

## Chapter 9

# A Social Enterprise Business Model and a Case Study of Pacific Community Ventures (PCV)

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### ABSTRACT

*While there have been a significant number of studies in the management and operational side of social enterprise, the current theoretical framework of the business model in the strategic management area does not adequately take into consideration the unique characteristics of social enterprise and the context within which they must operate. By applying theoretical foundations in the strategic management, this paper fills the current research gap and develops a social enterprise business model. The proposed social enterprise business model is illustrated with a case study of Pacific Community Ventures. Finally, management guidelines of the social enterprise business model are discussed for social entrepreneurs.*

### INTRODUCTION

Social enterprises aim to achieve sustainability through stable revenue and profit generation while pursuing their own social mission (Peredo & McLean, 2006). Different types of social enterprises have emerged, ranging from non-for-profit to for-profit organizations (Global Entrepreneurship Monitor, 2009). For some types of social enterprises, social missions are directly embedded into goods and services. For other types of social enterprises, the profits generated from their non-social mission businesses are used to support their social missions. While it is a rapidly growing sector in the economy, their growth in large part depends on government policies, private and corporate donations, and government contracts. Furthermore, many social enterprises fail in the long run due to poor management, lack of innovation, or shortage of resources (Casselmann, 2007).

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Haugh (2005) indicates that the social enterprise is under-studied and the value of social enterprises to society is difficult to quantify where management practices, performance metrics, and business models are not well established. While a number of business models have been proposed and case studies have been conducted in corporate settings, no study has yet investigated the applicability of business models for social enterprises. To establish a well-defined social enterprise business model, the business model needs to take into consideration both the unique characteristics of social enterprise and the theoretical foundations of business models in the strategy area.

This study attempts to fill the gap between the current research and the pressing need for a solid business model by social entrepreneurs. We lay theoretical foundations for the social enterprise business model by reviewing literature on the business model and social enterprise. The purposes of our study are two-fold:

1. To develop a social enterprise business model and the components essential for successful value creation and management of social enterprises, and
2. To conduct a case study of Pacific Community Ventures (PCV) using the proposed business model and present management guidelines for the social enterprise business model.

The rest of the paper proceeds as follows. The second section develops theoretical foundations of the social enterprise business model. The third section presents a social enterprise business model reflecting the unique characteristics of social enterprise. The fourth section illustrates the proposed social enterprise business model with a case study of Pacific Community Ventures (PCV). The fifth section discusses management guidelines of the social enterprise business model. The sixth section concludes.

## **THEORETICAL FOUNDATIONS**

### **Definitions of Social Enterprise**

There is no one well established definition of social enterprise. Social enterprise is a relatively recent idea and its definitions vary between different countries and contexts. Different terms such as social enterprise, social businesses, social-purpose businesses, community enterprise, and social ventures are used interchangeably by different authors and organizations. Social enterprise is difficult to define, since the social, economic, legal, cultural, and political expectations required by the society at the time have to be taken into consideration. Therefore, one definition may only explain a part of social enterprise.

This lack of a widely accepted definition contributes to the challenges of gathering and analyzing statistical and other data and mapping social enterprises (Lyon & Sepulveda, 2009). For example, the US Social Enterprise Alliance's definition has been kept deliberately open to allow a wide range of organizations that define themselves as social enterprises to be included (Smallbone & Lyon, 2005). The Social Enterprise Magazine Online defines social enterprise even more broadly than the Social Enterprise Alliance. In the UK, the Social Enterprise UK was established in 2002 by members of the social enterprise movement to unify the competing interests. Their current members include social enterprises, private businesses, charities, and public sector organizations. The Social Enterprise UK's definition differs from that of the UK Central Government's Department for Business, Innovation & Skills in that the

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