies and empirical literature, as critical to social enterprise success (Elkington and Hartigan 2008). Companies must be able to offer practical solutions to problems while continuing to optimize processes in order to facilitate the proliferation of the social mission.

Overall, the Social enterprise framework is mutually reinforcing, such that social value creation fuels economic value creation and vice versa (Porter and Kramer 2011; Friedman 1970). Using this comprehensive framework, five Lebanese social enterprises have been evaluated and analyzed in order to better gauge the opportunities and constraints for social entrepreneurship in Lebanon and the Arab World.

### 9.3 Methodology

In order to achieve the objectives of the research, the authors chose a case study approach. As defined by Yin, the case study research method “is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used” (Yin 1984, p. 23). Given the novelty of the concept of social entrepreneurship, specifically for the Arab context, and the consequent limited number of known social enterprises in Lebanon, case study proved to be the most fitting option for this exploratory study. Based on this, five social enterprises were chosen for analysis and evaluation.

The five social enterprises identified for this study are among the most prominent in the country, receiving acclaim for their social venture initiatives and being recognized as role models for aspiring social entrepreneurs in Lebanon and the region. The sample is thus homogeneous in that each is a social enterprise in Lebanon in accordance with the definition that has been provided, whereby each prioritizes their mission and motive, but strives to generate revenue stability and creation in pursuit of sustainability as a firm. It is heterogeneous in terms of the different industries each firm represents, including agriculture, services, real estate, and commerce, those of which make up the largest portion of the GDP in the country. The motives behind the businesses also touch on the majority of the burdens inhibiting the economic development of the country: unemployment, poverty, gender discrimination and women disempowerment, the absence of facilities for the underprivileged (disabled), environmental deterioration (Council for Development and Reconstruction, Community Development Unit 2005), and an underdeveloped industrial and rural sector (Corm 2007). Therefore, even though the sample is small in nature, it is an accurate representation for what is needed to meet the objectives of this project.

The authors conducted semi-structured interviews with the founders of a sample of five of the most prominent for-profit social enterprises in Lebanon (see Table 9.2 for details of each SE). The social entrepreneurs were initially contacted by e-mail to set up the interview time and date. Contact information was either publically available or made accessible through the database of the American University of Beirut in Lebanon. Each interview consisted of a series of 15 questions relating to the elements of success outlined in Fig. 9.2, each of which has been detailed in the success framework described above. More specifically, the questionnaire used was adapted using the questionnaire from the Gumaste 2010 work. Using this as the basis, the authors developed additional indicators and questions in order to assess all the factors in the final Social Enterprise Framework.

Five interviews were conducted at the offices of each of the social enterprises, and 2 brief follow-up conversations were conducted by phone. The questionnaire was used as a guide for the discussion. Interviews averaged one hour in length and followed a semi-structured discussion format guided by the questionnaire. Seven hours of interviews were recorded, with the approval of the interviewee. 25 total pages of information were consequently transcribed. Data collected was then evalu-

**Table 9.2** Profile of the social enterprise case studies

	Cedar environmental	2B design	Souk al Tayeb/Tawlet	Beyond reform and development (BRD)	Sara's bags
Founded	1992	2006	2004	2009	2000
Employees	36 full time employees	4 in house and 7 outsourced	Unsure	12 full time employees/partners	14 full time employees; 150 prisoners
Social issue	Environmental issues related to waste management and rehabilitation of industrial land	Unemployment of the disabled and impoverished and restoring traditional heritage	Unemployment, environment and rural development	Political reform	Unemployment, women empowerment, social inclusion, Lebanese heritage
Service offering	Waste treatment, recycling plants, support for organic farming, and industrial land rehabilitation	Design and production of furniture made from restored artifacts	Developing organically and locally made food and capacity building for farmers	Management consulting services and advocacy	Manufacturing in fashion (accessories, bags, shoes, clothing, etc.)
Beneficiaries	Government, municipalities and communities	Disabled and the poor	Small, local farmers and unemployed females from rural areas	Public sector entities Society at large	Female prisoners and ex-convicts and their families
History	Based on the passion and past experience of the founder, in industrial engineering of waste management and mega-landfill and recycling plants	Began as a commercial business out of a passion for rapid extinction of traditional architecture	Began as an NGO focused on reviving small famers and developed into restaurant and packaged food line	Offshoot of a commercial management consulting firm working across the region	A research project by the founder brought light social issues; the founder tied past experience in fashion with ability to improve lives of prisoners



**Table 9.2** (continued)

	Cedar environmental	2B design	Souk al Tayeb/Tawlet	Beyond reform and development (BRD)	Sara’s bags
Future plans	Expand use of waste management technology and innovative ways of upcycling (i.e., waste art, furniture out of recycled waste, eco-parks)	Replicate the model beyond Lebanon	Expand into various markets in Lebanon and the region (i.e, Qatar, UAE)	Expand in the MENA region	Expand into international market and develop new product lines

ated using content analysis and categorized by question, by theme and by company based on each the components of the Social Enterprise Framework synthesized in Fig. 9.2. Using deductive reasoning, the authors analyzed the information to find the common patterns, differences, and other nuances of information made available through the framework, in order to come to insightful findings about the potential of the social enterprise sector in Lebanon. In the process of doing this, the authors were able to categorize the findings in a SWOT-style analysis, whereby a deeper understanding of the advantages and disadvantages of the social enterprise sector in Lebanon stands today.

### 9.4 Findings

The determination to strike the balance between social and economic value creation was highly evident in each of the interviews that were conducted. The social enterprises interviewed agreed that social value creation was the purpose that drove their respective venture, though financial value creation was a necessity to maintain the sustainability of the business in the long term. In the case of one social entrepreneur, the founder mentioned, *“the social enterprise must make sure that the social, purpose-driven, business model generates income so that in can sustain the social impact. In the end, the social model has to thrive on its own.”* The founder and CEO of another social enterprise shared the same feeling, stating that she began the business purely as a social vocation, and despite her success, *“intends to remain loyal to the women who got [her] this far and true to [her] ideals.”* This was a general response expressed among all five social enterprises interviewed, which exemplifies their role as social entrepreneurs with respect to the definition used in this chapter.

However, striking this balance of the double bottom line, while noble in theory, proved to be difficult in practice for each of these entrepreneurs. The findings have been presented in the forms of strengths and weaknesses, assessed in terms of the



**Fig. 9.3** Strength and weaknesses summarized

Social Enterprise Framework. These findings have been summarized in Fig. 9.3 below and presented in detail thereafter.

**Strengths** “Any valuable venture should ‘lead to the creation of a new area of activity’ and ‘answer needs not addressed by the existing services’ (Sharir and Lerner 2006, p. 8). ‘For social entrepreneurs... recognized social needs, market failure and repeated unsuccessful attempts by the government to address socio-environmental problems are reasons enough to pursue the social goal’ (Austin et al. 2006, p. 7), circumstances largely present in the developing country contexts particular to this study”. Furthermore, the social entrepreneurs interviewed were very much in tune with humanity and the needs of their stakeholders—their *soft skills* were well developed. They have seized opportunities to manage adversity in Lebanon and are tackling issues that are highly pressing to Lebanese society, including environmental deterioration and waste management (e.g. Cedar Environmental, Souk al Tayeb), the disempowerment of women (e.g. Sarah’s Bag, Souk al Tayeb), the disabled (e.g. 2b Design), civil society governance and political reform (e.g. Beyond Reform and Development). Unemployment is covered by all the social enterprises, either directly towards employing the impoverished, such as Sarah’s Bag, 2b Design and Souk al Tayeb, or indirectly via creating general job opportunities for the Lebanese such as Beyond Reform and Development and Cedar Environmental. Thus, each of the enterprises has identified a pressing need that affects a large number of potential beneficiaries that neither the government nor the third sector have been able to alleviate.

The strengths of the social enterprises interviewed relative to the success factors also lie in their unrelenting passion and determination. Dedication and passion for the business and its purpose drive the necessary commitment and courage needed by the entrepreneur to endure the risks and challenges faced by the social entrepreneur (Borschee 1998, p. 7). Through the interviews, it became clear that the founders of the SEs firmly believe in, and live by, their mission, vision, and business values. *“There was no financial motive for me. It was at the beginning for me, the total falling in love with the concept of going against the trend of the mega landfill and to bring this on a communal level. I fell in love with the biochemistry of it that you can turn garbage into something that can be useful, in three days. I go everyday*

*excited and anxious to try something new. I am part of this land, I am part of this area, and this is where I feel I make the most impact and I want to do that,*” said one founder. In the opinion of another, *“Social and environmental responsibility is not an option, it must be embedded in everything we do, in every step of the value chain, and that is how we run our business...”* The founder of yet another social enterprise repeats, *“this way, to me is logical, it is rational, it makes sense socially, financially, in any way... I cannot understand how it can be done any other way.”* The social enterprise founders unanimously agreed that the fulfillment they are receiving from their work is much more rewarding than financial returns alone. Additionally, one SE owner said *“when you are happy, the money will come, and this is the type of business and the work that I am dedicated to and it is what drives my passion... Financially, of course there are sacrifices, but the tradeoff is worth it, and more.”*

This passion is what drives the institutionalization of the core values and the social purpose into the value chain of each of the SEs. The more the firm is able to integrate the social purpose into every aspect of the value chain the greater the social returns (Dees and Anderson 2003, p. 2). The capacity of the social enterprise to act on its core values creates a ripple of benefit outward into the society, which expands the impact much further than ad-hoc initiatives focused on one group of stakeholders. Additionally, social enterprises are likely to face resistance and distrust from the society at large, because of their hybrid nature (Borschee 1998, p. 7, Dees and Anderson 2003, p. 20). While the levels of institutionalization differed between the interviewed social enterprises, the need to integrate sustainable business practices into the entire value chain was a common practice of all. The owner of one of the enterprises mentioned several interesting points during the conversation that reflected this commitment. He said *“In everything we do, we must be making a positive contribution, in every single aspect of the value chain. We must always choose the least harmful option possible in everything that we do as a business.”* Another founder said, *“We do everything with the absolute least pollution possible. We use sustainable raw materials when we produce anything. In the case of eco-boards, we will soon stop using electricity, and we will generate our own form of power via biomass, which is created out of green waste.”* His mission to ensure zero waste and not engage in “shady deals” is engrained in the minds of all of his stakeholders. *“I make sure everyone is well aware of the values we represent. I hammer the message day in day out to employees/customers/partners of our firm.”*

Vagueness in the driving purpose of the social enterprise, its reason for its existence, can be detrimental. Often times, mission-driven organizations try to do too much for too many people, and the level of impact gets diluted because the resources get spread too thin (Borschee 1998). While all the firms had explicit missions and clarity of purpose, half exhibited explicit core values communicated to all personnel. In this regard, the core values were predominantly driven by the social mission, with no mention of financial sustainability within the value structure. (See Appendix 1 for table of core values.) This also ties into the passion and determination for the social mission of each of these social businesses, while allowing the significance of the economic ends lag behind.

**Weaknesses** This brings us to the areas of improvement that surfaced during the interviews—the *hard skills*. A social enterprise must function in a similar manner to a for-profit enterprise when it comes to its operations, if it desires economic sustainability (Dees and Anderson 2003, p. 1). This is the notion that the management of the SE must possess all the required skills to successfully run a commercially viable business. No doubt, each of the founders exhibited a tacit understanding that the SE had to function like a business and balance their profit motive if they wanted to be successful, despite the relentless passion they manifest for their mission motive. One founder stated that it was “*a stick-to-business-basics*” sense of developing sellable products that lifted us from the losses incurred during the war and the changing of the business model. Another stated, “*I have to pay salaries and the bills, I have to generate income*” though the ability to put this into practice proved difficult. Many interviews suggested that these organizations lacked internal capabilities to manage finance and human resources and realize efficiencies. In an attempt to alleviate the lack of business and financial skills, three out of the five social enterprises have hired management consultants or corporate minds to join the team in order to develop this part of the business. The others expressed a pressing need for this. Souk al Tayeb hired a management consultant of 10 years who was looking for the opportunity to mix her professional expertise with her passion for socio-environmental causes. 2B Design founder eventually brought on her commercially minded husband to take over the role of operations and financial management. This was also the case with Sarah’s Bag, who during the interview expressed the need for a business mind. “I have been looking for someone for three years to help me with my financials and business development...I can be the creative mind. I just need someone to take over the other side,” she said. Founders suggested that limited management training and experience hindered their ability to effectively operate and build the required systems and tools to support their growth. The lack of delineation in roles and responsibilities of the employees of these micro, small and medium sized enterprises also contributed to their fledgling business capacity.

The ability to develop a network of relationships is a hallmark of visionary social entrepreneurs, which is tied to the level of credibility of the leadership team (Trivedi and Stokols 2011, p. 13). The social enterprises did demonstrate an ability to leverage NGOs and other activist groups in the country but in most cases became highly dependent on just one or two organizations. High reliance on few actors places these organizations in a position of vulnerability that may significantly impact sustainability in cases when partner organizations become obsolete. Additionally, the partial scope characterizing the social capital relationships limits the span of social impact potential by focusing on one portion of society.

The sample of social enterprises covered also reveals that measurement of social impact is not yet a priority in Lebanese social enterprises. While they are becoming increasingly convinced of its significance, they remain unaware of how to measure their impact. “While measuring social impact will always be a challenge, a social purpose venture should do its best to develop meaningful and credible measures” (Dees and Anderson 2003, p. 16), so as to set objectives upon which their social mission can be achieved. This lack of measurement is one reason that the potential social

impact of these enterprises remains minimal and unrealized. Souk al Tayeb presented the use of some key performance indicators that measure the impact on their producers, one of their main beneficiary groups. The founder stated *“We directly measure the impact on our producers, based on their sales, the growth of their sales and as of the total percentage of what we are generating from income from their sales.”* However, measurement indicators of impact on other direct stakeholders, such as the environment and community at large, have not yet been established. Success stories and anecdotes from the employed prisoners play a role in providing a qualitative understanding of the impact of Sarah’s Bag, however no quantifiable process has been put in place to keep track of the progress. The founder of Cedar Environmental is also in the same category, in that no systematic quantitative measurement tool has been put in place to highlight the improvement they have contributed to the economy on a regular basis, despite their institutionalized zero-waste policy.

Integration and acceptance of the beneficiaries is imperative to garnering greater support from the community and expanding the social value creation. To gain community approval, mobilizing the existing resources and skills of the people in need becomes imperative (Alvord et al. 2004, p. 4). Each of the social enterprises interviewed provide end products that are either specialized, such as in the case of compost and wood material, at Cedar Environmental, or luxury, such as high-end bags and accessories in the case of Sarah’s Bag, or expensive niche organic food options in the case of Souk al Tayeb/Tawlet. Thus, the integration of the beneficiaries is low, past the production phase, whereby the products are created by the poor and disadvantaged for the wealthy and advantaged. In this case, positive impacts are experienced by the beneficiaries, but not to the fullest potential.

### **9.4.1 Additional Observations**

There were several additional observations that were made during the interviews, predominantly in terms of challenges that SE’s face on a daily basis in Lebanon. These challenges are mainly systemic and market based. From an internal systemic perspective, there is a triple threat in being a social enterprise. *“We have to create a good product, at a competitive price, while being responsible in every action we take. The journey is much more complex, but the outcome is a collective benefit,”* said the co-founder of one of the social enterprises. The other founders shared the same general contention. The struggle to realize impact and financial returns, in order to sustain the impact, requires greater investments and efforts from the part of the social enterprise, those of which should be reinforced and subsidized by the government. Western societies have found solutions by providing incentives to businesses that aid in the development of the public good, so long as they meet the specific criteria of a social enterprise (Department of Business Innovation and Skill 2011). The Lebanese government today however has not taken strides in this regard, as suggested by the interviewees. The interviews also affirmed that social enterprises today register with the government as commercial businesses. In this sense, they deal with the same

costs and challenges that such enterprises are subject to, while not receiving the benefits of the not-for-profit enterprises, which are also performing for the social good. The lack of recognition by governments about the importance of social enterprises can also be linked to the unclear definition of social enterprises. Today, social entrepreneurs identify with and benchmark their success against their commercial counterparts, while their purpose and drive resembles that of non-profit entities. This internal ambiguity stifles the development of social enterprises.

An additional systemic constraint to the success of social enterprises in Lebanon is corruption. In the interviews, it was suggested that the fundamentally corrupt process of doing business in the country limits the capacity of the firms to fully institutionalize responsible business practices. The firms further indicated that they have made the decision not to take part in such fraudulent behavior, which has in turn hindered the progress and development of the business. This deep-seated constraint, which stems from governmental agencies and political leaders drives individuals and businesses to lose faith and interest in benefiting a society and economy that is doing nothing in return to benefit them.

Lebanon is also plagued with political instability that stifles economic growth and business development, specifically in times of war and civil unrest. Conversations about the nature of these occurrences, and the negative impacts they had on their businesses were commonplace in the discussions with the entrepreneurs. For example, the 2006 July war left many of the social enterprises suffering up until the end of last year in 2011, with expectations of financial break even in 2012. Revenues of another also dropped dramatically during the 2006 Israeli invasion. They suffered in terms of "*access to the employees, transportation, deliveries, and just the general slowdown of business.*" Such circumstances make it difficult for any business to survive and thrive. The social entrepreneurs interviewed however showed remarkable ability to live through the misfortune that struck their business during the times of political strife. Their resilience allowed them to persevere. Despite the financial, psychological and logistical difficulties faced in circumstances, such as the 2006 July war, 2008 internal strife, and the current regional turmoil, these businesses were able to bounce back. Today, they press on, despite the high likelihood that conflict will strike again.

## 9.5 Discussion & Recommendations

In assessing each of these cases, it becomes clear that social entrepreneurs in Lebanon are simply doing what they love to do. They express their jobs as a natural development of their passions and their instinctive responsibility to their communities. They are deeply passionate and driven. They have however struggled with the financial know-how necessary to run commercially viable businesses. Aspiring social entrepreneurs should take note of this lesson and consequently audit and optimize their business in terms of the hard skills needed to maintain economic sus-



tainability, if they aim to achieve their social ends. While their social mission will drive the innovation of their business, it must adhere to the various basic elements of revenue generation to sustain. Ultimately, as the Social Enterprise Framework has shown, passion and determination are absolutely necessary in a social entrepreneur's success and an SE, but they are not sufficient.

The blame however cannot be placed solely on the enterprises themselves. While the ground for social entrepreneurship in Lebanon is fertile, the journey is a difficult one, given the plethora of pressing social ills and the infrastructural challenges faced, as discussed above. This adversity presents a potential opportunity for SEs to start solving some of the problems that stifle their ability to grow given their context. This can be possible in the case of need-based social enterprises, whereby the social good is the driving force for the business practice, but which requires a clear understanding from founders, government and society at large about their role and support to succeed in balancing social and economic returns. This is in contrast to starting the social enterprise based solely on the competency and passion of the entrepreneur, which is what the majority of the cases studied in this project exemplify. Thus, a social activist approach to social entrepreneurship becomes a feasible option.

Social activists and social entrepreneurs share similar characteristics. Martin and Osberg highlight this stating "A second class of social venture is social activism. In this case, the motivator of the activity is the same—an unfortunate and stable equilibrium. And several aspects of the actor's characteristics are the same—inspiration, creativity, courage, and fortitude" (Martin and Osberg 2007, p. 37). They are "transformational leaders who motivate people to achieve transcendent or end values such as liberty, social justice, and equality (the ends over means)" (Trivedi and Stokols 2011, p. 11). The difference between social activists and social entrepreneurs is that of their action orientation (Martin and Osberg 2007, p. 38). Activists enact change indirectly and entrepreneurs do so directly. According to this definition, the social activist attempts to create change through indirect action, by influencing others—governments, NGOs, consumers, workers, etc.—to take action (Martin and Osberg 2007, p. 38), whereas the social entrepreneur will make the change himself.

Hence, a successful social entrepreneur should combine action with activism, enacting indirect and direct change simultaneously. They must address the social mission head on, while supporting the institution of an enabling environment that is needed to sustain the solution. Strands of such behavior shine through the social ventures explored in this chapter. Advocacy for policy change, the cross-sector partnerships built and the educational forums and conferences for social awareness conducted are a few of the measures taken to establish the environment necessary of these entrepreneurs to thrive. Thus, social entrepreneurs who have a solid understanding of the issues that affect their communities, and those that have both the fire and clout to influence the system from the inside out, in pursuit of transformation, represent a plausible approach to solving hard-pressed development challenges. The Arab World, plagued by such development challenges, is in need of intrinsic systemic change, providing a platform and an opportunity for activist entrepreneurs to revolutionize the status quo from the bottom up.

Also, the majority of the social enterprises demonstrated resilience, in the face of political instability. In countries characterized by war, conflict and strife, resilience, a subset of dedication and passion, is necessary for the creation of social value, wherein the option of leaving the country and starting elsewhere becomes a much easier and lucrative option. It can be argued that passion is inherently linked to resilience, though there has been no significant casual relationship found in the literature. “No single concept is necessary or sufficient to enhance resilience for any one person” (Kaplan 1999). In the conversations with the interviewed founders, pure observation brought on the notion that nationalism to the country was one significant driver of resilience in the case of the Lebanese. Resilience thus becomes yet another component that has allowed these social entrepreneurs to sustain themselves in the midst of fierce barriers to development and growth in Lebanon.

From a market perspective, Lebanon is a small country that does not always provide a lucrative market place for social enterprises to generate enough revenues to grow and succeed. Each of the social entrepreneurs interviewed are either looking into expanding their business or have already done so, in order to survive. No doubt, scale may need to happen outside, but this does not mean that impact has to decrease within Lebanon. Social entrepreneurs must find ways to continue to manufacture in the country, keeping the production local, but also access global markets. Opportunities outside of market development and in diversification of product lines is also feasible for such businesses to consider when trying to maintain local impact while balancing greater revenue generation. This also contributes to improving Lebanese GDP, which today is highly reliant on service-based business.

## 9.6 Conclusion

Overall, social enterprises in Lebanon are bursting with passion, resilience, and drive, all of which are necessary factors for success. They have established successful soft skills. The basic concepts of the business are sound; as they have met many of the criteria presented in the success factor framework synthesized in Fig. 9.2 and have thus withstood the challenges that mark the journey of a start-up business. These businesses also seek to address some of the most pressing social challenges facing the country today. Nonetheless, these social enterprises can still surely improve their hard skills—strategy, operations, growth and scale. Nevertheless, they are facing difficulties that are very much woven into the social fabric of the country.

Lessons on managing these institutional threats can be learned from the Lebanese setting. To begin with, SEs should find ways to allow the marginalized to play a more active role in both the production and consumption of the service offerings of the social enterprises. Community-based models of social enterprise were not prevalent among the social enterprises interviewed in Lebanon, and present a plausible opportunity for social entrepreneurs aspiring to create sustainable change. Additionally, international market potential should be considered for greater scale, considering the size of the Lebanese market, though this must be audited against the



social purpose so as to ensure that social value creation is not compromised. Last, but not least, activism and resilience have proven to be additional factors of success that social entrepreneurs in similar socio-economic and political contexts must consider in their pursuit of value creation.

Discussions with these social enterprises have also shed light on the lack of awareness and interest stemming from both the public sector and the populous at large, as well as the inherent corruption, political instability, and short-term decision making structure that characterize Lebanon all contribute to what Michael Porter (2008) would refer to as an “unattractive industry” in a “relatively bad position.” While this deters commercially minded entrepreneurs in Lebanon from considering social enterprise, it simultaneously calls for highly passionate, resilient, and commercially minded social activists driven by the benefits of long-term investments to step forward as the social entrepreneurs who will be the difference that is needed in this part of the world. Though few in number, the successes of the case studies presented in this chapter are real-life quality examples of this plausible transformation.

Social enterprise is not the one and only quintessential approach for economic development and societal progress. However, it does pose a sound solution for the social and environmental challenges faced in the region. In order to have large-scale sustainable impact, social entrepreneurs need to be successful and exist within enabling environments that allow them to thrive. Today in Lebanon, there is a growing ecosystem of support in the form of incubators, accelerators, and networks that foster entrepreneurial growth and small businesses development. Universities in Lebanon have also begun mainstreaming sustainability and social entrepreneurship into the curriculum and encouraging relevant research which has also increased the awareness and development of the topic. This growing platform is a place that social enterprises can and should heed for in pursuit of further collaboration and growth.

Lebanon is also replete with non-profit organizations that are working towards the improvement of the various sectors of economic development, but they are in need of guidance and resources. Partnerships between aspiring entrepreneurs and NGO's, not only in terms of mobilizing the necessary capital and resources, but also in ultimately collaborating and working towards alleviating the same challenges, should be leveraged. Integration should cross sectors for maximized social impact and financial success.

Nevertheless, this chapter underscores the notion that often times, the countries that need social enterprise the most, are those wherein the conditions for success are the most difficult. This study helps to paint a picture of that which will allow social enterprises to thrive in the Arab World, a region that is characterized by intrinsic hardship. These enterprises will in turn become role models for aspiring purpose-driven entrepreneurs, whereby a virtuous circle of “good” competition is sparked and sustained. Ultimately, existing and emerging social enterprises must internalize the success factor insights, while understanding the institutional factors that they will face in the developing country context. With this, they can work towards striking the balance between purpose and profit and drive the sustainable and replicable change needed to move the Arab Region forward.

## Appendix 1

Souk al Tayeb	2B Design	Cedar Environmental
<ul style="list-style-type: none"> <li>• Beauty</li> <li>• Preservation of tradition and cultural heritage</li> <li>• Compassion</li> <li>• Reconciliation/social integration</li> <li>• Respect for the environment</li> </ul>	<ul style="list-style-type: none"> <li>• Bridging ends between food producers and consumers by increasing presence in new markets and regions</li> <li>• Promoting social and economic recognition for small food producers</li> <li>• Contributing to the preservation of tradition through culinary events and the promotion of traditional recipes</li> <li>• Building citizenship among diverse communities through the promotion of respect and interaction</li> <li>• Impacting the environment through the introduction of new campaigns and new environmentally friendly practices</li> <li>• Developing a platform for diverse communities to gather to share a common vision and set of values.</li> </ul>	<ul style="list-style-type: none"> <li>• 0% environmentally safe and affordable treatment of Municipal Solid Waste. - No burning or landfilling. Strive for 95% or higher Recycling Rates. - 100% Committed to organic agriculture. - Support and train farmers in their switch from traditional agriculture to organic and provide them with all necessary certifications - Help farmers sell their organic produce on the local and international markets.</li> </ul>

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